

The Economist

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India finds its mojo

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JANUARY 24TH-30TH 2026



The Economist

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The world this week

Politics

Jan 22, 2026 02:08 PM



Donald Trump backed off from his threats about taking over **Greenland**. During his speech at Davos he promised not to use force to take the Danish territory and later said he would not impose tariffs on European countries that had sent a few military personnel there. The prospect of new tariffs had raised fears of a huge trade retaliation from Europe. After a meeting with NATO's secretary-general, the president said the framework of a deal had been formed, without giving any details. His insistence on owning Greenland has created the biggest rift in the transatlantic alliance since the 1956 Suez crisis.

An exclusive club

Mr Trump announced plans for a **Board of Peace** that he will chair and invited countries to join. A few have accepted so far, including Egypt, Israel, Turkey, Saudi Arabia and the United Arab Emirates. Vladimir Putin is considering the proposal. Permanent membership costs \$1bn. The board will focus on “effective international peace-building”, a potential challenge to the UN. It will oversee the work of a founding executive, which will include

Marco Rubio, America's secretary of state, and Sir Tony Blair, a British former prime minister, and a Gaza board. It does not include a single Palestinian.

Israel's army razed buildings at a compound in east Jerusalem in the occupied **West Bank** belonging to UNRWA, the UN's agency for Palestinians. Israel has accused it of collaborating with Hamas and banned it from operating in Israel, Gaza and the West Bank. The agency said the demolition was a "violation of international law".

An uneasy calm returned to [Iran](#) after the violent suppression of protests against the regime. HRANA, a Washington-based human-rights monitor, has verified more than 4,500 deaths and 26,000 arrests. The true numbers may be far higher. Iranians are still cut off from almost all internet services, and phone and text messages are still being disrupted.

America's Justice Department served subpoenas on several officials in [Minnesota](#) over their alleged attempts to thwart federal officers from conducting immigration raids. The officials include Tim Walz, the state's governor, and Jacob Frey, the mayor of Minneapolis. Mr Trump again threatened to use his powers under the Insurrection Act to send in troops to quell the protests.

Takaichi Sanae, **Japan's** prime minister, called a [snap election](#) for February 8th. Ms Takaichi became prime minister last October after winning a leadership contest within the ruling Liberal Democratic Party, and is riding high in the opinion polls. Those polls also show voters are most worried about rising prices. Defence and security will also feature in the election. China is curbing rare-earth exports to Japan amid tensions over Taiwan.

The man who shot dead **Abe Shinzo**, a former Japanese prime minister and mentor to Ms Takaichi, was sentenced to life in prison. Abe was murdered in 2022.

In **Afghanistan** Islamic State claimed responsibility for the suicide-bombing of a Chinese-run restaurant in Kabul, which killed seven people. China advised its citizens in the country to take extra precautions and avoid high-risk areas.

Following the attack by Islamic terrorists on a Jewish festival at Bondi Beach, **Australia's** parliament passed a bill to tighten gun laws, including stricter background checks on buyers and a buy-back scheme to take some of the country's estimated 4.1m firearms out of circulation. Laws on hate crimes were also beefed up. Fifteen people were murdered in December's attack.

Han Duck-soo, who was prime minister of **South Korea** during the brief declaration of martial law in December 2024, was sentenced to 23 years in prison for insurrection. Mr Han became acting president when Yoon Suk Yeol was impeached, and was soon impeached himself. Prosecutors had asked for a sentence of 15 years. They have called for the death penalty for Mr Yoon at his trial for insurrection.

The death toll from a fire at a shopping mall in **Karachi** rose to 50, with dozens of people still missing. It was the Pakistani city's most deadliest blaze in 13 years.

The new world order

China got the green light to build its controversial new mega-embassy in London. After years of delays, the **British** government gave its approval for the complex, which will be situated near the Tower of London. Opponents claim it will become a spying hub for China, close to London's financial district. The government says it has assessed those risks and that national security will be protected. Sir Keir Starmer, the prime minister, wants to forge closer business ties with China, and is expected to visit the country soon.



At least 43 people were killed when [two high-speed trains collided](#) and derailed near Adamuz, in **Spain's** Cordoba province. It was the first fatal incident on the country's high-speed rail network, which was inaugurated in 1992 and is the most extensive in Europe.

The European Parliament voted to send the EU's recently signed **Mercosur** trade deal with South America to the European Court of Justice for review. The vote was narrow and MEPs were criticised for caving in to opponents of the agreement, such as farmers. It will not stop the provisional application of the deal from coming into effect, but the parliament cannot now ratify it until the court has its say.

Donald Trump's senior envoys, Steve Witkoff and Jared Kushner, held talks at Davos with their Russian counterparts on a proposed peace plan to end the [Ukraine war](#). Both sides described the meeting as positive. Vladimir Putin prepared to hold a meeting with the envoys and Mr Trump was to meet Volodymyr Zelensky. Russia continued its bombardments, knocking out power and water to most of Kyiv, which is enduring its harshest winter in 20 years.

In **Guatemala** ten police officers were killed in a series of co-ordinated attacks by a drug gang. The trouble started when guards were taken hostage at three prisons. When security forces retook one of the prisons that held "El Lobo", the gang's leader, it

retaliated by attacking police around Guatemala City. The president, Bernardo Arévalo, declared a 30-day “state of siege”.

Gang violence lay behind a sharp increase in murders committed in **Ecuador** last year, despite a crackdown on crime led by the president, Daniel Noboa. The government recorded 9,216 murders, up by 30% from 2024.

[Yoweri Museveni, Uganda's 81-year-old president](#), was declared the winner of an election held amid an internet blackout and repression by security forces. Muhoozi Kainerugaba, his son and the head of the army, bragged on social media that his men had killed 22 opposition supporters and said he wished death on Bobi Wine, the runner-up. Mr Wine is in hiding.

Senegal won the **African Cup of Nations**, beating Morocco, the host, in a dramatic final marred by poor sportsmanship. The Senegalese goalkeeper's towel was snatched by Moroccan ball boys amid wet conditions. He was also targeted with a laser. Even so, Morocco was given a prize for fair play.

<https://www.economist.com/the-world-this-week/2026/01/22/politics>

The world this week

Business

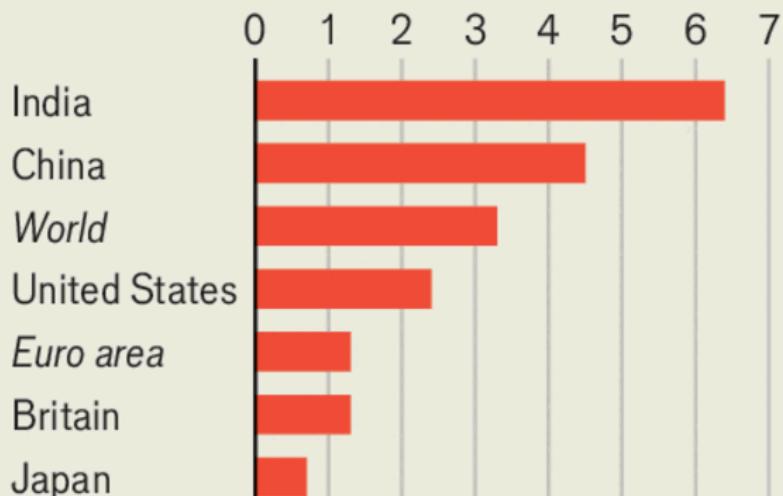
Jan 22, 2026 02:07 PM



Markets rebounded after Donald Trump withdrew his threats about taking over Greenland. The prospect of a damaging trade war between America and Europe had earlier spooked investors, causing the S&P 500 to fall by 2.1% and the NASDAQ Composite by 2.4%, their biggest daily declines since mid-October. The yields on long-term American government bonds hit their highest levels in several months amid a sell-off in the broader bond market that was triggered by concerns over Japanese debt. Yields on [30-year Japanese bonds](#) jumped the most since 2003.

GDP forecasts

2026, % increase on a year earlier



Source: IMF

The IMF nudged up its forecast for global growth this year, to 3.3%. The fund said the **world economy** was demonstrating “notable resilience” to tariffs and that trade tensions had eased (this was before Mr Trump issued threats of tariffs over Greenland).

Investment in AI is a big factor driving growth, the IMF said. It thinks the potential overvaluation of tech stocks is not as great as that of the dotcom boom of 1995 to 2000, but that even a modest correction could have a sizeable economic effect.

China’s economy expanded by 5% in 2025, officially aligning with the government’s target for GDP. Domestic demand remained weak, but a surge in exports helped boost growth. Meanwhile, China’s birth rate fell to 5.63 per 1,000 people, the lowest it has been since at least 1949, when the communists came to power. The total population count decreased by 3.4m, levelling off at around 1.4bn.

The number of people in payroll employment in **Britain** dropped by 184,000 for the 12 months to December, the biggest such fall since the pandemic. The Labour government’s controversial Employment Rights Act is blamed by some, with the Chartered

Institute of Personnel and Development saying that the act is “holding back” employers. In further bad news the fight against inflation took an unexpected backward step, with the annual rate rising from 3.2% to 3.4% in December.

Presidential power

The Supreme Court heard arguments about whether Mr Trump has the authority to sack **Lisa Cook** from the board of the Federal Reserve over alleged mortgage fraud (no charges have been brought against Ms Cook over the allegations). The justices seemed sceptical about the administration’s arguments. They will rule in coming weeks.

Blue Origin, a space company owned by Jeff Bezos, said it would launch a network of 5,408 communications satellites to serve data centres, companies and governments. Called **TeraWave**, it would compete directly with Elon Musk’s Starlink network of around 10,000 satellites, though not for ordinary users.

Porsche sold 10% fewer cars last year, the steepest drop since 2009, during the global financial crisis. Amid a slump of interest in its electric vehicles the German carmaker is refocusing on petrol and hybrid models.

The Federal Trade Commission decided to appeal against a judge’s dismissal of its **Meta** antitrust case. In 2020 the FTC sued over Facebook’s acquisitions of Instagram in 2012 and WhatsApp in 2014, but last November a judge ruled that Meta did not hold a monopoly in social media because of competition from the likes of TikTok. The FTC insists that Meta “illegally maintained a monopoly in personal social- networking services through anti-competitive conduct”.

Snap, the parent company of Snapchat, reached a settlement in a lawsuit that claims algorithms in **social media** cause users to

become addicted. Terms of the agreement were not disclosed. Meta, TikTok and YouTube are also subject to the suit and the case is due to go to trial. Social-media companies have asked the appeals court to reverse lower-court rulings that have left them exposed to potentially thousands of addiction claims. Comparisons have been made to the cases against tobacco companies in the 1990s.

Netflix rejigged its \$83bn bid for the studio and streaming business of **Warner Bros Discovery**, changing it to an all-cash deal rather than a mix of cash and stock. Warner's board backed the revised offer, as it tries to fend off a rival hostile \$108bn bid for all of Warner Bros from Paramount, which has said it will go straight to shareholders to seek their approval for its acquisition.

Still pulling them in

Meanwhile, **Netflix** announced a \$2.4bn net profit for the last three months of 2025, a 29% year-on-year increase. It now has 325m paid memberships worldwide, which translates to a global audience approaching 1bn people. Its biggest film hit last year, indeed its biggest film ever, was “KPop Demon Hunters”. Other hits included “Frankenstein”, “My Oxford Year” and “A House of Dynamite”.

<https://www.economist.com/the-world-this-week/2026/01/22/business>

The world this week

The weekly cartoon

Jan 22, 2026 02:09 PM



The editorial cartoon appears weekly in The Economist. You can see last week's [here](#).

<https://www.economist.com/the-world-this-week/2026/01/22/the-weekly-cartoon>

Leaders

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Greenland's meaning

The true danger posed by Donald Trump

Despite a tactical retreat, great risks remain

Jan 22, 2026 02:39 PM



EUROPEANS EXPECTED a diatribe, but in Davos Donald Trump was almost conciliatory. He demanded “right, title and ownership” of Greenland, but abandoned tariffs, ruled out force and later hailed a new “framework” and a possible deal.

That should be a relief to America’s allies everywhere. A crisis that threatened to engulf the transatlantic alliance has eased. But for how long? This may be only a tactical retreat. Mr Trump has coveted Greenland for years. In setting out his claim he spoke

about NATO with a scorn that should put the capitals of Europe on [high alert](#).

The Greenland crisis holds lessons for all countries. One is that Mr Trump will yield under pressure, without necessarily surrendering his long-term goals. Another is that the president's narrow, pessimistic view of the world and his willingness to rewrite history have eroded the trust which used to underpin America's alliances. Last, it follows that every falling-out under Mr Trump threatens to be existential. He portends a global realignment for which America's allies must prepare.

With Greenland, Europe was lucky. It got through this round because Mr Trump chose to pick a fight over a prize of [almost no strategic value](#) to America. Mr Trump argues, correctly, that the Arctic will be contested as its melting ice admits the world's shipping. Greenland is a site for America's future "Golden Dome" missile-defence system. If the island belongs to America, neither Russia nor China will dare strike it.

But Greenland already has an American base to deter aggressors. If it comes under attack, Denmark and its European allies would have a powerful interest to protect it. America can do much of what it wants in Greenland under today's treaties and, under the new framework, Denmark could strengthen them. The extra benefit of being able to colour in the map is nugatory.

All this helped Europeans explain that the potential cost to America was not worth it. Mr Trump's bluster about levying tariffs led some European countries to threaten retaliation. The markets took note of the harm a trade war and a security crisis could inflict on America. Public opinion there is broadly against a costly takeover. Under fierce European lobbying, Congress showed rare signs of standing up to Mr Trump.

The moral is that, to get America's president to retreat, you have to convince him that you will impose a price on him. In most of their dealings with Mr Trump, European leaders have treated him with sycophancy truffled by the odd, muted objection. This time, they were more assertive and it worked.

That is where the good news ends. At Davos Mr Trump talked about owning Greenland—which means that he could yet seek leverage by reviving tariffs or even the threat to use force. Even if he doesn't and America and Denmark successfully negotiate a revised treaty that remains short of sovereignty, Europeans should heed the language in his speech. It betrayed an ominous contempt for Europe and for the value to America of the transatlantic alliance as it works today.

Mr Trump said that America has paid “100%” for NATO and never got anything in return. Scott Bessent, the treasury secretary, gripes that America has spent \$22trn more than freeloading Europeans on defence since 1980. The administration's security strategy warned that Europe faces “civilisational erasure” from immigration and may soon no longer be a reliable ally.

That is a travesty of NATO's history and Europe's future. It is true that, since the end of the cold war, the alliance's European members have spent too little on defence. But during it, they were a bulwark against Soviet expansion and shared a belief in democracy and freedom. In any case, they are beginning to spend more money again, partly because of Mr Trump's hectoring, but mostly because of the growing threat from Russia.

NATO has succeeded because it was founded on mutual benefit as well as values. The only time its Article 5 mutual-defence pledge was invoked was to support America after 9/11. Proportionally, Denmark lost more troops in Afghanistan than America did. Europe provides America with bases, such as Ramstein in Germany, that

project power around the world; it defends American interests, including in the Arctic.

Unfortunately, Mr Trump is unlikely to change his view that allies are spongers and shared values are for suckers. That is sure to lead to further confrontation, whether over Greenland or something else. America's friends, in Europe and beyond, therefore need to prepare for a world in which they are alone. That starts by preserving as much of NATO as they can. Building hard power takes years, and Mr Trump is in a hurry.

The problem is that Mr Trump believes that America holds all the cards, because his European and Asian allies have more to lose from a rift than America does. He is partly right. For example, if America refused to sell weapons for Ukraine and blocked intelligence, it would risk Ukrainian defeat and invite the next Russian aggression. Europe and Asia depend on America for military equipment. America provides 40% of NATO's capacity—and it is the most important 40%. America supplies Europe with a host of economically vital services and digital technologies.

Europe should try to expose the shallowness of Mr Trump's thinking. It can start by setting out an inventory of what America stands to lose—and this includes a lot more than the cost to American consumers of more tariffs. Europe is a market for \$1trn-worth of American goods and services. It supplies essential technologies, including for chipmaking, telecoms equipment, lenses, aircraft and much more. European spies, especially Britain's, give America valuable intelligence.

Greenland is just the tip of the iceberg

Next, Europe should warn Americans about the hostile world Mr Trump is willing into existence. Unable to trust America, Germany, Japan, Poland and South Korea would rearm even faster and perhaps seek nuclear weapons. Proliferation would curb the value

of America's own arsenal and inhibit its statecraft. China and Russia will not agree with Mr Trump on where America's influence ends and theirs begins. All this might lead to a war so devastating that America could not stay out.

Europe needs to ensure that when investors, voters and Congress react to Mr Trump's vainglorious schemes, they focus not just on Europe's vulnerabilities but also on the harm that they themselves could suffer. That means appealing to their self-interest as well as deep principles of war and peace. Investors do not want to lose money, citizens do not want to scrimp and save and politicians do not want to be voted out.

Unfortunately, America's alliances may not survive continual bouts of arm-wrestling initiated by a president who thinks allies have no value. From within, Europe will suffer disunity, as different countries seek varying accommodations with a predatory America. From without, the presidents of Russia and China, Vladimir Putin and Xi Jinping, will seek to corrode the allies' unity with provocations that divide them.

In past decades American protection has coddled Europeans. Rather than deal with hard power, they have focused on the good life. Those times are over. European leaders should strive to slow the erosion of the transatlantic alliance, but they must also prepare for a day when NATO is no more. ■

<https://www.economist.com/leaders/2026/01/21/the-true-danger-posed-by-donald-trump>

India

The odd thing about Modi's mojo

Constraints make India's prime minister govern better

Jan 22, 2026 02:08 PM



NARENDRA MODI, India's prime minister, was humbled in 2024. His party lost its national majority and had to start ruling in coalition. Policymaking looked listless for most of the next 12 months. Some thought the re-election of Donald Trump, with whom Mr Modi once got on famously, would strengthen his hand. Instead America's president whacked most Indian exports with tariffs, which now add up to 50%.

Yet adversity, and the need to satisfy his coalition partners, seem to have made Mr Modi more pragmatic. Though he still indulges in divisive rhetoric, he has taken fewer actions to goad or bully India's Muslims since his [electoral setback](#). Instead, he has concentrated on [economic reforms](#), which should help the country maintain its zippy growth rate. If he keeps that up, Indians will benefit hugely.

The government expects India's economy to expand by 7.4% in the fiscal year that will end in March. It may soon be bigger than

Japan's and could overtake Germany's by 2028. A decade-long effort to promote manufacturing is starting to show some results, despite American tariffs: India now assembles about a fifth of the world's iPhones.

Mr Modi seems to recognise that keeping growth high will require more work. In the past few months his government has unveiled bankruptcy reforms, which should shorten drawn-out disputes, and simplifications to India's bewildering national value-added tax, under which a bag of popcorn could attract one of three different rates. Officials have promised to cut the red tape that makes it so easy for corrupt inspectors to extort bribes to turn a blind eye, such as criminal penalties for a tiny misstatement of the weight of a packet of biscuits.

In November came helpful changes to labour laws, tidying up a mess of rules that have long given Indian companies perverse incentives to stay small. The government is working on a bill that could encourage private firms to fix rusty pylons and decrepit substations, thereby cutting the price of power.

On the international front, India has closed three trade agreements since the middle of last year: with Britain, New Zealand and Oman. It may soon announce a big new trade deal with the European Union. It is about to open trade talks with Canada. It says it will let foreign firms compete more freely in insurance and nuclear power.

Finally, India is patching up its economic ties with its giant neighbour. Relations with China froze in 2020 after Himalayan border clashes in which soldiers were beaten to death or drowned in a river. But last year Mr Modi met Xi Jinping in China—his first visit there for seven years. Direct flights between the two countries restarted in October, after half a decade's pause. For years India barred much Chinese investment, and made it hard for Chinese executives to get visas. Conscious that it needs Chinese cash and

know-how, it is beginning to ease back on such excessive restrictions.

Will Mr Modi continue in this welcome direction? Thumping victories in recent state elections have restored some of his party's swagger. And the outside world is looking less hostile. Not only has there been a thaw with China; Mr Trump's fury with India has eased since it cut back on purchases of Russian oil. The danger is that Mr Modi's appetite for reforms may go soft, if they can no longer be sold to his nationalist supporters as a necessary sacrifice to strengthen India in an unfriendly world.

The recent reforms are not enough. Some merely correct recent errors. Although India's average tariff rate is drifting down, it is still higher than it was when Mr Modi first won power in 2014. Much-needed reforms to agriculture are still locked in a box marked "too hard". So are changes to make it easier for companies to acquire land. India's awful schools continue to waste hundreds of millions of young minds. Smog and traffic jams steal some of the boost India could gain from urbanisation. Unforced errors remain common: this month India's Supreme Court alarmed foreign investors with a ruling that has thrown into confusion what tax they must pay on capital gains. And Mr Modi has not lost his authoritarian instincts, even if he has curbed them somewhat.

Keep on running

Yet as America grows increasingly protectionist and erratic, India's reformist turn deserves praise. Mr Modi could have responded to his setback at the ballot box, or to Mr Trump's tariffs, in a much less constructive manner. Indians seem to have recognised that building a whizzier economy is the best way to gain global clout. Mr Modi should double down on economic pragmatism, and keep his divisive impulses in check. ■

<https://www.economist.com/leaders/2026/01/22/the-odd-thing-about-modis-mojo>

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[Stay the course](#)

Trump's Board of Peace is a distraction from the real work in Gaza

America's president has unusual power to impose peace; he must continue to use it

Jan 22, 2026 02:39 PM



DONALD TRUMP claims to have ended eight “unendable” wars in his second term. In some cases he exaggerates his role; in others the fighting rages on. In Gaza, though, he really did impose a ceasefire, force Israel to withdraw from populated areas and compel Hamas to release its hostages.

However, this was just the first phase of a 20-point peace plan. In the three months since the ceasefire went into effect, only one element of the second phase has been implemented. A Palestinian National Committee for the Administration of Gaza (NCAG) was appointed on January 14th. Since Israel has not allowed its 15 members to enter the devastated territory, let alone govern it, it is unclear that it has much power.

[The obstacles to peace in Gaza are steep](#). Hamas is in no rush to give up what remains of its arsenal or relinquish its grip on much of

Gaza. Binyamin Netanyahu, Israel's prime minister, will face voters this year and is loth to withdraw further. Israel still controls more than half the territory and occasionally conducts deadly strikes there. It is reluctant to pull back troops or relinquish any control while Hamas still has power.

Mr Trump pushed through the first phase by making clear demands of both sides. He followed this with pressure on Mr Netanyahu, applied personally, and on Hamas through its patrons, Qatar and Turkey. When either side hesitated, Mr Trump simply declared that an agreement had been reached, daring them to contradict him. His bullying style of dealmaking succeeded where two years of diplomacy had failed. Since then, however, his attention has drifted.

The recent announcement of three new peacemaking bodies is unlikely to get the process back on track. The executive board Mr Trump has appointed to oversee Gaza is dominated by people more adept at scouting for business than ending humanitarian crises. It does not include a single Palestinian. Over them all will sit a “Board of Peace”, a private club of world leaders. Membership will cost \$1bn. The veto-wielding chairman, perhaps for life, is Mr Trump.

The board's charter laments that “too many approaches to peace-building foster perpetual dependency and institutionalise crisis.” This is undoubtedly true of much conventional diplomacy. If the board is the “nimble and effective international peace-building body” the charter envisages, the world should cheer. But could a forum tailored to one man's unquenchable ego provide a useful alternative to the UN?

More likely, it will distract further from the plight of Gaza. That territory remains divided between an Israeli-occupied wasteland and a Hamas fief. This is a recipe for prolonged misery for 2m Gazans, many of whom remain homeless and without much food or

medical care. These are the sort of conditions in which a new war might break out. Mr Trump alone has the power to force Mr Netanyahu and Hamas's chiefs to take the next steps. His plan for Gaza won widespread international backing. He should focus on that.

To alleviate the suffering of Gazans and prevent that return to war, the rest of phase two should be implemented—and urgently. The NCAG should be allowed into Gaza and given the resources it needs to start preparing for reconstruction. An international peacekeeping force should be assembled and deployed. A verifiable process of disarming Hamas's fighters must begin. And Israel must withdraw its troops from Gaza's farmland as a prelude to a full withdrawal. Israel should allow much more aid to enter Gaza. The strip should be flooded with food, medicine and building materials.

Even with Mr Trump's talent for strong-arming, none of this will be easy to bring about. But paying attention to Gaza is the first task. Success there would do more than anything else to burnish the president's peacemaking credentials. ■

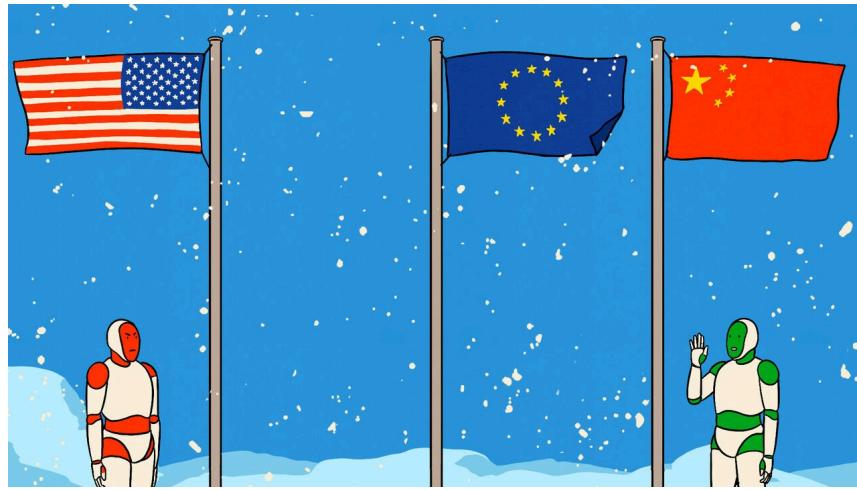
<https://www.economist.com/leaders/2026/01/22/trumps-board-of-peace-is-a-distraction-from-the-real-work-in-gaza>

Europe's DeepSeek moment

Chinese AI is a risk for Europe. So is shunning it

Especially now that America is becoming a less reliable partner

Jan 22, 2026 02:08 PM



ON JANUARY 20TH 2025 DeepSeek was an obscure hedge-fund-turned-tech-startup from Hangzhou. Within a week it had become the byword for a new wave of Chinese innovation, after launching an artificial-intelligence model as capable as Silicon Valley's bleeding edge but much cheaper to build and run. Having slugged it out in China's cut-throat domestic market over the past year, DeepSeek and its homespun rivals are [looking abroad for profits](#). They will not find the largest ones in America, increasingly out of geopolitical bounds, or the poorer global south. That leaves Europe as the likely recipient of their attention.

To the old continent, new technology from China may seem like a curse. Chinese electric vehicles are already eating German and French carmakers' *Wurst* and *frites*. Several EU countries have tried to restrict access to DeepSeek's chatbot over fears that it might shunt data from European companies and citizens to China. No one wants to rely on a geopolitical adversary for what is fast becoming

critical infrastructure. These worries are legitimate. But in the case of AI, China may, if embraced wisely, be a blessing for Europe.

There are three reasons why European firms should welcome this Chinese onslaught. First, Chinese models are nearly as good as the best that OpenAI, Anthropic and Google can offer—which for most users is good enough. Demis Hassabis, Google’s AI supremo, has said that Chinese AIs are only “a matter of months” behind American ones. Like DeepSeek, most cost nothing to access and relatively little to operate.

This cost advantage comes from their openness—the second reason why they ought to appeal to European firms. In contrast to proprietary black boxes peddled by leading American firms, open models can easily be fine-tuned and run on local infrastructure. Using them averts the risk of being locked in to any one provider. If OpenAI or Anthropic went belly-up, their customers would be in a bind. If DeepSeek were to fold, users could keep running its models’ “weights”, the parameters learned during training, on their own data and their own servers—which also allays data-theft fears. American firms like Meta also offer open models. But China is leading the way.

There is one last reason why welcoming Chinese AI is in Europeans’ interest: it offers insurance against lock-out, as well as lock-in. Before Donald Trump took the oath of office for the second time, also a year ago, it would have been absurd to worry about European access to American technology. As he recklessly exploits the transatlantic alliance over Greenland, an executive order limiting American AI firms’ business in Europe no longer seems unthinkable. Some European restrictions on American technology, including the computing clouds where AIs reside, are also plausible.

Although, in a fragmenting world, Europe’s best option may be to nurture its own AI industry, it is not about to become a model-

building superpower. But it can still be a world leader in putting the technology to work. Already, 37% of EU businesses report using generative AI, on par with America. In manufacturing, European firms are ahead. Using open models, including from China, could further increase their lead.

Open road

Politicians in Europe appear to grasp this. With lots of interest and no voluble AI incumbents begging for protection, the early efforts to ban DeepSeek mostly fizzled out. In January the European Commission launched an effort to identify and remove barriers holding back open models. None of this will guarantee Europe's techno-independence. Firms will still rely on American hardware, especially chips from Nvidia. Chinese software comes with all the old risks. But for Europe, the bigger one now is to spurn it. ■

<https://www.economist.com/leaders/2026/01/22/chinese-ai-is-a-risk-for-europe-so-is-shunning-it>

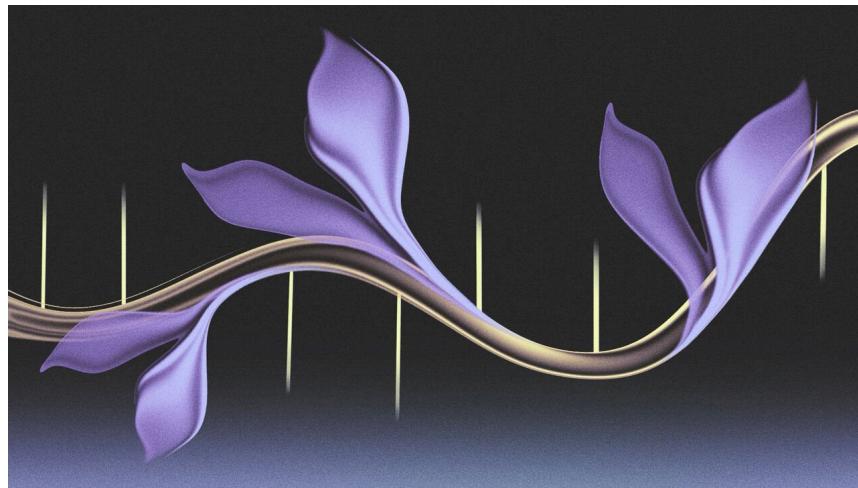
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Trust the process

Britain's good idea for custom genetic medicines

A way to tackle the tricky economics of drugs designed for one person

Jan 22, 2026 02:08 PM



RARE DISEASES are, individually, rare. Collectively, however, they are anything but. They affect perhaps 300m people around the world. Many are highly debilitating. Plenty cut young lives tragically short. Some 80% are caused by faulty genes. Breakthroughs in genomics (which let doctors find problem mutations) and genomic medicines (which edit mutated DNA or disrupt how it is turned into proteins) mean that more and more are treatable. Yet sufferers are seldom treated.

That is because drug firms have little incentive to develop custom medicines and get them past regulators. The process is costly and tedious for businesses which are set up to make drugs at scale. Probably fewer than 100 customised drugs for rare diseases have been made since 2018, usually paid for directly by desperate parents with money raised through charity.

It does not have to be this way. This month Britain's Medicines and Healthcare products Regulatory Agency (MHRA) approved a novel sort of clinical trial. Ten children, each suffering from an ultra-rare genetic neurodegenerative disease that threatens his or her life, will each receive a [unique version of a known drug molecule](#). If the trial is successful, the MHRA will give the nod not to each custom drug one by one, but to the process of making them. The firm doing the tailoring, Everyone Medicines, would be able to make as many variants as there are children in Britain needing care and treatable with the underlying compound. America's Food and Drug Administration is adopting a similar approach. The world's other regulators should likewise follow Britain's lead.

The watchdogs' job is to limit the risk to patients while maximising clinical rewards. This risk-reward determination is relatively straightforward if firms conduct rigorous trials involving lots of patients and a placebo-taking control group. But regulators get nervous about custom treatments, especially for rare diseases with little or no prior clinical data behind them. The risks, in the regulators' eyes, are hard to quantify; the outcomes, uncertain.

The MHRA's innovation is to take seriously the trade-off between the unknown risk of customised treatment and the almost inevitable suffering in its absence. It may be that one day, tragically, a child dies after receiving a custom-made drug. That is not an argument against such treatments—unless a safer alternative exists.

The British approach should spur innovation, especially if adopted widely. Everyone Medicines reckons that process approval could cut the cost of developing custom therapies from \$2m-3m to below \$1m and the time it takes from two or three years to less than nine months. As prices fall, demand will rise, including, eventually, from state-run health-care systems.

Combined with greater regulatory clarity, a signal from governments that they would pay for such treatments and, ideally,

universal whole-genome sequencing of newborns (a large trial of which is also under way in Britain), would attract more biotechnology companies into the market. Already, one new biotech firm developing custom therapies based on gene-editing for other rare conditions has expressed interest in the MHRA's process approval. The more countries emulate Britain, the faster this virtuous centrifuge will spin—and the more young lives will be saved. ■

<https://www.economist.com/leaders/2026/01/22/britains-good-idea-for-custom-genetic-medicines>

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Letters

- **[Could Europe take on Russia without American help?](#)**

A selection of correspondence :: Also this week, Novo Nordisk, alcohol's effects on history, "Blade Runner", fitness, Peter Drucker

A selection of correspondence

Could Europe take on Russia without American help?

Also this week, Novo Nordisk, alcohol's effects on history, "Blade Runner", fitness, Peter Drucker

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NATO and the Baltics

I read the column by David Gioe and Doug Chalmers on whether Europe could take on Russia without American help (By Invitation, January 5th). I am concerned about the authors' use of a fictitious scenario focused on a potential Russian land-grab of Latvian territory. This scenario follows a pattern of picking some place next to the Russian border, be it Daugavpils, Narva or the Suwalki Gap, to illustrate the potential conflict with Russia.

Such hypothetical scenarios were published ad nauseam in the spring of 2014 following Russia's illegal annexation of Crimea. They ring especially hollow today, as they overlook the

transformative advancements in the security and defence capabilities of the Baltic states since then. Over the past decade, Latvia, similar to Estonia and Lithuania (and Poland and Finland), has made substantial investments in its military infrastructure, border security and interoperability with NATO forces. Latvia's national defence spending has been above 2% of GDP during previous years and will be 5% of GDP for 2026. This tangible investment in capabilities coupled with the strong presence of NATO multinational forces in our country form the basis of a robust framework of security and deterrence.

If the intention behind the column was to raise public awareness among the wider European audience about the necessity for additional military spending, then I believe that this scenario misses the point. Mentioning the names of a few regional cities in the Baltic countries will hardly illustrate the threat in a convincing way to the average citizen in London. And it could be counter-productive by being perceived as a warning signal to businesses when assessing opportunities in the Baltics.

It would have been more useful to write about the current challenges that all allied countries face, such as cyber-threats, hybrid warfare or sabotage operations, and the urgent need to step up defence spending across Europe. The commitments to defence investments made at NATO's summit in 2025 were historic. Now it is time to deliver.

MARIS RIEKSTINS
Ambassador of Latvia to NATO
Brussels

The slimming world

I accept your “first-mover disadvantage” explanation for Novo Nordisk falling behind in the weight-loss market (“The curse of

overnight success”, December 20th). But the drug company is not comparable to Pop Mart (and its bewilderingly successful Labubu dolls). Pop Mart is 16 years old and nobody knows whether it will be around in another decade. Novo is into its second century. It is controlled by a charity that has the stability of Novo Nordisk as a main objective, as well as medical research. You didn’t mention growth or shareholder value; both have followed nonetheless.

In any event, is it such a bad outcome to be number two in the biggest pharmaceutical market in history? None other than Eli Lilly was number one in insulin for much of the 20th century. The Danish tortoise, however, obsessed over producing better-quality insulin, perhaps as a direct result of its non-financial goals, and eventually took the crown. I hope Novo’s current leadership remains similarly focused on the next century and not the next quarter.

FAISAL SHEIKH

Managing director
Monmouth Capital
London

AI's limits in creating new drugs

You highlight how [artificial intelligence is shortening the path to new drugs](#) (“The imagination factory”, January 10th). However, the revolution has yet to reach cancer patients. Oncology trials still operate as a lottery where patients exhaust their health, and in some cases life savings, on therapies that were never likely to work for their specific biology.

The synthetic patient, or digital twin, technology you describe represents progress, yet it suffers from a fundamental limitation: failing to account for an individual’s biological complexity. Current approaches match patients by demographics and medical history,

essentially, high-tech filters to identify historical analogues. But two patients with identical clinical profiles often respond to the same drug in radically different ways. This is because clinical characteristics tell us about the patient, not their tumour; their history, not their future.

By modelling the molecular machinery of individual tumours rather than historical controls, AI can more effectively predict which therapies will work before the first dose is administered, whether in trials or in standard care. This approach requires a collective commitment from clinicians, researchers, funders and regulators to prioritise mechanistic understanding over demographic matching.

DR IRINA BABINA

Chief executive
Concr
Bath

AI-designed molecules show an 80-90% success rate in early-stage safety trials, compared with a historical average of just 40-65%, you say. That's good news for the startups responsible for those early trials, using cell cultures or perhaps mice, but it is not going to affect the total cost of getting a drug approved much. The big money is spent later. The stakes increase greatly as a potential drug moves through the pipeline. If AI can increase success rates later, that will reduce costs substantially. As you say, it will be years before that is known.

ASHLEY MULLEN

San Diego

Drunk on power

“The end of a 10m-year love affair” (December 20th) looked at how [the world’s fondness for alcohol might end](#). This deserves a footnote on the importance of drinking in history. Peter the Great

did not merely drink; he institutionalised it. Military reforms and court appointments were settled during prolonged bouts of conviviality. Talleyrand drank prodigiously and ensured that others did too. Much of post-Napoleonic Europe was rearranged not in conference halls but over dinners soaked in burgundy and champagne. Both the public and alcohol were welcomed at Andrew Jackson's inauguration, which descended into a drunken riot that permanently altered American political ritual.

ZUBIN AIBARA

Bülach, Switzerland



Those aren't your memories

I agree with Babbage (December 24th) that “[Blade Runner](#)” is a [seminal science-fiction, or even philosophical film](#). Another key plot twist is that many people think Rick Deckard, the protagonist, is himself a synthetic biological (not mechanical) human or replicant, but does not know it. Thus, the central cruelty of the film is that a replicant is sent to kill other replicants. All his colleagues know this, which is why they despise him and tease him with paper and matchstick unicorns, a reference to the genetically engineered dreams that replicants have. Deckard is in effect a slave, ignorant of his origins, hunting others like him ensnared by a biologically defined absence of liberty.

The philosophical themes in “Blade Runner”, of manipulation, unchecked corporate or authoritarian power and the rights of the individual, grow with time rather than diminish.

DR DOUGLAS HACKING

Melbourne

Get fit for summer

In addition to the [high-intensity interval training programmes](#) you mentioned (Well informed, January 10th), the 5BX fitness regime is a great way to get in shape. Developed in the 1950s for the Canadian air force the programme can take just 11 minutes and is high intensity without the intervals. It does not involve weights. When I was 59 I did it for four months and was in my best shape ever. It was not easy, but combined with walking, I dropped 37lb (16.5kg).

TED BLOOMFIELD

Richmond, Canada

In my experience, “[The best way to train for a marathon](#)” (January 3rd) is to wear a shirt bearing your name in large letters. Whether your training runs have been slow or fast, nothing helps more at the 18-mile mark than a complete stranger shouting out “Come on, Jonathan!”

JONATHAN BREWER

New York

The essential Drucker

Your [article on self-help books](#) put me in mind of a wonderful remark from Peter Drucker, the doyen of management consultants (“Self-absorbed”, January 3rd). Drucker simultaneously insulted

two groups when he quipped that journalists describe purveyors of self-help books as “gurus” because they can’t spell “charlatan”.

PETER SURTEES

Bredasdorp, South Africa

<https://www.economist.com/letters/2026/01/22/could-europe-take-on-russia-without-american-help>

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By Invitation

- **The biggest drag on global trade isn't tariffs, but standards**

Standards complaint :: Product-safety and environmental rules have multiplied like an invasive species, writes Indermit Gill

Standards complaint

The biggest drag on global trade isn't tariffs, but standards

Product-safety and environmental rules have multiplied like an invasive species, writes Indermit Gill

Jan 22, 2026 02:08 PM



NOTHING HAS done more to juice global trade than a simple receptacle—spanning about 40 feet on the long side and eight on the other two. It could be stuffed with cargo and hoisted onto lorries, trains, ships or planes with equal ease. That humble steel box—the standard shipping container—did “more than all trade agreements in the past 50 years put together” to boost globalisation, this newspaper has noted.

Today, globalisation is being pushed in the opposite direction. Ask for the reason, and many fingers will point at increases in tariffs. It is, however, standards, not tariffs, that are doing most of the pushing—and are the bigger threat to globalisation.

Standards—mainly involving product-safety and environmental requirements—shape which products can get to markets, and which cannot. A tariff can be passed on to consumers in the form of higher

prices. Or it can cut into profits. A new standard used as a trade barrier can, at least for a while, cut off trade entirely.

Technical non-tariff measures have overtaken tariffs as the dominant drag on trade. Between the establishment of the World Trade Organisation in 1995 and 2021, the standard tariff rates that WTO members apply to one another fell by nearly half.

Governments, however, simply switched to a different instrument of restraint: non-tariff measures went on the upswing, offsetting much of the decline in tariff rates.

Non-tariff measures now affect 90% of global trade by volume, six times the share three decades ago. More than half of the more than 20,000 standards established over the past seven decades did not exist before the turn of this century. The result has been overlapping and often contradictory national and international rules that cause confusion and increase compliance costs.

High-income economies remain the biggest implementers. Unfortunately but understandably, many developing countries have also jumped on the bandwagon. No wonder that in 2024 the WTO received nearly 6,500 notifications of technical barriers and new health and safety rules covering trade in food, animals and plants—a ten-fold increase from 1995.

Non-tariff measures are not inherently protectionist: they can be legitimate tools to protect health, safety and the environment. Yet their effect on developing countries' exports is often restrictive. That's because developing countries export a larger share of products subject to these measures—food and agricultural commodities, in particular. Exporting countries must now comply with four times as many technical regulations on average as was the case three decades ago. Countries often tighten technical regulations shortly after surges in imports, suggesting the real purpose of many such measures may be to shield domestic producers.

The consequences can be harsh. It can cost an exporter \$425,000 to obtain certification of compliance—a prohibitive sum for most firms. Developing countries lack the vast system of auditors and testing facilities necessary to make certification affordable. Ethiopia, for example, has fewer than 100 auditors for standards related to the International Organisation for Standardisation (ISO); Germany has 12,000. Not surprisingly, German firms face lower certification costs, ranging from \$3,000 to \$11,500.

A standard can be a good thing: improving safety and the environment while acting as a quiet catalyst of economic progress, cutting costs, simplifying processes, boosting efficiency and aiding innovation. But this depends on precise co-ordination and co-operation. That is not what has happened over the past 25 years.

Establishing order depends on the full participation of all countries. Today, developing countries are seldom at the table when standards are written, usually because of a lack of resources and expertise. They should step up their participation—by gradually building capacity. As their capacity grows, they should align national standards to international norms. Eventually, they should strive to help write global standards.

When standards are done right, the pay-off can be enormous. In the 1920s America's Division of Simplified Practice, established by Herbert Hoover when he was commerce secretary, served as a neutral broker for voluntary industry standards. Working through trade associations, it had implemented 173 Simplified Practice Recommendations by 1939. By increasing compatibility, standards cut waste and freed up capital for innovation. South Korea, for its part, built its entire economic strategy on a foundation of quality standards. To compete abroad in the 1960s, the government built high-quality national infrastructure, encouraged the private sector to develop voluntary standards and then ramped up participation in international organisations like the ISO and the International Electrotechnical Commission.

These experiences show that what looks like a technical exercise is in fact a powerful economic policy. Our research shows how developing countries can best use standards. It advocates two fundamental principles. First, governments should set mandatory standards only when needed for public interests such as health, safety and environmental protection. Second, the private sector should be left free to set voluntary standards, as it was in South Korea, with the government stepping in only when collective action fails—and then only as a convenor.

Standards work best when they're matched with capacity. No standard will stick if it cannot be easily used by the largest possible number of people. This was the insight that transformed the inventor of the standard shipping container, Malcolm McLean, into an unlikely architect of globalisation: after coming up with the idea, he turbocharged its global adoption by authorising the ISO to distribute the patent free. The rest is history.■

Indermit Gill is chief economist of the World Bank Group.

<https://www.economist.com/by-invitation/2026/01/22/the-biggest-drag-on-global-trade-isnt-tariffs-but-standards>

Briefing

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Ice and heat

Donald Trump's expansionist itch has undermined global security

He has suspended his predation of Greenland, but he cannot retract the mistrust it generated

Jan 22, 2026 02:09 PM | COPENHAGEN, DAVOS and NUUK



FIRST CAME THE recapitulation: “It is the United States alone that can protect this giant mass of land, this giant piece of ice, develop it and improve it,” Donald Trump told the political leaders and captains of industry assembled at the World Economic Forum in Switzerland this week. “And that’s the reason I’m seeking immediate negotiations to once again discuss the acquisition of Greenland by the United States.” Then, just hours later, came the capitulation: he and Mark Rutte, the secretary-general of NATO, “have formed the framework of a future deal with respect to Greenland”, Mr Trump said on social media, and as a result, his threatened tariffs on eight NATO members, intended to coerce them into supporting his land-grab, would be rescinded.

As *The Economist* went to press, Mr Trump had not disclosed any details of his and Mr Rutte’s plan. In fact, he implied that the details were still to be worked out—a task he delegated to J.D.

Vance, his vice-president, and Marco Rubio, his secretary of state, among others. But it is clear that Mr Trump is backing away, at least for now, from a titanic confrontation with America's closest allies. Nonetheless, by even briefly pursuing the notion of seizing territory from an ally, by force if necessary, Mr Trump has done huge damage to America's credibility and thus to its security. And, as ever with the mercurial president, there is no guarantee that he will not change his mind yet again and reignite the explosive row.

Ever since Mr Trump first took office in 2017, America's system of global alliances, forged 75 years ago at the start of the cold war, has been in a slow-burning crisis. But the quixotic campaign to grab Greenland, a Danish territory, had sparked a five-alarm fire. Transatlantic ties were at their worst since the Suez crisis 70 years ago. An escalating sequence of punitive measures and retaliation threatened. Mr Trump had appeared on the verge of losing a continent to gain an island.

The Nuuk option

Mr Trump had mused about acquiring Greenland since his first term. The [various justifications](#) he gave for his fixation seemed entirely spurious. Nonetheless, in recent weeks his pursuit of the territory had become more insistent and aggressive. His announcement on January 17th that he would impose a 10% tariff from February 1st on imports from Denmark and seven other European countries that had sent small contingents of troops to Greenland marked a dramatic escalation in what had previously been a largely rhetorical campaign. The tariff would rise to 25%, Mr Trump said, if Greenland was not in American hands by June 1st. "There can be no going back," he had declared, a few days before he did just that.

Greenland's population and economy are far tinier than those of even the smallest of America's 50 states, but the stakes were still enormous. "If the United States decides to militarily attack another

NATO country, then everything would stop,” argued Mette Frederiksen, Denmark’s prime minister earlier this month. “That includes NATO and therefore post-second-world-war security.”



Was he listening?

The wrecking of America’s relations with Europe was being watched with trepidation by its allies in Asia. The Trump administration was pursuing an improbable split-screen policy: embracing Asian allies and partners and denouncing Chinese coercion in the Pacific, while scorning European allies and partners and coercing Denmark in the Atlantic. At the recent Honolulu Defence Forum, a security talkfest, Japan’s defence minister, Koizumi Shinjiro, had raised the alarm over “tensions that are on the brink of war across the globe” and warned, “The Indo-Pacific and Euro-Atlantic are inseparable and indivisible.”

There have been rows among NATO’s members before. Turkey invaded Cyprus in 1974, bringing it into direct conflict with Greek-Cypriot and some Greek troops. One of Greece’s responses was to pull out of NATO’s integrated military command for six years in protest. In 1996 a Greek fighter jet shot down a Turkish warplane over the Aegean Sea.

Those confrontations had little lasting impact on the alliance. American threats against Greenland are far more serious because America is the political and military backbone of NATO. Since the

alliance's inception, 75 years ago, an American general has always served as the supreme allied commander Europe (SACEUR). NATO's defence plans for Europe—including Greenland—were written by the previous SACEUR, Chris Cavoli, and assume a high degree of American involvement. American military officers sit atop and are embedded throughout every facet of the alliance. Without American air power and intelligence, NATO forces would find it much harder and more expensive to deter Russian aggression.

The threat to absorb Greenland, whether by arm-twisting or invasion, has left European trust in Article 5, NATO's mutual-defence clause, hanging by a thread. In his speech in Switzerland, Mr Trump suggested that he saw little value in NATO and doubted that European countries would ever come to America's aid in an hour of need—conveniently forgetting that many did just that after the terrorist attacks of 9/11. If he was contemplating dismembering a European ally himself, European governments are naturally wondering, how eager will he be to defend one being dismembered by Russia?

It is not clear what prompted Mr Trump's change of heart. It seems unlikely that he suddenly regretted the damage he was doing to America's alliances, given his long history of scorning them. More plausible is that the prospect of a destructive tit-for-tat spiral unnerved him. After all, the dollar and American stockmarkets had dropped sharply as the dispute began to escalate and recovered their poise when Mr Trump announced his retreat. It looks like the latest example of what Wall Street types call the TACO trade: Trump Always Chickens Out.

If so, the president was right to blink. European leaders, many of whom have tried to get into Mr Trump's good books over the past year with unctuous sycophancy, were less emollient than usual. Many issued stentorian statements denouncing geopolitical blackmail and rejecting the law of the jungle. There was much talk

about how Mr Trump responds only to shows of strength. The risk of runaway escalation was obvious.

Thule-hardiness

The severity of the measures European leaders were toying with shows just how badly transatlantic relations have been harmed. The European parliament, for instance, said it was putting on hold the Turnberry Agreement, a trade deal the EU signed with America last year under which Europe accepted a 15% tariff rate without reciprocating. As a result, European tariffs were set to come into force in early February on about €93bn-worth (\$108bn) of American goods. These will almost certainly now be deferred again.

Some European leaders wanted to go much further. France's president, Emmanuel Macron, suggested that the EU invoke its most powerful economic weapon, the anti-coercion instrument (ACI). This mechanism, which has never been used, would have allowed the EU not simply to adopt matching tariffs in response to America's, but to resort to completely different forms of retaliation, from cancelling banking licences to restricting exports of the machines used to make advanced computer chips (a business in which ASML of the Netherlands has a monopoly).

Such steps would have been almost certain to prompt further escalation from America, which would have had ample means to respond. The dominance of the dollar and America's financial system could have been used against European banks and businesses. Digital retaliation could have exploited Europe's reliance on American cloud providers and so on. Happily, Mr Trump's climbdown means that the ACI will remain untested for now.

But the rift has caused the previously unthinkable to be contemplated. Europe, for instance, has also been considering its

military leverage over America. It would be much harder for America to project military power into Africa and the Middle East without access to European bases such as Ramstein, a sprawling medical and logistical hub in Germany, or Souda Bay in Greece, a deep-water port. America's seizure of a Venezuelan-linked oil tanker on January 7th depended on access to British airfields and bases, for instance, as well as unspecified support from Denmark.

America could replace many of these with alternative facilities, perhaps in the Middle East. But that would take billions of dollars and many years. And some could not be replaced at all. America's ability to monitor and counter threats in the Arctic—ostensibly what drove its pursuit of Greenland—depends on co-operation from Britain, Iceland, Greenland and Norway, among other NATO allies. The Golden Dome missile-defence project, which Mr Trump has cited as a reason America must own Greenland, depends not only on early-warning radars in Greenland, which have been there for decades, but also on sites such as RAF Fylingdales in the north of England.

Exploiting any of these dependencies would have been difficult, however, in that the Trump administration already seems eager to reduce its military commitment to Europe—something European leaders would not want to encourage. America has ended military aid of its own to Ukraine, but it still allows Europe to buy American weapons on Ukraine's behalf. It also continues to provide battlefield intelligence to help Ukraine target Russian forces with longer-range missiles. Both of these remain vital: if America were to cut off arms sales and intelligence, Russian advances on the battlefield and Ukrainian casualties would both mount more quickly, bringing Ukraine closer to a potential collapse. It would be “catastrophic”, says a former European spy chief.

Indeed, there were fears Mr Trump might expand his campaign of coercion further, targeting NATO itself, from which he is said to have

almost withdrawn America in 2018. He could begin by reducing American forces in Europe or declare Article 5 to be null and void until Greenland was handed over.



Harbour in a storm

In the event of a sudden rupture, many European air forces would not be able to make the best use of the F-35, their most advanced warplane, without access to American communications, targeting data and munitions. Britain's intelligence apparatus, its nuclear deterrent and its future submarine force would all be in jeopardy. The search for pressure points, in short, makes clear how intertwined America and Europe are militarily and so how troubling the erosion of trust between them is.

For all their fighting talk, some European leaders had worried that Greenland was too small and unimportant to warrant the abrogation of transatlantic ties and feared that a rupture could prompt Russia to attack (or at least probe) European defences. Moreover, they knew Europe had more to lose than America from a showdown with Mr Trump, whether in the form of a trade war or in terms of withdrawn military support, especially for Ukraine.

Hence the energetic search among European leaders for the “off-ramp” that Mr Rutte seems to have found. How sturdy it will prove is impossible to say without more detail. There is always a risk that Mr Trump will renew his pursuit.

Despite the baleful consequences, neither public opinion nor objections from Congress are likely to deter Mr Trump from scratching his Greenland itch in future. Taking over the territory was not a popular idea: in a poll of more than 1,500 Americans conducted for *The Economist* by YouGov between January 16th and 19th, just 29% of respondents approved of buying Greenland.

Congressmen, including the odd Republican, had been expressing disapproval of Mr Trump's treatment of a close ally. A bipartisan congressional delegation visiting Copenhagen and Davos had been seeking to assure Europeans that a majority could be found to oppose a takeover.

But Republicans are much keener on Mr Trump's expansionism than other Americans. In *The Economist*'s poll, 58% of them backed a purchase. Ted Cruz, a conservative senator, is among those commending Mr Trump. "I believe it is overwhelmingly in America's national interest to acquire Greenland," he told Fox News. A congressman has even tabled a bill authorising Mr Trump to "take such steps as may be necessary" to secure Greenland as America's 51st state.

Pitufifik news

Mr Trump's supporters have a habit of falling in line with his decisions, especially if they appear to be working. Our polling found that only 34% of Republicans wanted America to bomb Iran before it did so last year, but fully 70% said they approved of the bombardment after the event. Mr Trump's ousting of Nicolás Maduro as president of Venezuela prompted a similar change of heart on the right.

Should Mr Trump start agitating about Greenland again, European leaders are likely to find themselves caught once more between public anger—62% of Germans support coming to Denmark's aid in a conflict with America—and the reality of dependence. "The

vast power of the United States is something that anyone with a strategic brain in any European capital understands very profoundly,” argued John Bew, a foreign-policy adviser to several British prime ministers, in a recent interview. Britain, France and Germany were all “careful about wishing away American support and flouncing around about the future Europe without America”, he noted. But all three, he added, were also putting “more behind-the-scenes planning in place for what you might call an orderly transition from a dominant American security umbrella”.

Britain and France, for instance, are quietly deepening their co-operation on nuclear-weapons policy. Last summer they announced that their nuclear forces would be “co-ordinated” for the first time —a big step for France, which has historically kept its nuclear cards close to its chest. In recent weeks several Swedish newspapers and the editor of the magazine of the Social Democratic party have asked whether northern Europe should develop its own nuclear deterrent. “A taboo on discussing this publicly is being broken now,” says a Swedish expert.

Even Anglo-French planning for a “coalition of the willing” in Ukraine has a dual purpose, says a British insider. Ostensibly it is to help beef up Ukraine’s defences after a ceasefire. In practice it is also a modest precursor for a Europe-led military force including non-EU members such as Britain, Canada and Turkey. “I hope that major European NATO allies are secretly gaming how they would take control of the substantial infrastructure of NATO,” says a former envoy to the alliance, “while waiting for the possibility that the US political system rights itself.” ■

<https://www.economist.com/briefing/2026/01/22/donald-trumps-expansionist-itch-has-undermined-global-security>

Illogical expansionism

Donald Trump's grab for Greenland makes no sense

It would harm America's security and its economy

Jan 22, 2026 02:08 PM | COPENHAGEN, NUUK and WASHINGTON, DC



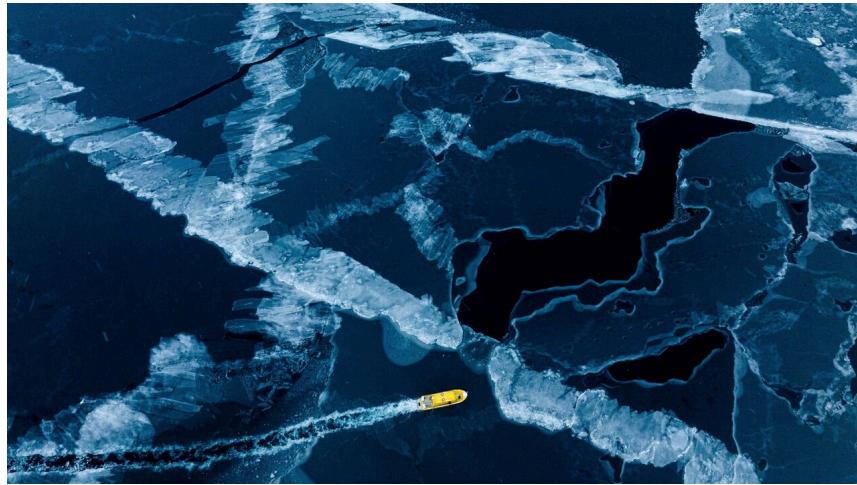
NUUK, THE capital of Greenland, is on edge. “I am scared of an invasion,” whispers Anthony, who works in a hardware shop nestled near the city’s harbour. “I don’t want Greenland to become a war zone.” The shopkeeper at a nearby hunting store says locals are stocking up on ammunition. “People are frightened,” says Casper Frank Møller, the owner of a tour company. “People here are talking to their families about moving to Denmark.”

Greenlanders may take some comfort in President Donald Trump’s announcement on January 21st that he had agreed to “the framework of a future deal with respect to Greenland”. What that means for his ambition to make the island part of the United States remains unclear. Earlier that day Mr Trump said, “I don’t have to use force, I don’t want to use force, I won’t use force.” Yet he insisted that control of the island was critical to America’s national security—and again spoke of ownership.

In Nuuk, before his speech, Greenlanders were eager to explain how little interest they had in being bought by America. A poll a year ago found that 85% of them rejected the idea—and attitudes seem only to have hardened since. Mr Trump is “trying to rule the world like he owns everyone”, sighed Thomas Nuka, as he knotted a fishing net. Indigenous people in America, he added, fare especially badly—a big concern since he, like around 90% of Greenlanders, is Inuit.

On the face of things, the views of people like Mr Nuka should carry weight. The roughly 56,000 Greenlanders are largely self-governing, although Denmark still plays a part in foreign policy and defence. Danish law gives Greenlanders the right to declare independence; by extension, they would presumably be free to become part of the United States should they desire to. But Mr Trump’s determination to acquire Greenland, by hook or by crook, sets no store by the views of Greenlanders. Instead, he has justified it both on the grounds that it make will America safer and with the claim that Greenlanders will be more prosperous under American rule. Both assertions are doubtful, at best.

Mr Trump’s military arguments are vague. He has said that Russian and Chinese warships are “all over the place” around Greenland and that Denmark is incapable of defending the territory with just “two dog-sleds”. More specifically he argues that owning Greenland is essential for his mooted “Golden Dome”, a system intended to protect America from missiles. Yet the Trump administration’s new national-security strategy, released in December, makes no mention of Greenland at all. (It did include a woolly call to protect America’s “access to key geographies” in the western hemisphere.)



Although Russia's armed forces are preoccupied with the war in Ukraine, a Danish intelligence assessment finds that "its core capabilities in the Arctic remain largely intact". Like NATO, it closely monitors the sea lanes between Greenland, Iceland and Britain. But there is no sign of anything more untoward. "We haven't had a Chinese warship in Greenland for a decade or so," says Denmark's foreign minister, Lars Lokke Rasmussen.

In fact Russia has welcomed Mr Trump's predation of Greenland, mischievously likening it to its own seizure of Crimea from Ukraine in 2014. It presumably sees far more benefit in the widening rift in NATO that Mr Trump's moves are causing than it would in any Greenlandic adventure of its own. In any case, Mr Trump himself has invited a greater Russian presence in the Arctic by using his peace plan for Ukraine to call for joint Russo-American mining projects in the region.

Chinese ice-breakers and research vessels do indeed prowl Arctic waters, presumably for military as well as civilian purposes. But they focus mainly on the seas around Alaska, which rather undermines the argument that American sovereignty would serve as a deterrent to such activity near Greenland. Chinese and Russian naval and coast-guard vessels are far more active in the Bering Sea, which narrowly separates Russia from Alaska.

Between 2020 and 2025 Norad (a joint American and Canadian air-defence command) counted 95 Russian and Chinese intrusions in the North American air-defence identification zone. Of these, 91 were around Alaska and four were near Canada. None was from the GIUK gap. In 2024 a joint patrol by Russian and Chinese nuclear-capable bombers came within 140 nautical miles of Alaskan territory, unnerving the Pentagon. “We need a more persistent presence around Alaska. That’s really where the most concerning activities have been taking place recently,” says Heather Conley of the American Enterprise Institute, a think-tank.

Although great-power competition in the Arctic is intensifying, American officials admit the danger in Greenland is not imminent. Yet they insist they need to secure it against future threats because of its strategic location. The polar ice-cap offers a hiding place for nuclear-missile submarines from Russia—and, in time, China.

Holiday on ice

Denmark is, however, increasing its forces in Greenland. In October it said it planned to spend DKK27.4bn (\$4.26bn) to buy Arctic ships, a patrol aircraft, radar systems and drones, as well as a new military headquarters. It also plans to buy 16 more F-35 jets from America, costing another DKK29bn. And it is strengthening a special-forces unit that patrols Greenland’s Arctic wilderness using the most sensible form of transport, dog-sleds.



What is more, there is nothing to stop America from bolstering its own forces in Greenland. Denmark has promised it almost free rein in that respect. It used to have 17 bases on the island; it now has only one, an early-warning station at Pituffik (see map). Golden Dome will rely on a network of sensors around the world and in

space. Pituffik is an important node, both for tracking missiles and communicating with satellites. (The European Space Agency is building its own satellite ground station in Kangerlussuaq.)

America has plans to beef up its Arctic forces, but they rely in large part on co-operation with the very allies it is alienating: it is building new ice-breakers with Finland, for example. In the meantime, the base at Pituffik is resupplied by a Canadian ice-breaker. Mr Trump's push to take control of Greenland may actually harm rather than improve America's security.

A costly renovation

By the same token, talk of the economic benefits of a takeover, for Greenland and America, is far-fetched. Tourism and fishing are already thriving industries and once-high unemployment is now negligible. Investment is booming.

Even so, Greenland remains a financial drain on Denmark, which sends the island's government almost \$700m a year, equal to roughly 20% of Greenland's GDP. This is largely because Greenlanders are among the most subsidised people in the world. The majority of housing is owned by the government; health care is free. Of the 29,000 or so people who work, 12,500 are employed by the state. The unemployed receive benefits equal to 90% of the minimum wage. In effect, three-quarters of the population rely on the state.

All this makes the notion that America might buy off Greenlanders with a one-off payment implausible. Denmark's subsidies come to more than \$10,000 per person every year. The offer of \$100,000 for every resident mooted by some American officials therefore amounts to less than ten years of Danish welfare.

Although Mr Trump explicitly said in Davos that America needs Greenland for reasons of national security rather than its minerals,

others in his administration have cited the island's rich endowment of rare earths and other valuable resources. Yet the odds of a mining bonanza are low. Glaciers cover about 80% of the island, making exploration and development of mines costly and difficult. Greenland's transport infrastructure is meagre: no two towns are connected by road, limiting mining to coastal areas accessible by ship.

During the 20th century no fewer than 18 mines shut down, often because of high costs or logistical problems. Today the island has just two working mines. Nalunaq is a gold mine that was shut in 2014 and reopened in 2024 because of a surge in the bullion price. The other, White Mountain, produces anorthosite, an input for fibreglass and paint. It has faced all manner of challenges. In its early phase the mine had to hire workers from Britain, Denmark and elsewhere, which was expensive (though around 80% of its staff are now local). "Everything is complex," says Martin Hannes, the boss of Lumina, which runs White Mountain. "Transportation, particularly in winter, is almost impossible."

The island's two big rare-earth projects have been plagued by difficulties before even starting operations. The owners of Kvanefjeld, a rare-earth project on Greenland's southern tip, have spent more than \$100m developing the site since 2007. In 2019 they applied for a licence to begin mining. Greenland's government has blocked it over fears that it could release uranium into farmland and fjords nearby.

The operators of Tanbreez, another prospective rare-earth mine nearby, say they will have spent \$290m on the project before operations start in 2027. America's government-run Export-Import Bank is mulling a \$120m loan for the project. Once in operation, it may be costly to run: unlike rare-earth mines elsewhere, its deposits are contained in eudialyte, a crimson mineral from which it is tricky to extract the rare-earth elements. Nobody currently processes the stuff commercially.

Getting a mine running in the Arctic can cost between two and nearly three times as much as an equivalent project at lower latitudes, according to estimates from 2016 by MinEx Consulting, an Australian outfit. For example, just to the west of Greenland, on Baffin Island in Canada's Nunavut territory, is the Mary River mine, which has been producing iron ore since 2014. Yet it reportedly had losses of \$310m between 2016 and 2019.



Climate change may make some logistics easier, such as by leading to longer ice-free seasons at sea. But it will also cause problems. Other than in the very south, much of Greenland's coast is covered by permafrost, which is soil that remains frozen all year. Thawing permafrost is giving miners trouble in other countries. In 2020 a diesel tank owned by Norilsk Nickel, a Russian mining giant, collapsed when the ground beneath it gave way, releasing 21,000 tonnes of fuel into rivers and lakes.

Greenland's oil and gas may seem appealing. But extracting the stuff will be difficult. The biggest resources, which are estimated to hold the equivalent of more than 30bn barrels of oil, are in eastern Greenland, where conditions are extremely inhospitable, even by Greenlandic standards. Oil giants that once explored Greenland, including Shell, Equinor and ExxonMobil, have all left.

This suggests that even if America were able to gain ownership of Greenland, it could expect very little financial return. At the same time, it would be taking on liabilities. A change in Greenland's status could well lead to a rupture in NATO, leaving America lumbered with all the costs of defending it. The expense of running its single existing base, Pituffik, will probably come to around \$4bn over the next decade. Any big expansion of defence infrastructure would be expensive because of the difficulties involved in building in the Arctic.

Perhaps the closest comparable construction project to building a new Arctic base is the Mary River mine, for which the transport infrastructure alone cost \$1.25bn. One American official reckons it would cost \$20bn-30bn to build and maintain five bases in Greenland. Add to that the roughly \$10bn in present-value terms it would cost to continue Denmark's generous payments to the population over the next 30 years, taking ownership of Greenland looks like a decidedly poor financial deal. These costs, although unnecessary, would be affordable for an economy as big as America's, but the harm a takeover would do to America's security and standing in the world would be incalculable.

The closer you look at what Mr Trump no doubt views as the property deal of the century, the more it seems like many of his hotel and casino projects in the 1990s and 2000s: flashy at first glance, but so laden with debt and hidden costs that they soon became fiascos. ■

<https://www.economist.com/briefing/2026/01/21/donald-trumps-grab-for-greenland-makes-no-sense>

The Telegram

Western leaders navigate a lonely world

China cannot and will not save mid-size American allies from Donald Trump

Jan 22, 2026 02:08 PM



FOR MID-SIZED liberal democracies, 2026 threatens to be a lonely year. Western leaders are menaced and mocked by an America whose protection they need for now, like courtiers enduring the taunts of a king turned old and cruel. To make their solitude complete, China, today's other great power, neither will nor can become the West's alternative friend.

Mark Carney, Canada's prime minister, issued a call for middle powers to stand and work together in coalitions of the willing, in a frank speech to the World Economic Forum in Davos on January 20th. "We are in the midst of a rupture, not a transition," he declared. He accused the strongest states of using economic, financial and supply-chain dependencies as weapons. "In a world of great-power rivalry, the countries in between have a choice: compete with each other for favour," or form like-minded groupings to defend themselves and manage risks, Mr Carney said. In his case, that means reducing economic dependence on America.

He noted [strategic partnerships](#) that he has signed with China and Qatar.

Mr Carney did not claim that China is a cure-all for dependency on America, though. China's interests-led, values-scoring ways appeal to transactional middle powers in such regions as the Persian Gulf. But for countries that aim to uphold fundamental values, respect human rights and be "principled and pragmatic", to use Mr Carney's words, China offers only a partial hedge.

Visiting China from January 14th to 17th, Mr Carney said that Canada would import 49,000 Chinese-made electric vehicles on preferential terms. That breaks with America's strategy of keeping Chinese EVs out of North America with 100% tariffs, a policy that Canada signed up to in 2024, bowing to America's leverage as the buyer of more than two-thirds of Canada's exports. In return for Mr Carney's concessions, China signalled it would buy more Canadian farm produce and fossil fuels, among other commodities. It showed a readiness to warm relations that were icy for much of the past decade.

There has been facile talk, including among conservative commentators in America, that Mr Carney was taking sides with China, against Mr Trump. Yet China's welcome for Mr Carney stopped a long way short of a new grand bargain. While in Beijing, Mr Carney thanked China for a partnership "that sets us up well for the new world order". His warm words were not reciprocated by China's leader, Xi Jinping, who tersely advised Canada to forge ties based on respect. Chinese official media ventured that past bilateral tensions had revealed important "realities" to Canada.

Another middle power, Britain, is due to send its prime minister to China in late January. Though no British head of government has visited China for eight years, ambitions for Sir Keir Starmer's mission are low. In Whitehall there is talk of Sir Keir flying the flag for British business (expect cheery announcements about Scottish

whisky or salmon) and generally normalising the notion that British leaders should engage with the world's second-largest economy. Quietly, he may seek deeper co-operation on life sciences and green tech, though Chinese investments have to date been limited by American lobbying and by home-grown debates about whether Chinese wind turbines or other technologies imperil national security. British officials are braced for press headlines about "Kow-tow Keir" sucking up to "Chinese tyrants".

In a foretaste, opposition politicians on January 20th accused the government of "surrender" for approving a long-delayed project for China to build a large embassy near the Tower of London. Conservative politicians and news outlets have thundered about China using a "mega-embassy" to tap into communications cables that run close to the site, or to attack British-based dissidents, perhaps locking some in basement rooms spotted on the plans.

To be sure, security services across the democratic world call China's agents and hackers an unrivalled threat, whether they are stealing secrets, suborning politicians, snooping around critical infrastructure or subjecting Chinese citizens overseas to surveillance and harassment. But panic over a "super-embassy" is misdirected and feeble. China does not need diplomatic premises to try hacking into cables; it can do that from a rented warehouse. Britain's cyber-spoofs are world-class and deem China's planned complex a manageable threat. For China to lock prisoners in embassy dungeons would be a crazy risk. More simply, it is a mark of confidence, not submission, to allow a big country to build a large embassy. In the late 1930s Britain tolerated Nazi Germany's use of a palatial embassy overlooking the Mall, though its ambassador, Joachim von Ribbentrop, was loathed for wooing appeasement-minded toffs and giving Hitler salutes at events.

China is not going to make this easy

Though domestic politics help explain Sir Keir's modest agenda in China, low ambitions are structural, too. If Britain hopes to hedge against Trumpian bullying, China is of little help. Britain's gravest dependencies on America involve such assets as its nuclear deterrent, fighter jets and digital services including cloud computing. Britain, along with other Western powers, is not about to buy Chinese weaponry or data storage. Even in more benign fields, China's record of weaponising supply chains makes it small comfort to swap reliance on America for dependence on China.

If hedging is hard, might liberal democracies gain geopolitical leverage by threatening to defy America and align more closely with China? A big obstacle is caution in China. In Beijing officials scornfully complain about having believed Western leaders' boasts about becoming more autonomous from America, only to have watched them fall into line when Washington growled. To Mr Xi as much as Mr Trump, power is what counts. In these lonely times for America's mid-size allies, China is not a saviour. ■

Correction (January 21st): *Communication cables run close to, not directly under, the site of China's new London embassy. Apologies.*

<https://www.economist.com/briefing/2026/01/20/western-leaders-navigate-a-lonely-world>

United States

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Realists and restrainers

The meaning of “America First” is in flux

MAGA will have to confront divisions in its approach to foreign policy

Jan 22, 2026 02:39 PM | Washington, DC



ONCE PEOPLE thought Donald Trump was at heart an isolationist or a “restrainer”, a kind of isolationist-lite. Air strikes in the Middle East during his first term could be chalked up to the neoconservatives around him. Then the president returned to office and attacked Venezuela, Nigeria, Iran, Iraq, Syria, Somalia and Yemen. He made a [quixotic bid for Greenland](#), though appeared to ease up on that at the World Economic Forum in Davos this week. International-relations theorists now liken him to a 19th-century realist prowling for natural resources. Others see a man who relishes domination and the exercise of power for power’s sake.

Mr Trump operates by instinct, not ideology. He is petty and partial to seeing his name on buildings and maps. His yen for Greenland stems partly from the fact that he was passed over for a Nobel peace prize, and partly from his desire to rival Thomas Jefferson’s purchase of Louisiana. The island, he says, is essential for national security, and America needs to own it to defend it—a sentiment he

expressed to the crowd in Davos like this: “Psychologically, who the hell wants to defend a licence agreement or a lease?” That his quest could torpedo NATO in the process is secondary. Yet for more methodical MAGA thinkers, that is a central project.

Indeed, Mr Trump’s flexibility belies the fact that within the MAGA movement there are cohering—and competing—ideologies about how America should exercise power in the world. J.D. Vance, his vice-president, is more serious about restraint and more contemptuous of European liberal democracies. Other advisers—Marco Rubio, Stephen Miller—reveal different reflexes still. They are worth scrutinising because they will outlast Mr Trump. Their ideas have a lineage and a future beyond the persona of the president.

“America First” once meant hawkishness towards China; contempt for multilateral organisations; and a disinterest in Ukraine that can look a lot like Russophilia. These are still important tenets. But now America First also means dominating the western hemisphere by smashing cartels, claiming Greenland’s rare-earth minerals and commandeering Venezuelan oil. This last piece is entirely new. During the campaign Mr Trump was very interested in people from Latin America who crossed the us-Mexico border, but not at all in Latin America itself, notes Julian Waller of George Washington University. In Europe the Trump administration increasingly wants to use its leverage to “reform” (ie, strong-arm) liberal governments to become more MAGA-fied.

Mr Trump says that America First means whatever he decides and his only constraint is his “own morality”. He has convictions: an antipathy to forever wars, nation-building, trade deficits and free-riding allies. But otherwise he is flexible. He wants to turn his back on Ukraine, but he would like to win a peace prize and not be perceived as a loser. He is impulsive: he bombed Islamist militants in Nigeria after watching a segment on Fox News about besieged

Christians. His hold on the Republican party means his voters adapt to his inconsistencies.

Anyone searching for a more coherent worldview can look to his advisers. The National Security Strategy (NSS), released in December, articulated their priorities. The document was their attempt to justify their boss's instincts and backfill an ideology, while also advancing their own pet causes. It contained two particularly remarkable statements of belief: the Trump Corollary (later dubbed the Donroe Doctrine), which asserts American primacy in the western hemisphere, and a warning about Europe's "civilisational erasure".

The Donroe Doctrine had its first success in the ousting of Nicolás Maduro as president of Venezuela. The faces of that operation were Mr Rubio, the secretary of state, and Mr Miller, a hardline adviser. Mr Rubio is a traditional Republican and a son of Cuban émigrés. His interest in toppling communist dictatorships in the region and seeding democracy there is deep and personal. He calls to mind the hawkish evangelism of a neocon—which he was during his 14 years in the Senate.

The enemy in the mirror

Mr Miller's interest in the western hemisphere is animated by immigration. At home he has masterminded the administration's deportation machine, with its theatrics and supposed focus on criminals. This helps explain the Caribbean boat strikes and the designation of cartels as foreign terrorist organisations. Indeed the Venezuela campaign marked an "externalisation" of a domestic agenda that brings military might to drug and immigration enforcement, says Jennifer Kavanagh of Defence Priorities, a think-tank. The goal is domination everywhere, including in American cities.

After the release of the NSS some interpreted the Trump administration to be adopting a spheres-of-influence approach: American pre-eminence in the western hemisphere and letting China and Russia do as they please in their backyards. That is a misreading, says Patrick Porter of the University of Birmingham in Britain, since it would imply a mutual carve-up of the globe. In fact the Trump administration seems keen to project power elsewhere, especially in Asia.

Restrainers are frustrated. Last year the Trump administration secured a commitment from European countries to spend 5% of GDP on defence, to be achieved with some budget gimmickry. That is not a win, says Ms Kavanagh, a restrainer. Her camp wants America to leave Europe full stop. Sumantra Maitra, another analyst who is close to members of the Trump administration, argues for a “dormant” NATO where America is a “balancer of last resort” in Europe rather than a perpetual forward presence. A clear sign that America is taking that route would come if Mr Trump withdraws the 20,000 or so extra troops that Joe Biden sent to Europe, says Mr Maitra. He thinks meaningful burden-shifting would take at least ten years.

Meanwhile the Trump administration is setting conditions on American protection. Mr Vance sketched some of them out in a speech in Munich last year that was full of contempt for European governments. He said Europe would need to confront the “enemy within”, by which he meant woke elites who censor speech, support open borders and refuse to govern in coalition with far-right populists.

The NSS revisits these themes. It warns that Europe will be “unrecognisable” in 20 years unless it rights itself. After the release of the NSS, the State Department put a visa ban on a former EU commissioner and architect of the Digital Services Act, a European law mandating content moderation by tech firms. MAGA blames it for suppressing its viewpoints.

Mr Vance is the most committed MAGA thinker in the administration. He reflects the intellectual vibes of the new right. Their outlook is often influenced by Catholicism and can be deeply pessimistic and suffused with cultural anxiety. Nathan Pinkoski of the Centre for Renewing America, a new-right think-tank, says strategic rivalry with China crystallised an “identity crisis” among MAGA types, who saw a West enfeebled by mass migration and wokery. “We don’t even have a sense of what we’re for anymore as a civilisation,” he says. “If we want to be able to contend with our geopolitical rivals, we have to sort out our own problems.” He anticipates an aggressive use of sanctions and other economic tools against Europeans whenever “we perceive they are drifting away from their civilisational heritage”.

There are contradictions here, which MAGA has yet to clear up. Antagonising Europeans will not help in the great-power contest with China. America cannot walk away from European defence and simultaneously compel Europeans to govern in the MAGA mould. “Burden-shifting and civilisational politics don’t go hand in hand,” says Mr Maitra, who calls advocates of the second approach “no different” than the neocons they deride. His prediction is a struggle that will “essentially engulf” MAGA. It is easy to understand what Democrats are for, he says. They are internationalists. The other side? Unresolved. ■

<https://www.economist.com/united-states/2026/01/19/the-meaning-of-america-first-is-in-flux>

Trump v the central bank

Lisa Cook's job at the Federal Reserve looks safe

The justices sound sceptical about Donald Trump's move to dismiss her

Jan 22, 2026 02:08 PM | New York



JEROME POWELL, chair of the Federal Reserve and now the [target](#) of a federal investigation, watched from the public gallery on January 21st as the Supreme Court considered the fate of his embattled colleague, Lisa Cook. In 2023 Joe Biden appointed Ms Cook to a 14-year term on the Fed's board of governors. In August President Donald Trump tried to sack her, alleging she had made false statements on mortgage applications. He [wrote](#) then that "deceitful and potentially criminal conduct in a financial matter" prompted him to dismiss her.

Unlike nearly all other officials to get the boot in Mr Trump's second term, however, Ms Cook still holds her position. In September she [won](#) an injunction from a federal district court blocking her removal. When an appeals court [refused](#) to step in, Mr Trump [filed](#) an emergency plea at the Supreme Court. The justices declined to let the president immediately sack Ms Cook but, on

October 1st, opted to hear oral arguments in the matter—a rare move for an emergency application.

No justice seemed squarely on Mr Trump's side this week, but many were concerned about the case's complexity. ("There are a million hard questions," Justice Samuel Alito noted.) The statute that Mr Trump invoked allows dismissal for "cause". Yet how does for-cause removal line up with statutes that permit other agency heads to be sacked only for "inefficiency, neglect of duty or malfeasance in office"? Does a governor's behaviour before joining the Fed matter, or only her "in-office" actions? What kinds of notice (a Truth Social post?) and hearing are sufficient? Is Mr Trump suffering any real "irreparable harm" from Ms Cook's continued presence on the Fed?

The arguments pitted John Sauer, Mr Trump's solicitor-general, against Paul Clement, a renowned litigator for Republican causes who served as solicitor-general for George W. Bush. Mr Sauer has piled up wins at the high court for Mr Trump's agenda, but after nearly two hours of questioning, *Trump v Cook* looks destined to go against the president.

Claiming two homes as primary residences, Mr Sauer argued, "impugns" Ms Cook's "fitness...to serve as a governor of the Federal Reserve". But Chief Justice John Roberts was sceptical. If Ms Cook's error was "an inadvertent mistake", was it grave enough to constitute "cause" under the relevant statute? Either way, the chief continued, do those facts matter, given Mr Sauer's claims that courts may neither second-guess what counts as "cause" nor require an official's reinstatement?

Justices from left to right dwelt on these paradoxes during Mr Sauer's hour at the lectern. Justice Brett Kavanaugh led Mr Sauer through a series of questions about the purpose of Fed independence, seemingly in order to caution against presidents wielding too much authority over the body that sets interest rates.

Justice Elena Kagan asked, incredulously, if Mr Trump “just really has to say, ‘Ms Cook, you’re fired’” without providing “any notice” or “any hearing”. Allowing a president to declare “I’m removing you for cause”, she said, gives a governor “no way to test” whether she is being sacked “for policy reasons”.

Justice Amy Coney Barrett invoked the case’s wider implications. “I’m a judge, not an economist,” she acknowledged, but experts caution that the court risks triggering economic harm if it sides with Mr Trump. No worries there, Mr Sauer assured her, as the stockmarket “went up for the next three days” after Ms Cook was sacked. Kate Shaw, a law professor at the University of Pennsylvania, says the exchange shows the justices enmeshed with politics and economics—a “real problem if you think the courts should be doing law”.

Steve Vladeck, a law professor at Georgetown University, reckons the court will end up coalescing around a narrow ruling against Mr Trump that ducks many of the most complicated questions. For Ms Shaw, a “nominal loss” for Mr Trump could yet “allow him to devise some very streamlined process for firing Ms Cook”—one with a better chance of withstanding another run through the courts. ■

<https://www.economist.com/united-states/2026/01/21/lisa-cooks-job-at-the-federal-reserve-looks-safe>

Ski-haw!

Welcome to the wild world of skijoring

A growing sport in the Mountain West has Olympic aspirations

Jan 22, 2026 02:08 PM | Heber City



Double jeopardy

FANS SWING their clanging cowbells and tiptoe around steaming piles of horse dung as they make their way to the bleachers. They peer down the racecourse at athletes who are wearing cowboy hats, fringed chaps and snowsuits. Vendors sell sweatshirts that read: “Will shake my ass for cowboys”. It’s a sunny day in Heber City, Utah, and the first-ever pro skijoring tour is about to begin.

Skijoring is what happens when the rodeo meets the winter Olympics. A rider on horseback pulls a skier by a rope through a snowy obstacle course as fast as possible. The skier must navigate slalom gates, collect rings and clear jumps—all while hanging on for dear life. Wipeouts are plentiful. “If you don’t require dental work at the end”, says an announcer, “you’ve succeeded.” The six-race tour culminates with the championship in Salt Lake City in February.

The Mountain West’s blend of skiing and ranching culture makes skijoring a natural fit. But the sport doesn’t have American roots.

“Skijoring” is derived from a Norwegian word meaning “ski driving”. Enthusiasts say it originated with indigenous people in Scandinavia, who harnessed reindeer to pull them across frozen lands. After skijoring was demonstrated at the winter Olympics in St Moritz in 1928, it started to catch on. Brian Gardner reckons there were only about a dozen races across the American West when he started the Heber City event in 2017. Back then only about 1,500 people showed up. This year, Mr Gardner and his partners expected 10,000. The goal is to demonstrate the sport at the 2034 Olympics in Utah.



The best athletes have some experience in ski racing or downhill skiing. Practising is almost impossible. Tiffany Harris and James Dillon, a married couple, thought wakeboarding and snowmobiling might help prepare them. But they say there is no way to simulate a horse’s inconsistent gait at 40mph. Skiers must learn when to climb the rope, to get closer to the horse, and when they need more slack to finesse the jumps. “There is an art to it,” says Bryson Threatt, an aspiring pro. Experience is an asset. The fastest time your correspondent witnessed came during the century division, in which the ages of the skier and rider need to equal at least 100.

Not all fans are cowpokes or avid skiers. One group watches the NFL playoffs on a battery-powered TV while they wait for their

friends to compete. Newcomers to skijoring need only listen to the team names to get the gist. After “Blazing Saddlez” and “50 Shades of Hay” is “Two Idiots and a Rope”. ■

<https://www.economist.com/united-states/2026/01/22/welcome-to-the-wild-world-of-skijoring>

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Failing the screen test

Ed tech is profitable. It is also mostly useless

Independent research identifies few learning gains

Jan 22, 2026 02:08 PM | New York



Out with the chalkboard

McPHERSON MIDDLE SCHOOL in Kansas had been burned before by education technology, but in 2022 school leaders were ready to try again. They selected a digital programme called IXL from a statewide recommendation list. It promised instruction tailored to each student's level, igniting quick gains. The school used it to assign most in-class independent maths work. "We thought it was going to be really magical," says Inge Esping, the principal.

It wasn't. It "didn't really move the needle", Ms Esping says. Students found the programme repetitive, rigid and boring—and distraction proved irresistible once they were on their school-issued laptops. The school tried blocking YouTube and Spotify, then student-to-student email. But children found workarounds and teachers resented their new surveillance duties. In 2025, as parents had long implored, students turned in their laptops, to be brought out only rarely. Pencil and paper now rule; IXL is used sparingly, for quick extra practice of maths skills already covered by teachers. An

IXL spokesman says the school's experience "is not consistent with what we've seen across Kansas and the US" and that its programmes outperformed those of peers.

According to researchers, McPherson's experience is a microcosm of the perils of ed tech. Fifty years after Apple began marketing computers to schools, classrooms are awash with technology. Some 90% of high-school students and 84% of primary-school pupils have school-issued devices; four-fifths of kindergarteners are given them. Concerns about fractured attention and data security are mounting.

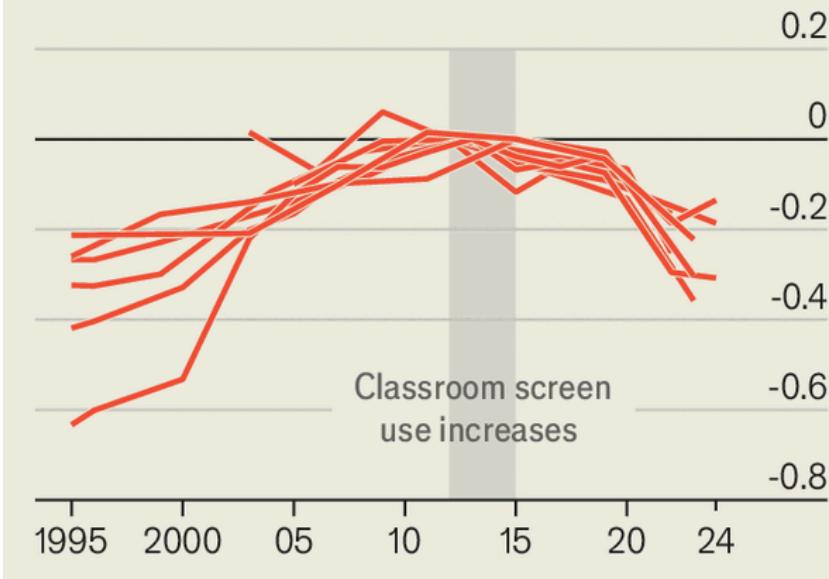
Although ed-tech companies tout huge learning gains, independent research has made clear that technology rarely boosts learning in schools—and often impairs it. A 2024 meta-analysis of 119 studies of early-literacy tech interventions, led by Rebecca Silverman of Stanford University, found the studies described programmes that delivered at best only marginal gains on standardised tests. The majority had little effect, no effect or harmful ones. Jared Horvath, a neuroscientist and author of a book called "The Digital Delusion", has reviewed meta-analyses covering tens of thousands of studies. His verdict: "In nearly every context, ed tech doesn't come close to the minimum threshold for meaningful learning impact."

Pixelated

1

US, average maths scores in national tests

Standard deviations from each test's 2012-15 peak



Sources: American Enterprise Institute;
National Centre for Education Statistics

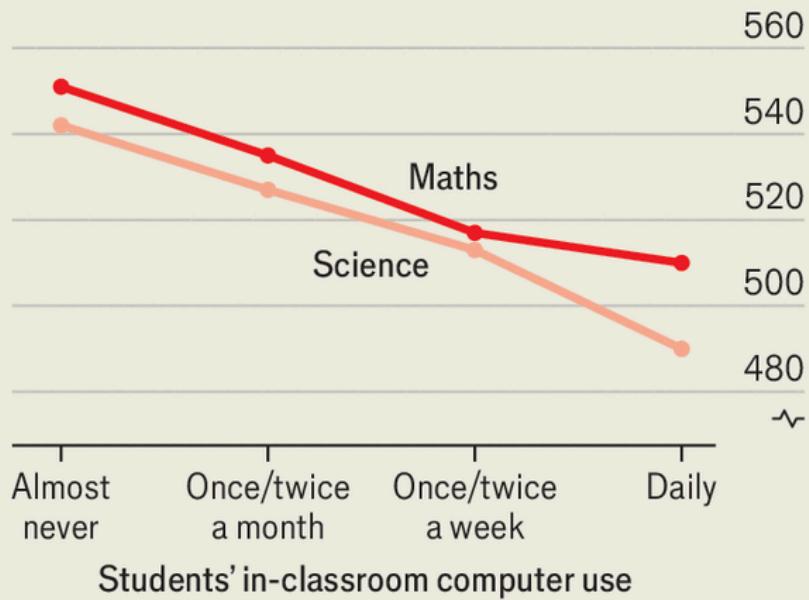
The prevalence of tech in schools owes less to rigorous evidence than aggressive marketing. Teachers are now flooded with daily offers for free tech. In 2024 American schools spent \$30bn on education technology. Globally, it is a \$165bn industry. Technology does save money on textbooks and streamline lesson planning. But licensing and training costs add up, and many teachers feel burdened rather than liberated by all the admin and dashboards.

Long-term trends raise the possibility that the rise of in-class devices is responsible for an alarming decline in performance in reading and other subjects. Scores on 21 nationwide benchmark tests rose from 1994 until peaking in 2012-15, when screen use started to soar; they then began to sink (see chart 1). In major assessments for maths, science and reading from 2011 to 2019, greater in-school computer use for learning correlates with lower scores. In contrast, students in classes with rare or no computer use at all typically score highest (see chart 2).

Less than advertised

2

United States, average test scores*
of fourth-grade students, 2019



*Trends in International Mathematics
and Science Study, 1,000=maximum

Source: International Association for the
Evaluation of Educational Achievement

Distraction is one likely culprit. Another is that some tools emphasise gamification at the expense of education, meaning that children focus more on winning points than mastering concepts. But there are more insidious issues, such as the ways digital tools weaken human connection and empathy in the classroom.

Evidence shows that apps can support learning through drills in two areas: for certain learning disabilities and in adaptive tutoring in narrow domains where there are clear right and wrong answers, such as spelling and arithmetic. But although students may improve through repetition “within the game”, they struggle to transfer knowledge to other contexts such as standardised tests.

Common sense argues for differentiating between age cohorts when it comes to tech. “Particularly for younger children, what’s most important is that they are interacting with other humans,” says

Jeffrey Greene of the University of North Carolina. For older ages, Ms Esping and Rodney Trice, a North Carolina district superintendent, advocate “limited, intentional” use. “The pendulum has swung toward devices determining the assignment rather than the other way around,” Mr Trice says.

Back in 2013, Bill Gates remarked that it would take a decade to know whether education technology really worked. More than ten years and hundreds of billions of dollars later, the answer is increasingly clear. Notes Emily Cherkin, an advocate and fed-up parent: “Imagine if all that money had gone into teachers instead.”



<https://www.economist.com/united-states/2026/01/22/ed-tech-is-profitable-it-is-also-mostly-useless>

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ICE in a cold climate

Donald Trump's siege in Minneapolis is floundering

Violence is alienating even some supporters

Jan 22, 2026 02:08 PM | Minneapolis



Unsubtle tactics

FEW THINGS make police officers more uncomfortable than criticising other police officers. Yet when Mark Bruley, the chief of police in Brooklyn Park, a suburb of Minneapolis, stepped up to the microphone at a press conference on January 20th, his distress was clear. He did not want to criticise all federal police, he stressed. But he then came to the point. Residents of his city, including American citizens, are being stopped and hassled on the street “for no cause” by federal agents. He called this a civil-rights violation; all of those who have complained are not white. It “has to stop”, he said.

According to his account, one of his own police officers was stopped while off-duty. Immigration and Customs Enforcement (ICE) agents boxed her car in. With their weapons drawn they then demanded her immigration paperwork (though she is a citizen). When she tried to record the incident, an agent knocked her phone out of her hand. The situation was only defused when they

discovered she was a cop. They then left, although without apologising. “I wish I could tell you this was an isolated incident”, said Mr Bruley. “But in fact, many of the chiefs standing behind me have had similar incidents with their off-duty officers.”

His remarks, alongside those of perhaps a dozen Minneapolis area police chiefs, were a measure of how “Operation Metro Surge”, the federal immigration enforcement operation in the Twin Cities, has spiralled out of control. Since December some 3,000 federal agents have deployed to the city—dwarfing the scale of previous efforts in Chicago, Charlotte and New Orleans. The result has been at least 3,000 arrests, according to the Department of Homeland Security, accompanied by a cascade of ugly videos. On January 7th a protester, Renee Good, was shot repeatedly in her car by an ICE agent wielding his mobile phone as well as his pistol.

According to polling by YouGov published on January 14th, 70% of Americans saw footage of Ms Good being killed. Over half now view ICE unfavourably. Speaking at Davos on January 21st even Donald Trump seemed to recognise this. “We are actually helping Minnesota so much but they don’t appreciate it,” he said. The day before he called the killing of Ms Good a “tragedy”. He then expressed hope that her father, who he said had previously voted for him, would remain a “tremendous Trump fan”. Mr Trump had previously called Ms Good a “professional agitator”; Kristi Noem, the secretary of homeland security, called her a “domestic terrorist”.

Even before the killing, opposition in the city was growing fast. As they did in Chicago in the autumn, thousands of city residents have organised to exchange information about raids. One group runs a daily live dispatch radio to direct protesters to follow federal agents, blow whistles and film. Other residents deliver food to immigrants hiding indoors and drive children with undocumented parents to school. Several school districts have started offering

remote learning. Posters in business windows say that ICE agents are not welcome without a warrant.

These tactics appear to be hampering federal agents. At a press conference on January 20th Greg Bovino, a senior border patrol officer who has made himself the remorseless face of recent immigration operations, acknowledged their effectiveness. Protesters, whom he called “anarchists”, “rioters” and “agitators”, “are a bit better organised”, he said. It makes for “a difficult operating environment”. He complained that his agents are even being stopped from buying coffees. When it came to the many American citizens arrested he argued they were to blame, for being “near, at or involved in” protests.

Yet privately some state Republicans are nervous that the tactics ICE is using are undermining their cause. Before the operation started, Democrats in Minnesota were under pressure because of a sprawling fraud scandal in which the state failed to make rudimentary checks on the recipients of government money. Seemingly as a result, on January 5th Tim Walz, the state governor, dropped his re-election bid. The Trump administration has attempted to link the scandal to immigration—many of the accused are of Somali ethnicity. But even Mr Trump has complained on Truth Social that nobody is paying attention to the fraud allegations any longer.

Jacob Frey, the mayor of Minneapolis, has his own theory for what is going on. “I speculate that what happened is that somebody high up in the Trump administration said ‘go to Minneapolis and arrest and deport a bunch of Somalis’.” But the vast majority of Somalis in Minneapolis are American citizens, he says, and so they are coming up empty. As a result federal agents are running around picking on protesters and people who look a bit foreign, many of whom turn out to be citizens.

What happens now? The fraud investigation seems likely to stall. On January 13th the lead federal prosecutor, Joe Thompson, was among six prosecutors who resigned, apparently after being instructed to investigate the wife of Ms Good. And yet the deportation programme shows no sign of stopping. The Department of Justice has issued subpoenas to six Democratic officials in the state, including Mr Walz and Mr Frey, as part of an investigation into whether they improperly interfered with ICE. On January 21st a federal appeals court lifted restrictions on the use of tear gas on protesters. It is hardly a sign of retreat. ■

<https://www.economist.com/united-states/2026/01/22/donald-trumps-siege-in-minneapolis-is-floundering>

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Lexington

Why Minneapolis is at the centre of Donald Trump's immigration crackdown

The administration is tormenting, and testing, a unique political culture

Jan 22, 2026 02:08 PM



WITH THE cold so fierce that ice can cover the Mississippi River, this is the slow season for the hospitality trade in Minneapolis. So Donald Trump's decision to swarm the city with some 3,000 federal immigration officers would seem a boon for the hotels and restaurants, at least. But some of the people who clean the agents' rooms or pour them drinks are vulnerable to being scooped up themselves.

That is why Wade Lüneburg, political director of the local branch of a union representing hospitality workers, finds himself delivering food to the families of workers in hiding across Minneapolis. Before he knocks he texts a photo of himself in his red union hat to assure the residents he is not a federal agent. "They are everywhere," says Catherine, who usually works in a hotel kitchen, after she lets him in. "There is no safe place anywhere for us."

Elsewhere, a 16-year-old boy receives Mr Lüneburg's box of onions, carrots, canned goods and corn tortillas at the door to his apartment building. He is a citizen—he carries his passport everywhere now—but his parents are not. He has noticed them lifting the curtain every few minutes to check if federal agents are in the parking lot, and he has stopped going to school in hopes of helping if the crisis comes. “They’re usually very good at hiding their emotions,” he says, “but I can tell they’re very scared right now. And I don’t know how to deal with it.”

To Mr Lüneburg, a member for 37 years of UNITE HERE Local 17, the hospitality union, none of this makes sense. “Honest, good, working folk should not be taking the brunt of this,” he says. As he drives back downtown, through block after block of comfortable single-family houses, he notes that cleaning hotel rooms is hard work. “I don’t see native Americans—native white Americans—raising their hands to take jobs in these hotels,” he says.

At close to three times the size of the combined police forces of Minneapolis and its neighbour, St Paul, the deployment of [immigration agents](#) here dwarfs the force Mr Trump previously sent into the much larger city of Chicago. Yet the population of undocumented immigrants in the entire state, estimated at 100,000, is small, particularly when compared with states such as Texas (2m) and Florida (1.2m). The latter have been spared the disruption of masked agents demanding identification from people on the sidewalks, turning pepper spray and flash-bang grenades on protesters and breaking down doors in pursuit of people they say are criminals but sometimes have proven to be law-abiding citizens.

“Why Minnesota? Why Minneapolis?” asks Muhammad Abdul-Ahad, who runs a violence-prevention group. He was keeping watch by the memorial that has sprung up where [Renee Good](#) was shot dead by an agent of Immigration and Customs Enforcement (ICE) on January 7th, as she tried to drive away from him. Mr

Abdul-Ahad was wondering about any link to a nearby memorial for George Floyd, whose death under the knee of a police officer ignited global protest against police violence in 2020.

Senator Amy Klobuchar, a Democrat, says “anyone in our state struggles to understand this.” She muses that Minnesota’s political culture may help supply the answer. “One of the things that may be unique here is that in our case, regular citizens, including a very young woman in the George Floyd case, went to the scene and started videoing,” Ms Klobuchar says. “And when they told them to leave, they kept it up.” Minneapolis is exhibiting something like an immune response to the ICE incursion. Unions, non-profits, church groups and private citizens have assembled into a dense network to support migrants, documented or not, delivering food, tracking ICE vehicles and harassing agents with insults and warning migrants with whistles as they close in.

Minneapolis’s politics of solidarity and resistance draw on at least two sources, one old and one recent. The state Democratic party is called the “Democratic-Farmer-Labor” party, or DFL, because of its roots in agrarian and labour populism of the early 20th century. In one of history’s little jokes, it was a huge influx of the sorts of immigrants Mr Trump has said he wants more of—Scandinavians—that created this leftist politics. It is now centred on Minneapolis, since the “F” has faded as a Democratic constituency in Minnesota; and the “L” is waning, stalwarts such as Mr Lüneburg notwithstanding.

Minnesota Nice on ice

The more recent source is the killing of George Floyd, which sensitised even the city’s privileged residents to how the law could be abused and rights rendered null, says Emmanuel Mauleón, a law professor at the University of Minnesota. “You had a mass awakening to what happens when law enforcement exceeds its

bounds,” he says. “The ethos of protecting one another in this way, I think, is born of that moment.”

For Trump officials, it is the resistance that is abusing the law. They have called Ms Good a domestic terrorist out to run the agent down. They have defended ICE’s tactics as necessary to prevent anarchists from impeding law enforcement. Among modern presidents Mr Trump is unique in his zest, when encountering opposition, for increasing the political temperature. Whether this outcome is intended or not, the crackdown in Minneapolis could provoke overreaction on the left, in the form of lawbreaking resistance locally and a renewed national push from Democrats to “abolish ICE”, just as some also called to abolish the police in 2020. Polls show Mr Trump’s crackdown is unpopular now, but also that voters still trust congressional Republicans more when it comes to immigration.

Whoever the courts decide is breaking the law in Minneapolis, this contest is ultimately a political one. It will be lost by whichever side overplays its hand. But no one will really win. ■

<https://www.economist.com/united-states/2026/01/21/why-minneapolis-is-at-the-centre-of-donald-trumps-immigration-crackdown>

The Americas

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Master fraud :: The fallout of Banco Master's liquidation is getting ugly

Power on paper

Mexico's mighty left-wing government is floundering

The strongest left-wing party in the democratic world is struggling to deliver security or economic growth

Jan 22, 2026 02:39 PM | Mexico City



WITH NICOLÁS MADURO ousted and regimes in Cuba and Nicaragua flailing, the Fidel Castro-inspired left that once held sway over Latin America is fading. Yet across the southern border of the United States, a different kind of left-wing politics is not only still alive, but thriving.

Mexico's Morena is more benign, less ideological and far younger than the Marxism-Leninism that emanated across the Caribbean in the 20th century. It has no serious rivals in Mexico. It was founded in 2011 to carry its founder, Andrés Manuel López Obrador, to the presidency. Since achieving that in 2018, the party has dominated Mexican politics. Together with its allies, it controls 24 of Mexico's 32 states. It holds supermajorities in both legislative houses, more than two-thirds of the seats in each. It draws comparisons with the Institutional Revolutionary Party that ruled Mexico as a one-party state for seven decades until 2000.

But as Morena has become more entrenched it has looked ever less likely to rescue Mexico from its most serious problems: powerful drug gangs, corruption and a feeble economy. The party and its leaders remain popular. The question is how long that popularity can last.

Security and corruption are the immediate concerns. Claudia Sheinbaum, Mr López Obrador's hand-picked successor, has adopted an [effective](#) strategy, pushing murder rates down for the first time in years. But Donald Trump wants results fast. He has alleged "an intolerable alliance" between drug gangs and Mexican politicians. Several Morena officials, including senators and governors, face credible accusations of narco ties. Difficult as he is, Mr Trump has given Ms Sheinbaum cover to go after corruption, but targeting her own party remains difficult.



The revamp of security and judicial institutions needed to make Mexico permanently safer and less corrupt will be expensive. That

is a problem. Under Morena, Mexico has no money. Its economic growth has long lagged behind that of its neighbours in Latin America and comparable emerging economies in Asia, but the Morena years have been the most sluggish in a quarter-century. The IMF thinks the economy will grow by 1.5% in 2026, about half the Latin American average. Ms Sheinbaum's Plan México, a flagship development strategy, is faltering: in 2025 investment reached 22% of GDP, short of the 25% target. With weak growth and little sign of a turnaround, few believe the government can maintain expansive welfare payments until the end of her term, in 2030.

These handouts underpin Morena's popularity. Along with labour reforms, including steep rises in the minimum wage and limits on outsourcing, they lifted over 13m of Mexico's 132m people out of poverty between 2018 and 2024. They have trebled the minimum wage over that period, to 315 pesos (\$18) a day. A proposal to cut the working week from 48 to 40 hours is before Congress. But over the same period Mexico's budget deficit grew from about 2% of GDP to a four-decade high of 5.7% in 2024. Ms Sheinbaum has promised to bring that back down to 2.5%, but has so far missed her own short-term targets.

These fiscal constraints weaken Ms Sheinbaum's hand with Mr Trump. The economy's growth rate depends heavily on the United States-Mexico-Canada Agreement (USMCA), a free-trade pact, which is due to be reviewed this year. On January 13th Mr Trump called it "irrelevant". He has correctly identified Mexico's problems as lawlessness and corruption. But with stretched government finances on top of a saggy economy, Ms Sheinbaum cannot solve these problems quickly. If Mr Trump did ditch USMCA, it would scotch any hope of Mexico meeting his demands.

Nature of the beast

Some of the challenges Ms Sheinbaum faces in solving this conundrum stem from the nature of Morena itself. Though its

platform is overtly left-wing, party membership is much looser. Discipline is weak. It took in candidates indiscriminately in its early years because it “only cared about winning, not about legacy or groundwork”, says Javier Aparicio of CIDE, a university in Mexico City. Much of its success relied on Mr López Obrador’s charisma. “The big challenge” is to keep Morena loyal to its values, says Citlalli Hernández, a founding member and now women’s minister.

Ms Sheinbaum has begun to assert herself. An anti-nepotism law passed in 2025, which barred relatives of politicians from office, was seen as a move to sideline Mr López Obrador’s allies. Still, his influence endures and her political identity remains constrained by the movement he built. Overt breaks risk weakening her hand. The implementation of the anti-nepotism law has been delayed until 2030.

Power itself is a unifying goal. Mr López Obrador curbed oversight institutions such as the electoral authority, claiming to be acting for “the people”. Morena disavows this. “We don’t intend to have absolute power,” says Ms Hernández. Patricia Mercado of Citizens’ Movement, a centre-left party that is not allied with Morena, is sceptical. “I think they want to stay in power,” she says. “Many in Morena believe only they can transform the country.”

Ms Sheinbaum certainly looks less autocratic than Mr López Obrador. But she **pushed** through his plan to elect Mexico’s judiciary and is working on changes to the electoral system, which include cutting public funding for political parties and a reduction of the number of seats elected through proportional representation. All this works to Morena’s advantage. “I don’t know what their motivations are,” says Lorena Becerra, a pollster. “But the result will be less democratic competition.”

Mexicans are unfazed by Morena’s dominance. Ms Sheinbaum’s approval rating is yet to fall below 70%. But cracks are starting to

show. A host of scandals has left the party's claims about anti-corruption and austerity ringing hollow. Concern over crime is rising. Ms Sheinbaum lacks Mr López Obrador's charm. This makes problems once brushed aside—slow growth, medicine shortages, faltering schools—harder to ignore. Last year Morena lost several local elections it had expected to win. “The honeymoon is over,” says Mr Aparicio. “You have to deliver.” So far that has not been Morena’s strength. ■

<https://www.economist.com/the-americas/2026/01/20/mexicos-mighty-left-wing-government-is-floundering>

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Friendly fire

Canadian soldiers are subject to Donald Trump's orders

As the American president becomes more aggressive, this is becoming a problem

Jan 22, 2026 02:24 PM | Toronto



ON JANUARY 17TH the Pentagon “stood up” two infantry battalions from the 11th Airborne Division in Alaska. Known as the Arctic Angels, the division specialises in cold-climate missions. As many as 1,500 soldiers could be deployed in support of Immigration and Customs Enforcement (ICE) and other federal agents in Minneapolis. The city has become a flashpoint between protesters and federal authorities over Donald Trump’s immigration crackdown and the death of 37-year-old Renee Good, an American shot by an ICE agent this month.

But American soldiers were not the only ones who heard the call. Canadian Brigadier-General Robert McBride (pictured) is the deputy commanding general of operations for the 11th Airborne. His role in a division waiting to support ICE is a pointed example of how Canadian personnel are caught awkwardly between Mr Trump’s orders, Canada’s military mandate and public opinion.

Canada and the United States have exchanged military personnel for decades. Beyond joint task-forces, intelligence sharing, and organisations like NATO and Norad, Canada's Department of National Defence (DND) also regularly sends members of the Canadian Armed Forces (CAF) on exchange programmes with American military units, sometimes for years.

“Exchange officers take an established position in a given unit and are subject to the orders and discipline of the United States military,” says Colonel-Maître Michel Drapeau, a Canadian veteran and military lawyer. He studied at the Joint Forces Staff College in Virginia, where he says he only differed from his American counterparts in “the colour of [his] uniform”.

Today the differences are more stark. Some of Mr Trump’s recent orders don’t align with the values of the Canadian armed forces and contradict Canadian interests. Operation Southern Spear has seen the United States blowing up small boats of alleged drug traffickers, killing more than 100 people; the capture of Nicolás Maduro, Venezuela’s dictator, was hardly Canadian policy; Mr Trump’s threats to take Greenland by force are putting strain on NATO, prompting [Mark Carney](#), Canada’s prime minister, to consider sending Canadian troops to [Greenland](#).

Embedded Canadians must follow American orders while also adhering to Canadian military laws and protocol. In the past Canadian soldiers in joint operations have been excused from following orders that conflict with Canada’s military regulations, a process known as caveating. This puts strict limits on what they may do while with another country’s armed forces. Colonel Drapeau assumes, and hopes, that Canadian troops are not involved in standing up the 11th Airborne. “Canada’s sovereignty must come first,” he says. “There would be hell to pay if that was allowed to take place.” As this story was published, neither the DND nor the prime minister’s office had responded to questions about whether General McBride, or other Canadian personnel serving in the

United States, have been caveated. In a statement sent after publication, the DND said: “There are currently no active-duty members involved in operations in Minnesota, nor would they be allowed to be without approval by the Government of Canada. At this time, no such request has been made.”

Recent public statements by both armed forces identify several high-ranking Canadians who have gone on exchange. Including General McBride, at least six brigadier-generals, one rear admiral and three major-generals have been scattered across the United States Army, Air Force, Navy, Space Force and the Department of Defence. Lower-ranked personnel on exchange are not routinely identified, but there may be hundreds of Canadian soldiers serving in the United States.

Publicly available information suggests that several are deployed within units that have been carrying out some of Mr Trump’s most controversial orders. One Royal Canadian Airforce pilot is on exchange with the United States Air Force, flying the C-17 Globemaster III, a large transport aircraft capable of tactical airdrop and airlift missions. “Flight data shows USAF C-17 flights flying from [DHS] facilities in the States to CECOT in El Salvador,” says Steffan Watkins, an independent analyst and researcher. As this story was published, the DND had not answered questions about whether a Canadian pilot has flown any of these missions. On January 21st it said Canadian armed forces were “not involved”.

Mr Watkins says data also shows the operation of E-3G Sentry aircraft near Venezuela. These aircraft often have multinational crews, including Canadians. The planes have been used in Operation Southern Spear. There are also Canadian personnel working in the Joint Interagency Task Force South in Key West, Florida, providing intelligence for operations, including those across the Caribbean.

A SOUTHCOM public affairs officer said that “questions about the location or allocation of [CAF] troops and the work they are conducting should be directed to the CAF.” Canadian troops already work closely with the United States in the Caribbean. Operation CARIBBE, the “enhanced counter-narcotics operations” that sees the Canadian armed forces deploy ships and aircraft to the Caribbean on rotation, has been active since 2006. Canada and the US Coast Guard regularly work together in search and rescue, surveillance and disrupting drug- and human-trafficking.

Mr Trump’s aggression has brought this co-operation into question. His repeated threats of annexation have also forced Canada’s armed forces to draw up plans for responding to an invasion by the United States for the first time in more than a century. That will probably remain a hypothetical concern. Canada’s involvement in Mr Trump’s foreign adventures is not. ■

Editor’s note (January 21st): This story has been updated with comment from the Office of the Minister of National Defence

<https://www.economist.com/the-americas/2026/01/20/canadian-soldiers-are-subject-to-donald-trumps-orders>

Master fraud

The collapse of a Brazilian bank ensnares politicians and judges

The fallout of Banco Master's liquidation is getting ugly

Jan 22, 2026 02:08 PM | Rio de Janiero



The wrong kind of interest

DANIEL VORCARO started living it up after becoming the head of Banco Master, a mid-sized Brazilian bank, in 2019. Over the next few years he spent lavishly on properties, private jets, a luxury hotel and a football team. He splashed more than \$3m on his daughter's 15th birthday party. As the champagne flowed and the jets racked up miles, some questioned how Banco Master was growing so fast. The bank's business model was based on selling bank-deposit certificates, a popular fixed-income product in Brazil, with unusually high interest rates.

Cracks started to emerge in September, when Mr Vorcaro suddenly tried to sell the firm. He found a willing buyer in Banco de Brasília (BRB), a lender controlled by the government of Brazil's federal district. Yet when the Central Bank dug into the details of the merger, it found that Banco Master had no liquidity. Investigators discovered that it had sold worthless credit portfolios to BRB for

more than \$2bn. Soon after, Mr Vorcaro was arrested as he tried to board a private jet to Dubai. Brazil's deposit-insurance fund will shell out \$7.5bn-10bn to reimburse savers, the largest such compensation in Brazil's history.

The saga could have ended there. But the effects of Banco Master's collapse reach beyond the banking sector. That is because Mr Vorcaro spent years cultivating ties to Brazil's elite. The case has exposed links between politicians, financial bigwigs and the judiciary in Brasília, the capital, damaging the reputation of the Supreme Court and Congress.

The plot began to twist shortly after the Central Bank ordered Banco Master's liquidation in November. Jhonatan de Jesus, a member of the Federal Court of Accounts (TCU), an auditing body whose members are appointed by Congress, claimed that the Central Bank had acted too hastily. He ordered an investigation into whether it could have chosen alternatives to liquidation. "That kind of interference in the Central Bank's authority is unusual and worrying," says a senior prosecutor working on the case. Mr Jesus has close links to the Centrão, a group of ideologically fluid parties that control Congress and have a long history of corruption.

Politicians from the Centrão tried to protect Banco Master before it went bust. Senator Ciro Nogueira, the former chief of staff to Jair Bolsonaro, a right-wing populist and former president, tried to block a congressional inquiry into Banco Master's dealings, and pushed for a bill that would have given Congress the power to fire the boss of the Central Bank. Meanwhile Ibaneis Rocha, the *bolsonarista* governor of Brasília, vigorously defended BRB's acquisition of Banco Master, even though many analysts strongly cautioned against it. (A judge has since removed BRB's chief executive due to potential political interference.) Mr Vorcaro's brother-in-law, Fabiano Zettel, who is also under investigation, was the largest individual donor to Mr Bolsonaro's campaign in 2022,

and to the campaign of Tarcísio de Freitas, the right-wing governor of São Paulo.

Open sesame

When investigators opened Mr Vorcaro's phone, they found even more links to power. The bank had signed a deal worth \$24m over three years with a law firm run by the wife of Alexandre de Moraes, an influential Supreme Court judge. The vagueness of the contract and large sums involved are “not normal” by Brazilian standards, says one legal expert. Soon after, a newspaper revealed that Mr Moraes had phoned or met Gabriel Galípolo, the head of the Central Bank, several times in the run-up to Banco Master's liquidation.

Mr Moraes and his wife have denied wrongdoing. The attorney-general has shut down an investigation into the couple, citing insufficient evidence of misconduct. Mr Moraes says he and Mr Galípolo met to discuss matters unrelated to Banco Master. Yet his imperious behaviour has raised eyebrows. On January 14th he opened an investigation into Brazil's financial-intelligence unit and the federal revenue service to find out whether they had leaked information about the contract.

The optics are no better for Mr Moraes's colleague, José Antonio Dias Toffoli, a judge, who has shut down other anti-corruption investigations into Brasília's elite. Mr Toffoli travelled on a private jet with a lawyer for Banco Master around the same time as the Supreme Court's lottery system assigned him to lead the case against the firm. It then transpired that Mr Zettel had invested over \$1m in a resort that belonged to Mr Toffoli's brothers. There is no evidence that Mr Toffoli knew of the matter, and he has not spoken publicly about it.

Yet these ties reinforce the impression among Brazilian voters that the country's top court lacks impartiality. To combat such

suspicions, the court's new president, Edson Fachin, a sober judge who avoids the limelight, proposed that the bench adopt an ethics code modelled on that of Germany's constitutional court. Mr Fachin's colleagues scoffed.

The one clear winner from the sleazy saga is Mr Galípolo, the Central Bank boss, who has stood firm against pressures to save Banco Master. Mr Jesus was forced to withdraw his inquiry. Since then, Mr Galípolo has asked lawmakers to give the bank administrative, budgetary and financial autonomy, beyond the operational autonomy it already enjoys. That would give the bank more robust powers of supervision over financial institutions, and respite from Brasília's dubious machinations. ■

<https://www.economist.com/the-americas/2026/01/22/the-collapse-of-a-brazilian-bank-ensnares-politicians-and-judges>

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Bouncing back

The remarkable recovery of Narendra Modi

Despite an electoral reverse in 2024, India's prime minister seems dominant

Jan 22, 2026 02:39 PM | DELHI



SIXTEEN MONTHS ago Narendra Modi looked chastened. Having just lost his majority in a national election, the chest-thumping Indian leader was forced to lean on regional parties. His coalition showed little appetite for difficult reform. Some commentators pronounced it “Peak Modi”. Would-be successors began to plot.

Today things look rather different. Mr Modi’s coalition has won a string of state elections and the opposition is in disarray. His government has rediscovered its zeal. Last year it announced a much-needed simplification of India’s goods-and-services taxes and overhauled its [Byzantine labour laws](#). It is deregulating the nuclear industry, promoting a booming electronics sector and striking trade deals. India’s economy is [outperforming expectations](#).

Mr Modi, who at 75 has already been in the highest office for almost 12 years, is now expected to run again in 2029. The prime

minister has his eye on Jawaharlal Nehru's record time in office, which he would surpass in 2031. And he is thinking about his legacy. Still prominent within that is a brash cultural agenda which aims to restore Indian, and specifically Hindu, pride. Yet as India has come under growing pressure from abroad, he has focused more on boosting the country's economy, and getting it on track to meet his target of developed-country status by 2047.

To see how Mr Modi has bounced back, start with that difficult election result. The seat count of his Bharatiya Janata Party (BJP) in the lower house fell from 303 to 240 (out of 543); Mr Modi had boasted that it would exceed 400. Yet postmortems that announced a new era of messy coalition politics, the norm for the 25 years before the BJP won an outright majority in 2014, were wide of the mark. The BJP's vote share had fallen by less than a percentage point, from 37.4% to 36.6%. A buoyant Congress party, its only national rival, had still won only 21.2% of the vote.

Even so, the BJP was quick to identify lessons. As votes were cast, inflation was running at 5% (and the price of onions had risen by an eye-watering 50% in the past year). The government has taken action to improve food supply and distribution.

Party bigwigs did not, however, interpret the 2024 result as an instruction to dial down the Hindu nationalism. At rallies Mr Modi and his colleagues still resort to shrill and divisive rhetoric, often aimed at exploiting chauvinism against India's Muslims. But the government has refrained from launching many new temperature-raising initiatives. Some had feared more plans to replace mosques with temples, as happened with Mr Modi's consecration of a temple in Ayodhya in January 2024.

Within the Rashtriya Swayamsevak Sangh, a grassroots Hindu organisation, many want Mr Modi to make good on his promise to introduce a uniform civil code, a long-standing Hindu-nationalist

goal that would in effect abolish Muslim family law. So far, Mr Modi has not gone down this path.

Instead, he has focused his movement on the idea of making India strong. He has been helped by a tough external environment. In May, following a gruesome terrorist attack in Kashmir, India fought a four-day air-and-missile conflict with Pakistan. That allowed the prime minister to play the patriotic strongman. Then in August Donald Trump slapped India with an additional 25% tariff (on top of an early 25%) as punishment for its use of Russian oil. Those levies are hurting Indian exporters, from diamond-cutters to garment-makers.

You might think Mr Modi would be blamed for mishandling India's biggest trading partner. Yet most Indians approve of the way he has stood up to Mr Trump. And he has used pressure from abroad as a pretext for reform. Freeing up labour and reducing the cost of power are urgent, he argues, if Indian manufacturers are to compete. So, too, is reducing trade barriers. At a summit this month India hopes a deal with the EU may at last be sealed.

In all this, Mr Modi's coalition has proved surprisingly stable. As small regional parties, his partners have largely been happy to offer loyalty in exchange for patronage. They may have curbed the BJP's instincts in some areas, such as on the uniform civil code. The weakness of the opposition has also made difficult economic reforms easier. Protests over the new labour codes have been muted.

When it comes to elections, the governing coalition has shown a ruthless edge. Weeks before state polls opened in Bihar, in November, 10,000 rupees (\$110) was transferred into the bank accounts of around 2.1m female voters under a scheme purporting to support entrepreneurs. While legal, such transactional vote-buying stretches electoral norms and will strain state budgets.

Rahul Gandhi, leader of the Congress party, offers a different explanation. He alleges that the government has committed “vote *chori*”, or voter fraud—and claims that the BJP is engineering elections nationwide. It is true that the government has undermined the independence of India’s electoral commission, and that election-watchers have reported some irregularities. Moreover, Mr Modi does have an authoritarian streak. Note the fourfold increase in criminal investigations into politicians since he took office; an investigation in 2022 found that some 95% were members of opposition parties. Yet Mr Gandhi has not presented evidence of widespread fraud, nor have analysts found a smoking gun.

The accusation risks becoming a crutch for Congress. By any standard Mr Modi remains a genuinely popular leader, approved of by some 70% of Indians. Mr Gandhi has failed to build on the result in 2024 by developing either a compelling critique or an economic and cultural platform of his own. He is “Modi’s best campaigner”, says Rahul Verma of Shiv Nadar University, Chennai.

Mr Modi’s dominance is not guaranteed. States including Kerala, Tamil Nadu and West Bengal go to the polls this spring. Those contests will be trickier than the one in Bihar. Although inflation has abated, anger about a lack of jobs has not. Protests have flared over conditions for gig workers. A stronger opposition would help hold the government to account.

But for now Mr Modi is ascendant. The hope must be that the prime minister sees boosting the economy as the best way to secure his legacy. If he does, his third term could do much to improve the lives of Indians by setting the country on a still faster road to growth. ■

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Rolling the dice

Japan's popular new prime minister gambles on a snap election

Will her high approval ratings benefit her tarnished party?

Jan 22, 2026 02:08 PM | Tokyo

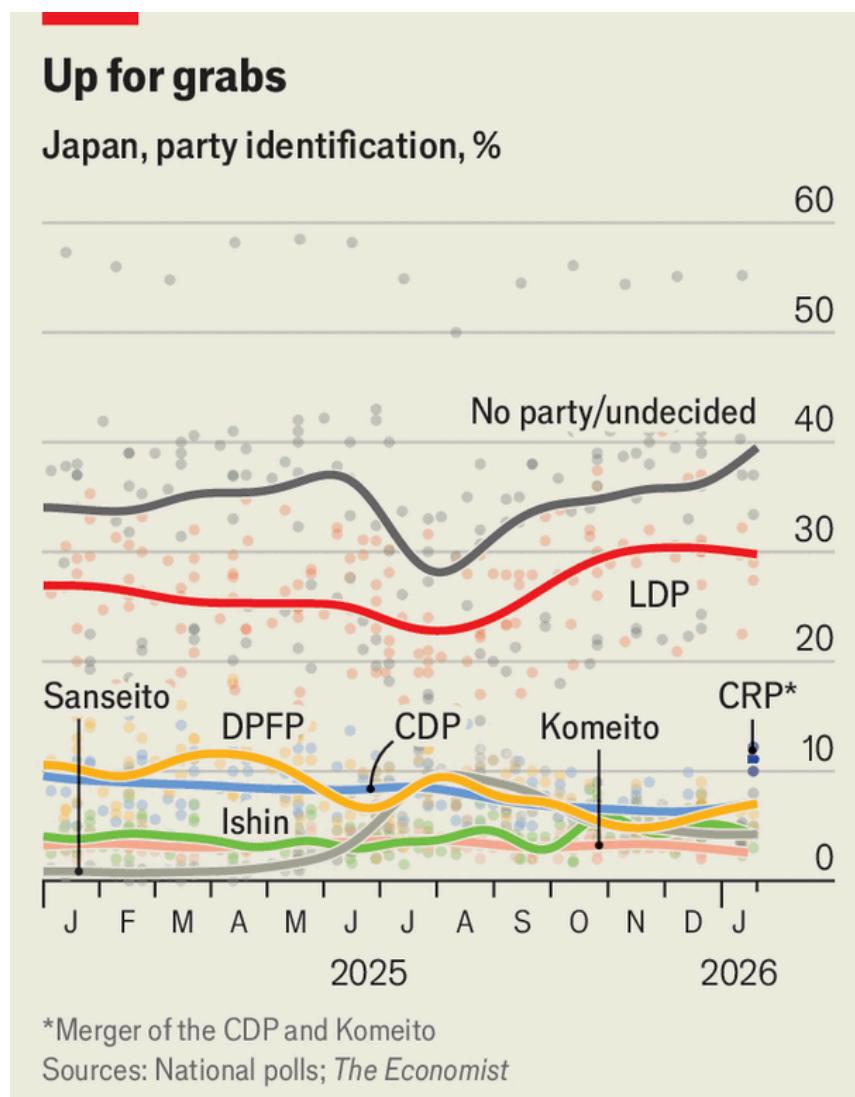


TAKAICHI SANAE'S confidence is immense. Since she took the helm of the ruling Liberal Democratic Party (LDP) and became Japan's first female prime minister last October her administration's approval ratings in many polls have consistently exceeded 70%. At a press conference on January 19th, less than 100 days into her term, she confirmed what had long been rumoured in the Japanese press. She called a snap election for Japan's powerful lower house, to be held on February 8th.

The campaign will be the shortest in Japan's post-war history. And it comes little more than a year after the previous poll. Ms Takaichi (pictured) says it is essential that voters be given a chance to approve her leadership and the new ruling coalition she formed after she was picked as leader of the LDP. "Let the people decide whether or not Takaichi Sanae should be prime minister," she declared. She promises an aggressive industrial policy and reforms that will enable Japan to better defend itself. She has also called for

tax cuts and an end to “excessive austerity”. The prospect of a strong mandate for her expansionary agenda sent **shock waves through bond markets**, with yields on Japanese long-term bonds reaching record highs.

Ms Takaichi is gambling that she can consolidate power while her popularity remains high. She hopes to lead the LDP to a stronger position in the lower house than the one-seat majority it currently commands along with its coalition partner. The question is whether her personal appeal will be enough to help her party (which is less popular than she is) fend off the challenge from a new opposition alliance and from populist outfits.



Ms Takaichi's plain-spoken rhetoric and her everywoman background contrast strongly with the personalities of the men who preceded her. Among voters under the age of 30, approval of her government exceeded 90% in one recent poll. Her main policy accomplishments so far amount to a supplementary budget full of goodies that are meant to soothe the pain of inflation; and deft handling of visits by foreign leaders, including Donald Trump. Standing up to Chinese pressure amid a [recent diplomatic spat over Taiwan](#) has probably helped reinforce her standing as well.

But Ms Takaichi is aware that the adulation may be fleeting. And Japanese who respect her do not necessarily like her party. The LDP has long dominated Japanese politics, but in recent years scandals have sullied its image. After Ms Takaichi was selected as party leader, the LDP's longtime coalition partner, Komeito, ended their 26-year partnership. Pernicious inflation and the growing role of social media in campaigning have also helped [make politics in Japan more competitive](#).

Support for the LDP has risen slightly since Ms Takaichi took office, to around 35%. That is a lot higher than the ratings any of Japan's other parties enjoy. But it is about the same as it was at the time of [the last lower-house election, in October 2024](#)—and on that occasion the LDP ended up losing its outright majority. Ms Takaichi's decision to call the election has worried some senior members of the party. "I'm a bit perplexed by the timing of the dissolution," admitted Onodera Itsunori, an LDP heavyweight.

The LDP's opponents are waiting to pounce. The main centre-left opposition party, the Constitutional Democratic Party, has this month joined forces with Komeito by creating a new group they are calling the Centrist Reform Alliance. The alliance has some LDP members spooked, mostly because Komeito commands support from members of Soka Gakkai, a Buddhist religious group whose backing can be crucial in some districts.

Newish, populist parties pose a different threat. The Democratic Party for the People, a centrist outfit with populist flair, and the Do It Yourself Party (Sanseito), a nativist group on the hard right, have both made big inroads in the past two election cycles. Both have seen their polling numbers slide since Ms Takaichi took office. Yet the underlying factors that have helped fuel their emergence—notably worries about immigration and inflation—remain very potent.

If the LDP manages to win back its outright majority in the lower house, Ms Takaichi will have a freer hand to pursue her preferred policies. Markets reckon the chance of this is high, as indicated by the turbulence in the bond markets. Yet Ms Takaichi seems to have no illusions about the risks. She said she had “put my own position as prime minister on the line”. ■

<https://www.economist.com/asia/2026/01/19/japans-popular-new-prime-minister-gambles-on-a-snap-election>

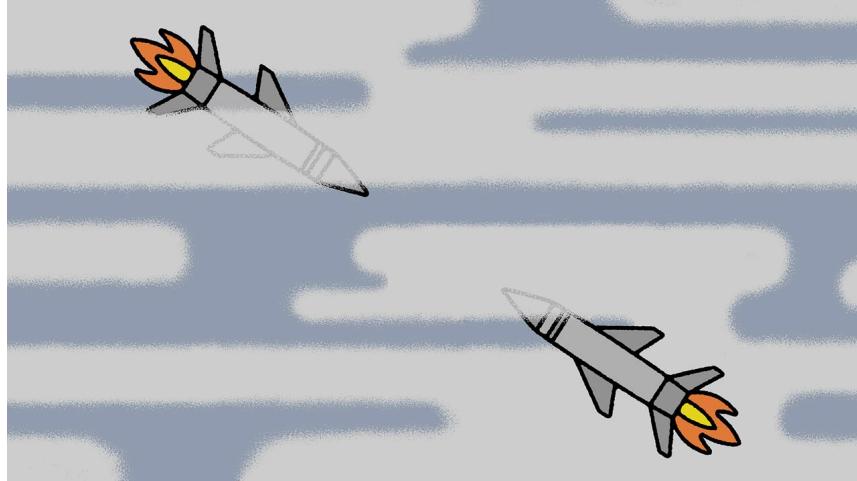
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Banyan

Who really won the war between India and Pakistan?

The dispute over that dispute bodes ill for the next fight

Jan 22, 2026 02:08 PM



THE FOG of war can make it difficult to understand what is happening during a conflict. Sometimes that murkiness can persist long after the guns have fallen silent. That is proving true of the four-day skirmish between India and Pakistan that took place last May. This writer recently spoke to a wide range of Indian military and security officials on the lessons that the country took from Operation Sindoor, as the Indians dubbed their part in the conflict. They differ dramatically from those drawn by Pakistan. That greatly raises the risk of miscalculations when the two countries next come to blows.

Last year's crisis began when terrorists with links to Pakistan massacred 26 people in Indian-administered Kashmir. Two weeks later, on May 7th, India bombed nine sites in Pakistan associated with jihadist groups, including some in Punjab, the country's most populous province. That was a step up from the strikes India launched during a previous confrontation in 2019, which hit only

one location, in territory that the two countries dispute. The two sides exchanged drone and missile strikes before declaring a ceasefire on May 10th.

Both sides have claimed a victory of sorts. India appears to have hit all the targets it originally set out to destroy (in 2019 India is believed to have missed). A “complex, innovative attack” with missiles that it launched on May 10th “appears largely to have overcome Pakistani air defences”, writes Christopher Clary, an expert at the University of Albany, in a detailed paper for the Stimson Centre, a think-tank in Washington. By contrast, he says, many or perhaps all Pakistani ballistic missiles fired that day either missed or were intercepted, judging by the lack of satellite images proving that they caused much harm.

Yet Pakistan can reasonably claim to have exacted a high price for all this. On May 7th, the first day of the conflict, it downed several Indian jets—probably five. More important, it snatched a diplomatic victory from the jaws of a military defeat. Indians remain furious at Donald Trump’s repeated claims to have ended the crisis by threatening both sides with tariffs. They were angered, too, by Mr Trump’s public embrace of Asim Munir, Pakistan’s army chief, who in the wake of the conflict elevated himself to the rank of field-marshall, consolidated power at home and shrewdly nominated Mr Trump for a Nobel peace prize.

One might guess that India will tread a bit more cautiously next time. Its relationship with America has soured since the conflict because of disputes over tariffs, India’s purchase of Russian oil and Mr Trump’s gloating over the ceasefire. During the same period, Pakistan has deepened its own ties with America and signed an ambitious defence pact with Saudi Arabia. On the day of the ceasefire Western governments were “hours away” from advising their citizens against travel to India, says one official. That would have panicked Indian businesses.

Yet Banyan's conversations in Delhi suggest that many Indians see things very differently. Indian officials believe that Pakistan was on the ropes by May 10th. The fact that Pakistan could not get its Fatah ballistic missiles through Indian defences that day is evidence, some argue, that its options were limited. "This time we agreed to a halt," says one Indian military official. "Next time, our desired end state may be much more."

Indian officials do not dismiss the risk that a future conflict turns nuclear. But they insist they have a good grasp of where the limits lie. India has an "escalation matrix", explains one official, spelling out in detail which targets might prompt what sort of response, and which might cross a red line. "One thing we take as an important lesson" from those days of fighting, says another senior official, "is that there is space between conventional and nuclear. Plenty of margin to play with."

Some of this might be bravado, of course. In any war, each side has an incentive to play up its successes and play down its losses, if only to bolster deterrence. But the chasm between Indian and Pakistani perceptions of their skirmish is gaping. Pakistan may have come away with the view that India is likely to blink first in another conflict, that America will quickly step in and that post-war diplomacy will once again settle in Pakistan's favour. Some Indians believe that the country erred in agreeing to a ceasefire on May 10th, and that it should have pressed on. All this suggests the next showdown could be more unpredictable—and a lot more dangerous. ■

<https://www.economist.com/asia/2026/01/22/who-really-won-the-war-between-india-and-pakistan>

Plenty of fish

Homegrown apps are making dating in India less awkward

AI tools compose love poems on behalf of tongue-tied suitors

Jan 22, 2026 02:08 PM | Delhi



IMAGINE SHOWING up for a first date with someone you met online, only to find your romantic prospect has brought along their mum. In India that experience is not uncommon. The country's unique dating culture requires homegrown dating apps—or so say a horde of entrepreneurs who are trying to part lonely hearts from their cash. By one count India has more than 2,500 matchmaking startups, perhaps the most in the world.

On paper, India is a hot market for matchmaking firms. It has 1.4bn people, a median age of 30 and dirt-cheap mobile data. Well-known Western dating apps began entering India about a decade ago, with high hopes. They have managed to pull users, but have found it difficult to make money from their meat-markets. Over the past 18 months some big foreign apps have begun to consciously uncouple from India.

It is not a surprise that apps originally built for foreign markets should struggle, say Indian entrepreneurs. When it comes to dating, many young Indians feel that they are caught between two worlds. A lot of them still enter marriages that are arranged by their parents. Some of them meet their future spouse only a few times before their weddings. If they have ever searched for love online, there is every chance that they have done this only under parental supervision.

Then there is the new world where Indians seek to take control of their own love lives. Dating widely is appealing—but in practice it is also fraught. “India is a country where pop culture actually romanticises things such as stalking. Just look at our movies,” says Samarpita Samaddar, who used to work for Bumble, a big Western matchmaking firm.

In India many Western apps are seen as search engines for casual sex (which many Indians consider taboo). Apps developed in India tend to serve a market that they call “date to marry”. Flutrr, one such app, targets aspirational youth in second- and third-tier cities. These users are too modern to accept partners picked by their parents, says Kaushik Banerjee, its boss. But they are also “completely culturally alienated from Western apps”.

To reach users outside India’s Anglophone elite, Fluttr comes in seven languages. Unversed in the art of seduction? An AI tool will compose love poems on behalf of tongue-tied suitors. Users need not worry about encountering crude sexual innuendos; a profanity filter helps keep chats chaste. Juleo, a competitor, also promises safety: it claims to tap into the Indian government’s much vaunted digital-identity system in order to check that all the tall, handsome playboys are really who they are claiming to be.

So have the Indian startups figured out how to make pots of money? Not yet. Even old-school matrimonial platforms that have been around for decades seem to find it hard to turn big profits. The

problem? In India “our tolerance for pain is so high that we will suffer for a free app,” explains Simran Mangharam, a relationship coach who used to run Floh, a now defunct Indian dating site. “We only pay when we are really at the end of our tether.” ■

<https://www.economist.com/asia/2026/01/22/homegrown-apps-are-making-dating-in-india-less-awkward>

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Antique planters

Ageing farmers threaten South-East Asia's growth

Few parents want their offspring to end up working in the fields

Jan 22, 2026 02:08 PM | Singapore



THIS MONTH Malaysia launched new grants for young entrepreneurs. But the startup programme it has revamped is not for typical techies: it is only for people who like getting mud on their boots. Its goal is to herd more youngsters into agriculture—and Malaysia is not alone. Indonesia, the Philippines and Thailand have similar agricultural schemes.

For years policymakers in South-East Asia sought to move workers from farms to factories. Now they have a different problem: people who work in agriculture are growing old. The average farmer in Malaysia is 60; in the Philippines he is 56. Taking South-East Asia as a whole, a third of all farm workers are 55 or older—up from less than a fifth a decade ago.

In some ways this reflects good trends. The region's fields are short of youngsters because so many have found better jobs in the cities. And the people left behind are living longer, because once shoddy rural health care has improved.

Yet the greying of rural residents threatens a sector that, depending on the country, still supplies 9-22% of GDP and which employs roughly 30% of all South-East Asia's workers. As farmers grow elderly, they tend to grow less productive. Creaking joints are not the only worry: older farmers are less likely to experiment with novel seed varieties or new machines. A study of Chinese farmers published in 2024 found that ageing was linked to lower productivity because older farmers were less likely to adopt new technologies.

Some governments fear that all this might endanger food supplies. South-East Asia is not short of food, says Aiko Kikkawa of the Asian Development Bank (ADB). But she warns risks to food security must be taken seriously, particularly in an era of escalating trade wars.

One fix is to ensure farmers have the right tools and are trained to be productive even as they age. Farmers in South-East Asia often work plots too small to generate capital for mechanisation. Improving access to credit or machine-rental schemes could help. So would more training.

Governments are also trying to tempt young people back to farming. That probably makes little sense and anyway would be hard to do. Jobs in cities do not only pay better; they grant higher status. Many parents are keen to stop their children getting their hands dirty: in 2020 a survey of Filipino paddy farmers found around two-thirds did not want their children to follow in their footsteps.

For agriculture to become a more appealing occupation, farms need to become bigger—to achieve scale, justify investment in machinery and generate higher incomes. In Japan the problem of ageing farmers has been tackled in part by consolidating farmland, according to research by the ADB.

That is going to be a far bigger challenge in South-East Asia, where land holdings are more fragmented to begin with. Smallholders sometimes lack pensions; they hang on to land as a hedge against unreliable social safety-nets. As fertility rates fall and life expectancy rises, other industries in South-East Asia could soon suffer the same demographic challenge. How officials manage ageing farmers will offer clues about how adeptly they are going to deal with that broader grey-shift. ■

<https://www.economist.com/asia/2026/01/22/ageing-farmers-threaten-south-east-asias-growth>

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What to do?

Donald Trump's adventurism is unsettling China

Pushing back could threaten a trade deal and progress on Taiwan

Jan 22, 2026 02:39 PM | Taipei



SURVEYING HIS geopolitical scorecard last year, Xi Jinping had reasons to be cheerful. China's leader stared down his American counterpart, Donald Trump, in a trade war, presented a vision of a new world order at a military parade and stalled efforts to oust a Hong Kong-based company from ports it runs on the Panama Canal.

Today, the world looks more unsettling for Mr Xi. America's capture of Nicolás Maduro in Venezuela robbed China of its closest partner in South America and its biggest arms buyer in the region. It also affects about 4% of Chinese crude oil imports and may force China to write off some \$10bn in loans. Mr Trump's threat to curb China's presence in the western hemisphere puts many other Chinese interests at risk, including ports, satellite ground stations and billions of dollars in trade. In Iran, meanwhile, unrest backed by American-led sanctions and military threats has shaken another autocracy. It supplied 12% of China's oil imports last year and buttresses China's heft in the Middle East.

Mr Xi probably hopes that Mr Trump's adventurism will backfire, embroiling America in multiple crises that distract his attention from China. If America restarts its efforts to commandeer Greenland, China will relish the (probably terminal) damage that would do to NATO and to American relations with Europe. But like America's Western allies, China now understands that appeasing Mr Trump does not guarantee his moderation later. Mr Xi will be reluctant to sacrifice more of China's interests without greater certainty about American intentions.

The Chinese leader thus faces an unfamiliar dilemma. Should he push back harder against American coercion in an effort to protect interests far from China's shores? Or should he take the hit to his global ambitions in the hope of doing a deal with Mr Trump that helps with China's more immediate priorities: its economy and—perhaps—progress towards unification with Taiwan? The two leaders may meet at least three times this year, including at a summit in Beijing in April.

China lacks the capabilities to pull off an armed intervention in Latin America or the Middle East, despite its growing military muscle. Nor can it supply enough weapons to friendly governments to guarantee their survival. China's arms exports to both regions account for only a small share of its global sales. Increasing them would take time and big financial outlays from buyers, or loans on a scale that China is reluctant to provide. Besides, as the biggest buyer of Chinese weapons in South America, Venezuela is now a cautionary tale for other potential buyers, given the apparent failure of its Chinese-made air-defence radars.

Still, China has other tools at its disposal to obstruct American goals. The Trump administration promises to exclude China from Venezuela's oil industry. But Chinese engineers and technology already operating in the sector may be needed to stabilise and boost production. One Chinese joint venture alone accounts for more than 10% of Venezuela's production. China's status as Venezuela's

biggest oil buyer in recent years also gives Mr Xi some bargaining power, given that the Trump administration has allowed some sales to Chinese refineries to resume. After all, there is limited global demand for Venezuela's sticky, sulphurous crude.

Chinese companies are embedded in other parts of Venezuela's critical infrastructure, too. Its mobile-phone networks rely on technology from Huawei and ZTE, two Chinese telecommunications giants. ZTE also developed Venezuela's "Fatherland Card" system, which is used to track voting patterns, monitor social media and ration food. Another Chinese firm provided the Maduro regime with an internet censorship system. One irony of America's intervention is that with no plans to restore democracy, it now depends on this repressive Chinese technology to maintain political stability.

Elsewhere in Latin America, China can take steps to enhance the resilience of friendly governments. That could entail providing more equipment and training to help protect leaders, boost snooping efforts and bolster policing. China has done similar stuff across the region in recent years. It could also share more intelligence and use its capacity to manipulate public opinion through social media to stir up anti-American sentiment.

In Iran, too, China can enhance the regime's capacity to maintain control. Before the recent unrest, it had already quietly helped expand surveillance architecture using drones and facial-recognition software. Chinese companies have also strengthened Iran's internet controls, which the regime has used to impose communications blackouts. Unless the Iranian regime is toppled, such co-operation is likely to continue, according to Fan Hongda, a Chinese expert on the Middle East.

A bolder way to hamper American efforts in the Middle East would be through Yemen's Houthi rebels, who are backed by Iran and whose missile and drone strikes on Red Sea shipping disrupted

global trade from 2023 to 2025. Although China has always denied supporting the Houthis, America has accused Chinese companies of helping the rebels acquire drone components and satellite imagery to target American warships and international vessels.

Yet the dangers of overtly impeding American goals now seem far greater. Chinese scholars are rapidly reassessing Mr Trump's appetite for risk. "We traditionally believed that in an expansionist phase, the US would likely adopt large-scale invasions like those in Iraq and Afghanistan," explained Sun Yanfeng, a Latin America expert at a think-tank linked to China's Ministry of State Security, in a recent television interview. The Venezuela raid, he suggested, shows that "the way the US asserts its hegemony and its tactics have undergone a major change."

That will shape China's approach to the possible summit with Mr Trump in April. After resisting America's tariff onslaught, Chinese officials had been confident of finalising a trade deal on relatively favourable terms and possibly reaching a new understanding on Taiwan. Both might still be possible. But the viability of any agreements could also depend on the extent to which China resists the Trump administration's broader global plans. One potential spoiler is the 25% tariff that Mr Trump recently threatened to impose on countries trading with Iran.

The question then is how extensive those global plans are. Jin Canrong, an expert on international affairs at Renmin University in Beijing, writes that an American military strike on Iran is still likely this year. He thinks the Trump administration will exert increasing pressure on left-wing regimes in places such as Cuba, Colombia, Nicaragua and Brazil (once again). And he expects America to grab more resources in Africa, too, or at least to prevent China from getting them.

The potential cost of all that, though significant, would still be manageable for China if the pay-off is a sphere of influence of its

own. America may not succeed in all its efforts. Even if it does, many of the governments it targets would still need to do business with China. But acquiescence would involve a big recalibration of Mr Xi's global ambitions. And if it turns out that America wants to dominate the western hemisphere, while still denying China its dominance of Asia, Mr Xi's forbearance could prove a costly mistake. ■

<https://www.economist.com/china/2026/01/20/donald-trumps-adventurism-is-unsettling-china>

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Boosting consumption

Which Chinese provinces splash their cash?

The misers and spendthrifts are surprising

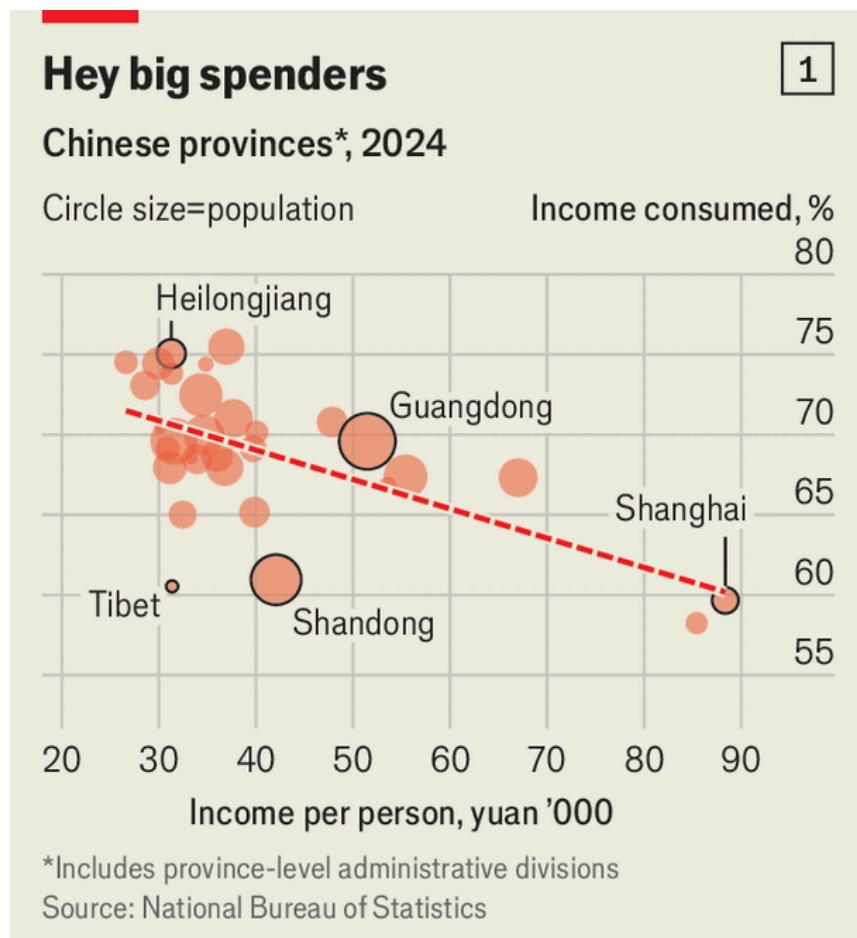
Jan 22, 2026 02:08 PM



AT LAST CHINA'S government wants to ramp up domestic consumption. So far, there's not much to show for it. Figures released on January 19th showed that GDP grew by 5% in 2025, driven by buoyant exports. At about 4.2%, household consumption growth lagged GDP. "Who is actually still spending money?" asks a headline on a Chinese news site. The article shows a chart that has gone viral: Chinese provinces categorised into those that "dare" to consume, and those that are "happy", "cautious" or "afraid" to do so, it suggests.

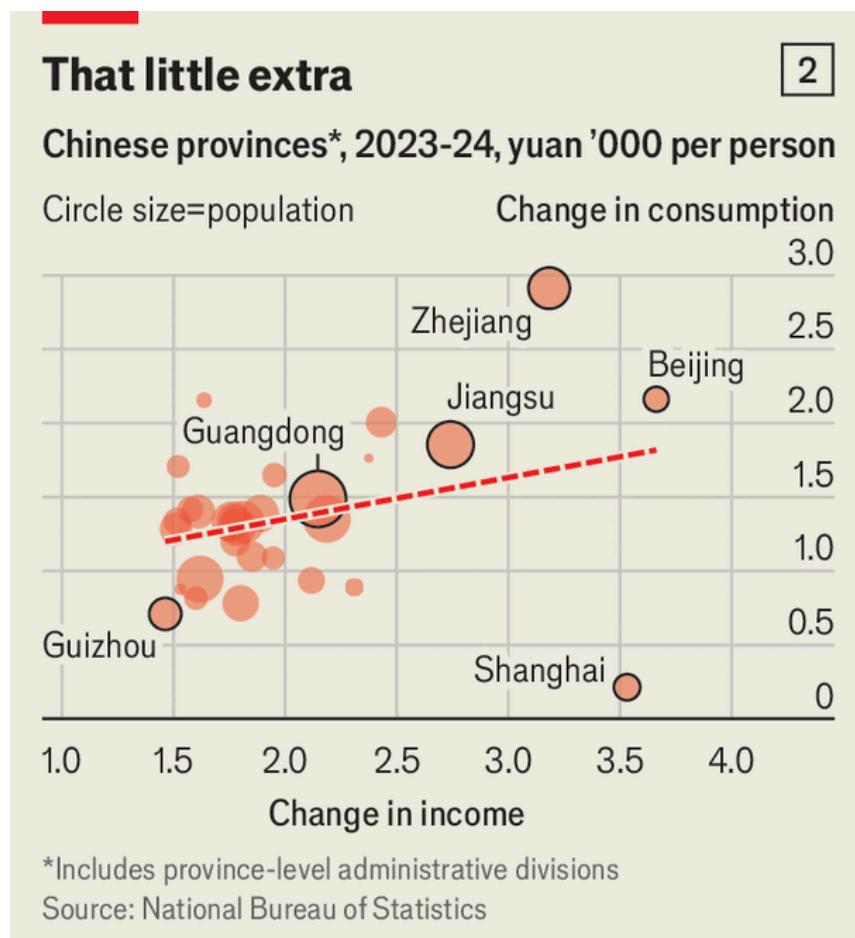
It is true that spending habits differ vastly between regions. Heilongjiang, a frigid province in the north, has an average disposable income of 31,000 yuan (\$4,453) per person and 75% of it is frittered away; people in snowy Tibet to the west make a similar amount, but just 61% of it is spent. Classifying regions into spendthrifts and misers is an attractive idea, especially since it could light the way for policies to lift consumer spending. To do

that it is crucial to know what explains the differences and what could “vigorously boost consumption”, and where.



The Economist has made such an attempt. We first look at people's willingness to splash out in each region. Chart 1 plots the share of income consumed against income. It shows an expected relationship: the more a province brings in, the less it spends as a proportion. What's interesting, though, are deviations from that trend. Folk in Guangdong province consume 70% of their income, three percentage points more than if they had conformed to the trend. Accounting for its size, that means Guangdong contributes 174bn yuan more to national consumption than might be expected. Inhabitants of Shandong province spend underwhelmingly. They are to blame for dragging down national consumption by 327bn yuan.

More pertinent, though, is what happens at the margins: how consumption varies in response to changes in income. Chart 2 plots this for the years 2023 to 2024, the latest available data. By this measure, Zhejiang, a coastal province, has been doing the heavy lifting for national consumption: of the 3,200-yuan increase in average income in 2024, it spent 2,900. The cosmopolitan Shanghai Chinese, geographically just above Zhejiang, were relatively stingy. They gained 3,500 yuan in income, but then only consumed 200 yuan more. Guangdong and Shandong, previously the spending leader and laggard respectively, are both close to trend.



What determines this marginal zeal for splashing cash? The data suggest several factors are important. The higher the initial income, the lower the enthusiasm to consume any extra dollops of it. That makes sense—the wealthy Shanghai Chinese already shell out a whopping 53,000 yuan each year on average. It follows that more

urban provinces, with cities full of well-heeled types, also seem less inclined to fritter away extra income.

Other factors also matter. If a province contains many residents enrolled in unemployment insurance, marginal spending seems more appealing to them. Meanwhile, places with high dependency ratios—where each working adult has many other people to support—understandably see a lower propensity for extra splurging.

Our tentative analysis suggests where the Chinese authorities should focus to boost consumption: places where income levels are low and the share of the provincial population living in the countryside is high. It also supports other interventions, such as strengthening the social safety-net and easing the financial burdens involved with caring for children and the old.

Still, all that may not be enough for China to meet its GDP growth target for 2026, which will probably be near 5% again. That will put pressure on the authorities to step in. If governments could also be categorised, China's might need to be one that “dares” to dole out stimulus. ■

<https://www.economist.com/china/2026/01/22/which-chinese-provinces-splash-their-cash>

The head and the heart

What's a good man worth in China's marriage market?

A viral social-media post reveals uncomfortable realities

Jan 22, 2026 02:08 PM



Snow going back now!

EARLIER THIS month, when Yun Chichi posted on Xiaohongshu, a social-media app, about an eligible bachelor looking to marry, she listed his many good qualities. The man had a car and a steady job in a hospital. His parents were taken care of with good retirement funds. He didn't smoke or drink, could cook and was mild-mannered. He was a total catch. Theoretically, if she wanted this man to marry into her family (an unusual arrangement), how much should she pay for him on the marriage market in China, she asked?

The real catch was that she was actually describing herself. But before she revealed as much, responses to the viral post flooded in. They said the suitor would be worth many millions of yuan or suitable for a hospital director's daughter. Once the truth came out her post was quickly deleted. It laid bare an uncomfortable reality:

the qualities that made the mystery man a marvel are expected of women.

Throughout Chinese history love has been transactional. Traditionally, matchmakers would consider family status, wealth and mores. In some rural areas “bride prices” are still paid to this day. But after Mao Zedong died in 1976, Chinese people became increasingly free to choose the person they wanted to spend their life with. By 2001 less than 12% of people were willing to marry someone they didn’t love, according to local research by Liu Wenrong of the Shanghai Academy of Social Sciences. But romance is increasingly forgotten in the face of more practical considerations. Today, 25% of men and 23.6% of women in Shanghai say they are happy to marry someone they don’t love.

China’s economic slowdown may explain some of the shift. Having a degree no longer guarantees a good job, and as of November the youth unemployment rate was 16.9%. Many families expect a groom to own a home, so economic woes hurt the marriage prospects of many. In such an environment nervous youngsters tread carefully. In Shanghai about half of young unmarried women say they wouldn’t tie the knot with someone unless their parents approved of their choice.

Many avoid the social and financial pressures of the marriage market altogether. In the first quarter of 2025 only 1.8m couples registered to get married, a year-on-year decrease of approximately 8.1%. Among those aged 25-29, the unmarried rate is over 50%.

This worries the government as almost all children in China are born in wedlock. On January 19th it said that the birth rate was at levels not seen since 1949: 5.63 per 1,000 people (the death rate is 8.04 per 1,000 people). Officials want celebration, not lamentation.



<https://www.economist.com/china/2026/01/22/whats-a-good-man-worth-in-chinas-marriage-market>

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Chaguan

Xi Jinping is carrying Deng Xiaoping's authoritarian torch in China

Many see China's leader as a counter-reformer. But he is really an heir

Jan 22, 2026 02:07 PM



SIGNS OF XI JINPING'S power cover China. The latest came on January 17th when the Communist Party's anti-graft watchdog announced that it had punished 983,000 individuals last year, an annual record. Beyond his iron fist is the force of his leadership. "Xi Jinping Thought" has been written into the constitution. Officials at every level declare their fealty to him as the party's "core". Students memorise his nuggets of wisdom, of which there is no shortage. The fifth volume of his works on governance was published last year.

All of these have lost the capacity to surprise. But when such signs first emerged, they stunned China-watchers. They heralded a shift away from the collective leadership that had guided China's post-Mao era back to something more like strongman rule. When thinking about China's recent history, Mr Xi thus offers a clear dividing line. The country's modern development was kickstarted

by Deng Xiaoping and his policy of “reform and opening up”, launched in 1978.

When Mr Xi came to power in 2012, China’s trajectory shifted. Officially, his rule is known as “the New Era”. Several outside scholars have instead branded it as China’s “counter-reformation”, in which Mr Xi has brought ideology and suffocating control back to everything. Whichever terminology one prefers, there was life before Mr Xi and a distinctly different life after him.

“The Broken China Dream”, a new book by Minxin Pei, a leading sinologist, offers a fresh perspective. Rather than emphasising the disjunction, Mr Pei’s account stresses the through lines from Deng to Mr Xi. A handful of big decisions by Deng, China’s paramount leader until 1989, paved the way for Mr Xi’s ascent. Moreover, Mr Pei’s book points to an essential continuity between the two leaders: a relentless focus on reinforcing the party’s grip on China, albeit in different contexts.

Mr Xi’s most obvious break with his predecessors was the abolition of presidential term limits. This change, made in early 2018, allows Mr Xi to remain in office today—halfway through his third five-year term, when two terms used to be considered the maximum. There is every chance that Mr Xi dreams of ruling for the rest of his life. His ability to do this can be traced to Deng. In the 1980s Deng specifically ruled out making age and term limits either clear or enforceable at the apex of the party. Doing so would have undercut his own power.

Mr Xi has three official positions: party chief, military leader and head of state. But only the last of these—head of state, or presidency—had a term limit, and it has always been the least important of the three. Moreover, Jiang Zemin, who led China from 1989 to 2002, had already shown that he could retain the military chairmanship after giving up his other roles. In that sense Mr Xi inherited not rigid rules but weak norms. That someone would

eventually overturn these norms was “an accident waiting to happen”, says Mr Pei.

The substance of Mr Xi’s leadership also carries echoes of Deng’s programme. The potted account of Deng’s tenure is that he was a political conservative, unwilling to broach any challenge to party rule, but an economic liberal, willing to usher in market forces. But political conservatism was much the stronger pole for Deng. He purged Hu Yaobang and Zhao Ziyang, liberal leaders, because of their perceived ideological laxity and, most notoriously, ordered the armed forces’ bloody crackdown on the Tiananmen Square protests in 1989.

In the realm of economic policy, his objective was not to give birth to a capitalist economy but to harness the power of trade and investment to strengthen China. Deng’s flirtation with markets was thus purely instrumental. It was his vehicle, not his destination. So even as China’s wealth multiplied, Deng’s economic reforms remained incomplete. To this day both the rule of law and capital markets are subordinated to the party. Indeed, the successful growth of China’s private sector made for a paradox: the better it did, the less incentive that Deng or his successors had to alter the statist heart of the economy. Deng had ensured that the party would hold on to what Lenin called the “commanding heights”, with state control over finance, energy, telecommunications and transport. Mr Xi has made use of those heights—for example, choking off credit to China’s once-mighty property developers and pouring vast sums into the development of semiconductors. He has shown that the private sector, no matter how prosperous, must bow to his vision of the future.

To be powerful is glorious

In this telling, the biggest difference between Deng and Mr Xi is one of circumstance. Deng was determined to rebuild the party and the country after Mao’s erratic tyranny had left both in disarray. At

the same time, he was constrained in how far he could push. Other leaders with revolutionary pedigree dating back to the founding of the People's Republic were still on the scene and able to counter Deng. Mr Xi's diagnosis is that he has to rebuild the party and the country after economic success left them flabby and ill-disciplined. As for rivals, he has faced fewer constraints than Deng. In the decades before Mr Xi's rise, a balance between factions had led to stability, even stasis, among the party's elite. Mr Xi has proven that a tough leader can bulldoze through that.

In Mr Pei's view, Deng would look at China's current situation with some envy: "He would have loved to act like Xi Jinping." Mr Xi has built up China's industrial and military muscle, just as Deng had wanted, all the while reinforcing party dominance. Detractors say that Mr Xi has taken China backwards. But the real issue is that Deng and his successors never took China as far forward as some optimists had once believed. ■

<https://www.economist.com/china/2026/01/19/xi-jinping-is-carrying-deng-xiaopings-authoritarian-torch-in-china>

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The cost of bloodshed

After Iran's massacres, tensions grow inside the regime

Even as dissidents rally, rivalries may stymie their efforts

Jan 22, 2026 02:08 PM



ON THE FACE of it, all is calm again. The regime has reasserted control. The ceiling of fear, briefly shattered, has been restored. Masked men enforce de facto martial law and a dusk-to-dawn curfew in the capital, Tehran. Security forces scour rooftops for Starlink's telltale satellite dishes and raid firms suspected of backing the protests. Checkpoints dot the smaller cities where demonstrations first erupted. Parents pay the "bullet tax"—ransoms of thousands of dollars—to retrieve the bodies of their shot children.

The toll continues to rise. HRANA, a Washington-based human-rights monitor, has verified more than 4,500 deaths and 26,000 arrests. People in Tehran, including officials, say the real death toll may approach 20,000. In 1989 China's leaders survived mass protests by killing thousands near Tiananmen Square. Iran appears to have followed that script.

The Islamic Republic's pecking order is so far unchanged. The elected president, Masoud Pezeshkian, briefly described the first week of protests as legitimate. His caution has since been swept aside by the raw power of the theocracy and its enforcers. Ali Khamenei, supreme leader for 36 years, has accused protesters of sedition and defended killing them. The shah, his advisers believed, fell in 1979 for lack of resolve and because he fled. Mr Khamenei shows no sign of repeating that mistake.

Yet beneath the surface the system is shaken. Officials and hangers-on speak of "huge chatter" within the elite, says a frequent traveller in touch with people close to Iran's leaders. "A line has been crossed. The status quo is unsustainable." The clerics have drowned in their people's blood, says a pistachio farmer who is close to some officials; they have dug their own graves. On the streets, shock is hardening into anger. Cries of "Death to Khamenei!" echo again—from funerals by day and rooftops by night. Inside and outside Iran, Iranians sketch out possible transitions.

Within the regime, much of the talk is about easing aside Mr Khamenei, now 86. Even before the killings, insiders complained about his intransigence in nuclear talks with America. By insisting on retaining a token enrichment programme, they argue, he squandered a deal in 2015 that might have lifted sanctions. "We expect the supreme leader to exit within three to 12 months," says a stockmarket investor still operating in Iran, citing the ayatollah's age and unpopularity. Others look abroad. "We used to worry we'd become Venezuela," runs a joke in cafés frequented by civil servants. "Now we worry we won't."

Reformists still hope to invert the political hierarchy and shift power from the clergy to a secular presidency. One favours a constitutional figurehead; another would hive off the "Islamic" from the republic and salvage what remains of the state. "Slash funding for seminaries and their puppet mullahs," says a seminary

graduate, arguing that the savings might avert national bankruptcy. Most prefer a palace coup led by a strongman to one led by the weak president. Names suggested include Mohammad Bagher Qalibaf, the parliament's speaker and a former commander in the Islamic Revolutionary Guard Corps (IRGC), and Ali Larijani, a veteran power-broker and son of an ayatollah, who now heads the Supreme National Security Council. Both have children who are living or have tried to live in North America.

Such is the level of fear, however, that no one will move without the security forces. The guards are believed still to number around 170,000 men; the regular army founded under the shah is about 400,000-strong. Claims that guards have been executed for refusing orders are unverified. Yet the IRGC is no monolith. Its command structure was damaged by Israel's war last summer. And some may choose self-preservation over fealty. "The IRGC is loyal to Iran, not to Khamenei," insists an official.

Dissidents, too, are preparing for the day after. For now, Reza Pahlavi, the former shah's son, is the most visible figure. He has filled the void left by the regime's repression at home and, to a lesser extent, by royalist intimidation in exile.

But his ambitions are challenged by a broad front of progressives who distrust a royalist promising to bring democracy. The front says it echoes the voices of Iran's vibrant civil society that brought millions to the streets in 2009 to oppose a rigged election and forced the regime to relax the mandatory veil after the "Women, Life, Freedom" protests in 2022. It lacks a strong leader but is backed by teachers' and truckers' unions, students, women's-rights activists and thousands of political prisoners, including Narges Mohammadi, a Nobel peace-prize winner jailed again last month.

Blueprints for change are in the offing. The Azadi network, a women-led collective launched in London by activists from the "Women, Life, Freedom" movement, will soon release a 39-page

“Democratic Transition Framework”. It proposes 100 days of international supervision, followed by monitored elections for a constitutional assembly that would appoint a seven-person leadership council. On January 18th 14 clerics and intellectuals issued a separate manifesto urging the regime to “stop suppressing and become more democratic”. At least one signatory called for Mr Khamenei to be tried for the recent killings.

Rivalries risk undoing the opposition even as the regime teeters. In a survey in 2024 by GAMAAN, a Dutch research group, 89% of respondents favoured democracy. But they disagree about its exact nature: 26% preferred a secular republic; 21% wanted to combine it with a monarchy; and 20% favoured an Islamic republic. Many support Mr Pahlavi because of his brand recognition. Others fear replacing one patriarch and despot with another. “If we don’t raise our voices, we’ll repeat the mistake of 1979, when we followed Khomeini and forfeited our dream of democracy,” says Parastou Frouhar, a veteran female dissident who travels between Germany and Iran.

For now, Mr Khamenei still calls the shots. He relies on a base of some 13m voters who backed a hardliner in the last election and cling to him like prayer beads on a thread. A broader constituency may yet prefer tyranny to chaos, hoping that limited concessions, such as an amnesty for political prisoners, may smooth a path to a gradual transition. Looming over all, however, is Donald Trump. A naval task force as big as the one assembled before last summer’s strike is nearing Iran’s shores. Better change from within, says a merchant with ties to the regime, than devastation imposed from without. ■

<https://www.economist.com/middle-east-and-africa/2026/01/19/after-irans-massacres-tensions-grow-inside-the-regime>

Bored of peace

Trump's grandiose peace plans may spell more pain for Gaza

A new technocratic government for Gaza has not even been allowed to enter the strip

Jan 22, 2026 02:08 PM | JERUSALEM



No way forward

“OUR GOAL in the coming days is to bring smiles to the faces,” said Ali Shaath, at the launch of the Palestinian National Committee for the Administration of Gaza (NCAG) on January 16th. Gazans have had nothing to smile about recently. Mr Shaath’s longing aside, the new body may do little to change that. It is the closest thing Gaza has to a government. But it is unclear when it will take control of civilian affairs. So far Israel has not even allowed its 15 members into the territory. Their first meeting was held in Cairo.

Over three months since the tenuous ceasefire in Gaza went into effect, the unveiling of the NCAG—ostensibly “technocrats” aligned neither with Hamas, the Islamists who still control nearly half of the strip, nor the Palestinian Authority in the West Bank—is the only sign of progress.

The White House has announced no fewer than three layers of officialdom over the NCAG. First is a “Gaza Executive Board”, with members such as Hakan Fidan, the Turkish foreign minister; Ali al-Thawadi, a senior Qatari diplomat; and General Hassan Rashad, Egypt’s intelligence chief. Above that sits the founding “Executive Board” which will include Steve Witkoff, Donald Trump’s envoy to the region; Marco Rubio, the American secretary of state; Jared Kushner, the American president’s son-in-law; and Sir Tony Blair, a British former prime minister. Some will sit on both. Notably, neither body includes a single Palestinian. The only Israeli is a London-based investor.

The “Board of Peace”, chaired by Mr Trump, will oversee it all. The president has invited various world leaders to join, including such noted peacemakers as Vladimir Putin, Russia’s president. So far only a few, including Israel, the United Arab Emirates, Hungary and Belarus, have accepted. Permanent membership will cost \$1bn. Its charter makes no mention of Gaza. Instead, dedicated to “effective international peace-building”, it looks like a challenger to the United Nations.

None of this suggests that a more permanent and meaningful peace is on the way in Gaza. Mr Netanyahu has already objected to the presence of the Turkish and Qatari officials on the Gaza Executive Board because both governments have been supportive of Hamas. The much-heralded second phase of Mr Trump’s 20-point peace plan was supposed to include a lot more than the NCAG. An International Stabilisation Force (ISF) was to have been deployed, Hamas forced to begin disarming, Israel to withdraw more of its troops, and at least the first steps taken towards rebuilding the devastated strip. None of this is happening.

Instead, Israel has built a string of fortified posts and expanded the “yellow zone” that it directly controls to about 55% of the strip. This is a flattened wasteland where only a few Gazans—members of clans and criminal gangs working with Israel—now live. The

Israel Defence Forces (IDF) is building outposts deep within Gaza which look more permanent (they are laying water and sewage lines). Israeli officers say they could stay for years.

In the rest of Gaza, where most of the population is suffering through a cruel winter, mainly in tents or barely patched-up bombed buildings, Hamas holds sway. It has recruited thousands of new fighters and clamped down violently on dissent.

Almost all of Gaza's farmland is in the yellow zone and its population depends on food and medicine brought in by the limited number of aid groups and private companies Israel allows to work there. Israel has given no hint of when it will allow in desperately needed building materials.

Israeli officials warn ominously that since no one is disarming Hamas, the IDF will have to be sent back into Gaza "to destroy Hamas". Over 70,000 people were killed during the war, according to Gaza's health authorities. Over 400 more have been killed in skirmishes and Israeli air strikes since the ceasefire began. For now, at least, America is holding Israel back from launching another wide-scale campaign. It is not clear how Mr Trump's various boards will add to those efforts. ■

<https://www.economist.com/middle-east-and-africa/2026/01/22/trumps-grandiose-peace-plans-may-spell-more-pain-for-gaza>

An American ally is abandoned

How the Kurds lost control of north-eastern Syria

Once America's ally, a Kurdish-led militia is no longer considered useful

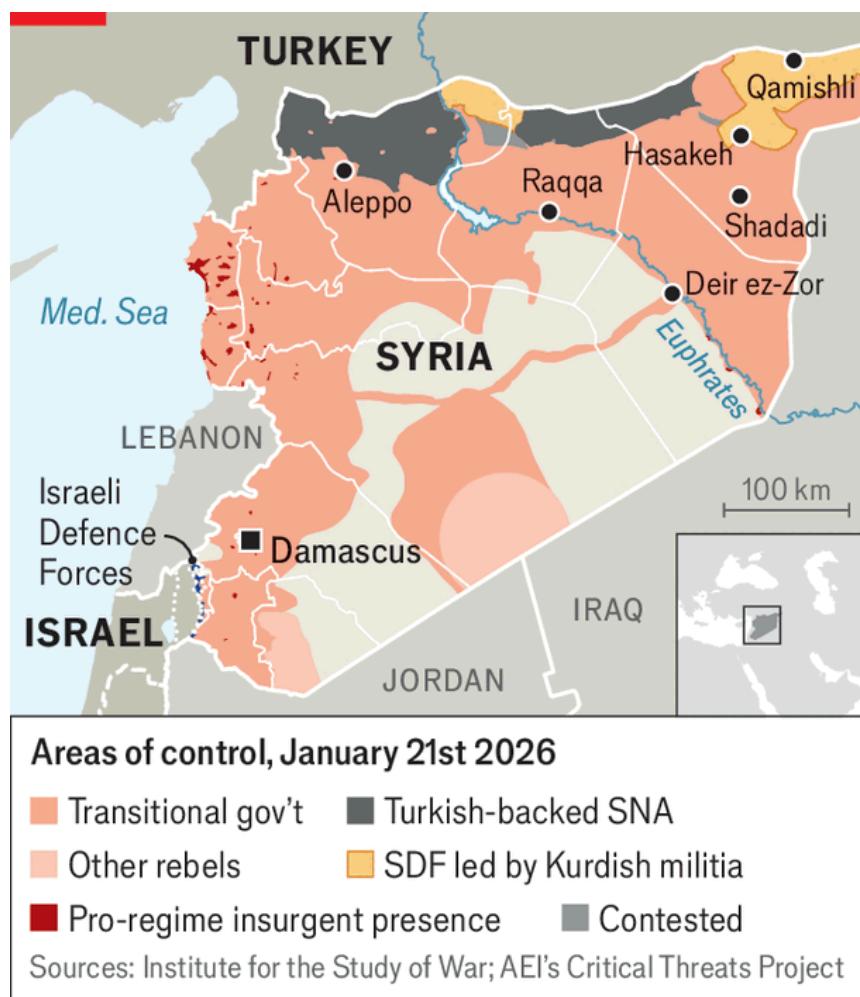
Jan 22, 2026 02:08 PM | DEIR EZ-ZOR AND SHADADI



STATUES OF THE Kurds' proud female fighters were pulled down by the banks of the Euphrates. Their American-supplied Humvees lay abandoned by the sides of roads. In a matter of days, the Syrian Democratic Forces (SDF), a Kurdish-led militia that was America's partner in the decade-long campaign against Islamic State (IS), collapsed—and with it the Kurdish experiment in autonomy in Syria.

The collapse began after year-long negotiations between the SDF and Damascus floundered. Fighting had broken out on January 6th between government and SDF troops in a Kurdish part of Aleppo, Syria's second city, prompting the government to send more troops. Barely a week later, the SDF withdrew from Aleppo. Syria's tribes, sensing it was time to split from the Kurds and ally with Syria's government, mobilised. That spelled the end for the SDF.

The group's military campaign against IS was internationally lauded, but its ensuing political project became unsustainable as it tried to govern Arab-majority parts of Syria. Cities in the north-east such as Raqqa, freed from IS by the Kurds but home to large Sunni tribal populations, were restive under SDF rule. In recent years the SDF had grown more autocratic. Celebrating Ahmed al-Sharaa, Syria's new president, and waving the Syrian revolutionary flag became grounds for arrest. "This is our liberation," said an Arab lawyer in Raqqa.



By the time government forces reached Raqqa and northern Deir ez-Zor, much of the region had fallen to tribal fighters. Thousands of Arab recruits in the SDF defected. There was little fighting. At the same time Mr Sharaa issued a presidential decree recognising Kurdish cultural rights, eroding the SDF's negotiating position.

The options for the SDF are bleak. Its units are to be dismantled and its fighters integrated into the Syrian army; there will be no Kurdish-majority units. The autonomous administration built during the war against IS will be incorporated into the new state. Weeks ago, the group was offered a better deal: three army divisions and a senior defence post for its leader, Mazloum Abdi.



America no longer seems to regard the SDF as useful to its strategy in the region. Its envoy to Syria said that the group's original mission had "largely expired" and that the Kurds' best hope now lies with the government of Mr Sharaa. Internal divisions have weakened the group further.

On January 20th the government announced a four-day truce to give the SDF time to hand over control of its institutions. Government troops gathered near Hasakeh, a city with a big Kurdish population, said they expected to advance once the truce expired. A Syrian government official told *The Economist* that unless Kurdish forces surrendered by then, they would be attacked. But seizing Kurdish towns, which are still heavily fortified, would be bloody. Syria's Kurds also fear sectarian violence. Government fighters described Qamishli as a city of wealthy Kurds that would be a good place to steal cars.

Another danger remains. For years the SDF has guarded tens of thousands of IS detainees, including women and children, in north-

eastern Syria. Amid the chaos, more than 100 have escaped prison. The SDF's collapse may have ended one war, but it risks sowing the seeds of another. ■

<https://www.economist.com/middle-east-and-africa/2026/01/22/how-the-kurds-lost-control-of-north-eastern-syria>

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From candidate to fugitive

Uganda's opposition leader is on the run

After a disputed election, Bobi Wine is getting death threats from the president's son

Jan 22, 2026 02:08 PM | Kampala



EXACTLY HOW Bobi Wine escaped from soldiers at his house, he will not reveal. His current whereabouts are a mystery. What he does say, speaking on a call, is that the results of Uganda's presidential election were a "complete falsehood" and that he and his supporters are on "a mission to liberate our country". The singer-turned-politician, whose real name is Robert Kyagulanyi, was the most popular opposition candidate in the vote held on January 15th. Now he fears for his life.

That is not hyperbole. In social-media posts on January 19th Muhoozi Kainerugaba, the army chief, ranted about how he wants to kill Mr Wine and cut off his testicles. He also boasted that his men had killed 22 opposition supporters in the previous week, a number he deemed "too low". His threats are all the more alarming because he is the son of Yoweri Museveni, the president. They make a mockery of any notion that the vote was a genuine contest.

There was little sign of celebration when Mr Museveni was declared the winner of the election with almost 72% of the vote. Such is his grip on the state, after 40 years at the helm, that it is impossible to know how Ugandans really voted. Half of them did not even bother, according to official figures: a sign not so much of apathy as of resignation, in a country where power has never changed hands at the ballot box. “Staying away is the only form of protest the police can’t charge you for,” writes Charles Onyango-Obbo, a journalist.

In Kampala, the capital, soldiers and police still patrol the streets. Human-rights activists think that more than a thousand people may have been detained since polling day. But it is hard to keep track and the police will not give numbers. The most outspoken civil-society groups have been suspended, and many activists are in hiding. Mr Wine’s party, the National Unity Platform, says that three of its deputy presidents have been detained. Security forces shot dead at least seven of the party’s supporters in murky circumstances at the home of an opposition MP.

The aim of repression is to nip any protests in the bud. Mr Wine, who campaigned under the slogan of a “protest vote”, says he always knew an election alone would not be enough to bring change. But so long as he is in hiding, Kampala will remain quiet. A four-time presidential candidate, Kizza Besigye, the only other figure who might have rallied the masses, has been in prison for more than a year; his wife says he is seriously ill and being denied adequate care. The opposition is in disarray.

What, then, is the point of an election which the regime treats as a military operation, the opposition sees as a sham, and half of the electorate abstains from? Ugandans are not the only ones asking. Last year, in neighbouring Tanzania, the state jailed the leading opposition candidate, massacred protesters and gave the incumbent 98% of the vote. Voters in the Republic of Congo and Djibouti, which will hold elections this spring, are not expecting a real say in

the future of their countries, either. The main function of such contests is to recycle elites, like parliamentarians, rather than bring about change at the top.

Since the end of the cold war, and the democratic wave that followed, elections have also been a way to win international legitimacy, although that norm is eroding. In the past, Mr Museveni has contained or co-opted opposition leaders, rather than kill them. Harming Mr Wine would achieve little and could easily backfire, as cool heads in the regime can surely see. But that is scant reassurance when General Kainerugaba revels in his image as a bloodthirsty bully and openly aspires to succeed his father. “All we want,” says Mr Wine, “is to be free”. ■

<https://www.economist.com/middle-east-and-africa/2026/01/22/ugandas-opposition-leader-is-on-the-run>

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Fishy figures

African trade has been vastly underestimated

The continent's food markets are more dynamic than commonly thought

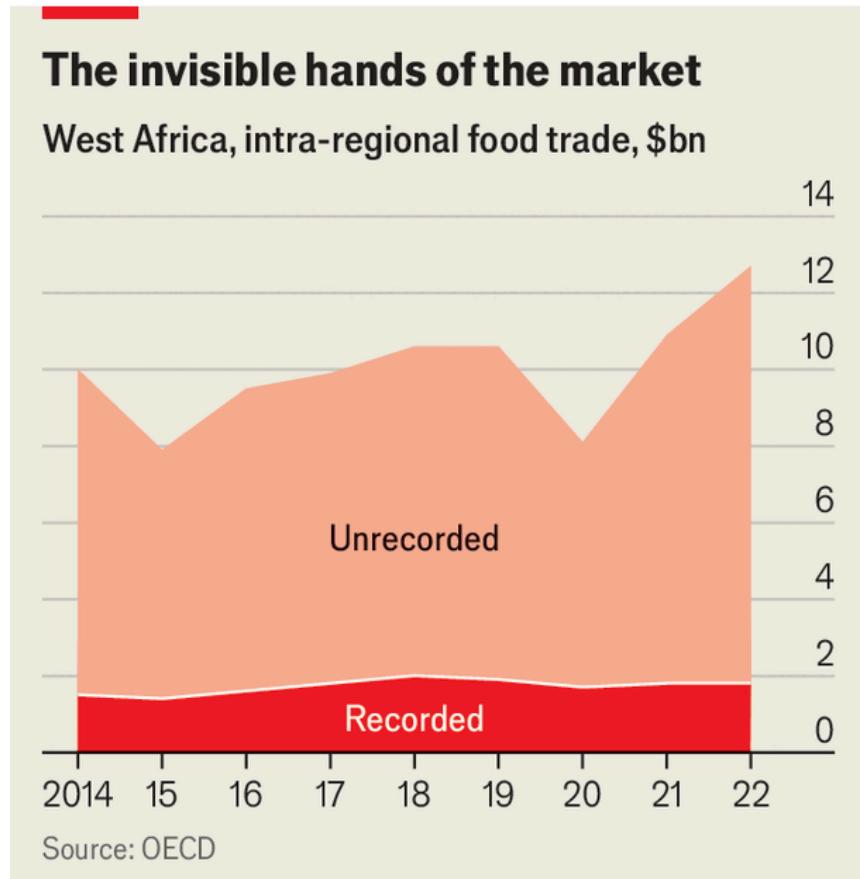
Jan 22, 2026 02:08 PM | Paga



YOU WOULD not expect a small market on the edge of the Sahel to sell much seafood. But Paga, a town in northern Ghana near the border with Burkina Faso, has plenty. Adjoa al-Hassan sources dried fish from all over west Africa. When supply from Takoradi, a Ghanaian port city, runs short she and her fellow “market queens”, as the women who dominate informal trade are known, hire a lorry and head north to Ouagadougou, the capital of neighbouring Burkina Faso. The fish they buy may have come from Togo, Benin or even coastal Nigeria. For local traders, the queens are surprisingly international.

That African countries trade too little with each other is a well-worn gripe among policymakers. Officially, just 15% of the continent's trade is internal. The need to overcome this distorting legacy of colonialism, which linked African exporters to markets overseas while isolating them from their neighbours, lies at the heart of the African Continental Free Trade Area (AfCFTA), an

ambitious pact that came into effect five years ago this month. To ensure the continent has enough food in the coming decades, the African Union wants food production to increase by half and intra-African trade in agricultural produce to triple in value within the next ten years.



It is a worthy goal, but it is also built partly on a myth. Data collected in recent years show that official estimates omit a large volume of the continent's internal trade, particularly in food (see chart). According to new research by the Sahel and West Africa Club of the OECD, a club mostly of rich countries, some \$10bn-worth of food is in fact traded each year within west Africa alone. That is as much as six times higher than official tallies. At a time of rising protectionism in [some parts of Africa](#), such findings hold lessons for leaders whose pursuit of agricultural self-sufficiency risks setting back this progress.

Much of the continent's food trade goes unrecorded. When goods travel by road, as they generally do, attempts to count them tend to be a "disaster", says Antoine Bouët of CEPPII, a French think-tank. Livestock, for instance, are often traded by herders who—to the chagrin of customs officers—rarely pass official border crossings. When estimates of these unrecorded flows are combined with official data, the intra-regional portion of west Africa's raw-food exports, excluding cashews and cocoa, jumps from one-third to three-fifths, according to the OECD. This share is comparable to that of the European Union.



It is not just food. A CEPPII study in Benin in 2018, which found that official statistics had underestimated the value of its overall trade with neighbouring Nigeria by 50% for imports and by 85% for exports, noted that the goods exchanged included industrial products and textiles. The conventional wisdom that merchants, such as Ghana's market queens, are small-time traders is similarly misleading. The OECD finds that nearly 90% of unrecorded food

trade in west Africa consists of large-scale transactions involving heavy lorries. Even women selling tomatoes in Paga hire fleets of lorries to shift their produce over long distances. Nearly half of Ghana's trade in Africa is with countries with which it does not share a border (see map).

More integrated markets should boost food security. Brahim Cisse, a trade expert at the Economic Community of West African States (ECOWAS), the region's main bloc, notes that whereas Sahelian countries have extra livestock to sell, their coastal neighbours have surpluses in roots like cassava and yam. By supporting regional trade, governments could do a lot to mitigate shortages and price shocks.

Unfortunately, too many African governments are turning to protectionism in a bid to boost what they call national “food sovereignty”. Burkina Faso, Mali and Niger, which quit ECOWAS last year, are the worst offenders. In Ouagadougou traders complain that the government forces them to source food such as fish locally before they are allowed to import. Mr Cisse notes that Burkina Faso's recent restrictions on shea-nut exports, designed to boost domestic nut-processing, have closed factories in Ghana and Ivory Coast. Benin imposed export limits and taxes on crops including rice in 2022. Zambia blocked maize exports between 2024 and 2025.

Despite their pledges, many governments are not rushing to implement the AfCFTA. Too often policymakers still target mostly overseas markets when they promote exports, notes Alban Mas Aparisi of the OECD. Moreover, “state elites often really benefit from the imperfections of regional integration,” argues Olivier Walther, an expert in west African trade at the University of Florida, for instance by exploiting the opportunities for arbitrage that come with high tariffs and inefficient custom procedures. Some simply fear their industries being overwhelmed by cheap imports from big economies such as South Africa or Morocco.

African trade is not as paltry as is often made out. But there could be so much more of it. ■

<https://www.economist.com/middle-east-and-africa/2026/01/18/african-trade-has-been-vastly-underestimated>

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MAGA v MEGA

Donald Trump's bullying is irritating his European populist chums

French and German nationalists are not happy with America's grab for Greenland

Jan 22, 2026 02:08 PM | PARIS



DONALD TRUMP'S threats "against the sovereignty of a state" are "unacceptable", declared one European political leader on January 17th, after the American president threatened to impose an additional 10% tariff on eight European countries that sent military personnel to Greenland. "Commercial blackmail is equally intolerable," he added. Two weeks earlier the same leader criticised America's capture of Nicolás Maduro in Venezuela: "Respect for international law and the sovereignty of states cannot be applied selectively."

The leader in question was not a liberal democrat but Jordan Bardella, the head of France's populist-right National Rally (RN). He and fellow European "patriots" have drawn inspiration from Mr Trump's re-election and potent blend of country-first, anti-immigrant, green-sceptic nationalism. But the American president's

repeated threats to Danish sovereignty over Greenland have put their ties to the MAGA movement under strain.

The Trump administration's support for European nationalists is explicit. America's national security strategy last year stated that "the growing influence of patriotic European parties...gives cause for great optimism." The guest list for Mr Trump's inauguration was a "Who's Who" of the populist right. Those attending included Giorgia Meloni, Italy's prime minister; Britain's Nigel Farage, leader of Reform UK; representatives of Germany's far-right Alternative for Germany (AfD); and Eric Zemmour and Marion Maréchal, two French conservative nationalists, the latter a niece of the RN leader, Marine Le Pen.

MAGA networks have long forged links with America's "civilisational allies in Europe", as a State Department memo put it last year. Some outreach goes under the radar. Last May, for instance, Kevin Roberts, the Heritage Foundation's president and a friend of Mr Trump, swung through Paris, meeting various hard-right figures. Other efforts are undisguised. Elon Musk and Steve Bannon have spoken at Atreju, the yearly festival of Ms Meloni's Brothers of Italy party. In Munich last year J.D. Vance, America's vice-president, met Alice Weidel, the AfD co-leader, and denounced the "firewall" that isolates her party. Last summer Mr Trump made Charles Kushner, a real-estate associate and father of his son-in-law, Jared, ambassador to Paris; in December Mr Kushner hosted a meeting with Ms Le Pen and Mr Bardella.



Mr Trump's recent threats, however, have made some European nationalists queasy. Having hugged MAGA close, Ms Weidel declared that the president had violated his "fundamental campaign promise" not to interfere in other countries. Mr Trump's adventurism is worsening divisions inside the AfD. Some think support from MAGA is so valuable that publicly reprimanding America is self-defeating. Others on the party's anti-American wing have revived their old concerns about German vassalage to America.

Another example is France, which will hold a presidential election in 2027. Polls show the RN's candidate will be the favourite, be it Ms Le Pen, who has been banned from running for office for five years but is appealing, or Mr Bardella. The RN has crafted a message—in effect, "France First"—with a distinct Trumpian echo. "Even if we don't use the slogan 'Make France Great Again,'" says an RN official, "that's what it's all about."

Yet the RN's flirtation with the MAGAsphere has been more ambiguous than those of its European friends, thanks to a Gaullist diplomatic tradition of fierce independence from America. Ms Meloni and Viktor Orban, Hungary's prime minister, tend to heap praise on Mr Trump. Mr Bardella is more cautious. He likes the way the American president defends his country's interests, but told *The Economist* that "he does it in a very American style that is not European and even less French." "MAGA is complicated for the RN,"

says Dominique Reynié, a political scientist, “because the French don’t like Trump and public opinion is sceptical about the US.” RN voters have a less favourable impression of Mr Trump (30%) than those in Germany who back the Afd (35%) or voters in Britain who support Reform (50%).

The RN is trying to reconcile its traditional agenda, resisting the European Union’s supranational federalists in defence of national sovereignty, with the new need for solidarity with a fellow EU country, Denmark. Fabrice Leggeri, an RN member of the European Parliament, denies any contradiction: “Our line is consistent with our conception of sovereignty.” The party, he says, favours a “Europe of nations” which “can regain a strong voice, and make itself respected against a show of force, whether from Donald Trump or China.”

Not all of Europe’s populist right has expressed discomfort with Mr Trump’s threats. Poland’s nationalists have been quiet, hoping not to jeopardise their country’s close transatlantic links. So have Spain’s Vox and the Netherlands’ Geert Wilders. Rather than confront her friend, Ms Meloni suggested that there had been a “communication” problem over the dispatch of soldiers (though none of hers).

For many Euro-nationalists the risk is that the American president’s brazenness becomes an electoral burden. Last year his threats to annex Canada led to a bitter defeat for Pierre Poilievre, a populist conservative. Mr Farage, who wants to reach out to Trump-sceptics on the right while keeping his pro-Trump core, called Mr Trump’s Greenland threats “wrong”. For the same reasons, the RN is trying to balance a more muscular approach to Mr Trump with its version of Euroscepticism. A poll on January 19th found that 73% of those who back France’s centre-right Republicans want to oppose any American annexation of Greenland, compared with 59% of RN supporters. The RN wants to win over those Republicans in 2027. MAGA is clearly seeking to help parties that want to weaken the EU

to win elections. But the more barefaced Mr Trump's threats, the greater a political liability he becomes. ■

<https://www.economist.com/europe/2026/01/20/donald-trumps-bullying-is-irritating-his-european-populist-chums>

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Derailing progress

An awful crash blots Spain's gleaming super-fast trains

The world's second-longest high-speed rail network is the country's pride

Jan 22, 2026 02:08 PM



A 21st-century disaster

SPAIN'S HIGH-SPEED train network, the world's second longest, is a national pride and joy. Whisking passengers across a large country, it is a daily convenience and a symbol of modernity and efficiency. So a crash on the evening of January 18th, in which at least 43 people were killed and over 150 injured when two high-speed trains collided in Andalucía, has shaken Spaniards. It will also raise questions about priorities in infrastructure spending.

The crash occurred when the last three coaches of a train from Málaga to Madrid derailed and blocked the southbound line. The train was operated by Iryo, a company led by Trenitalia, Italy's state-owned rail operator. Twenty seconds later a second train belonging to Renfe, a company owned by the Spanish state, ploughed into them. Rescuers described carnage akin to an air crash. Both trains were under the speed limit of 250kph. The Iryo

train was less than four years old and had been inspected three days earlier. The stretch of track where the tragedy took place had been renovated last year.



“We’re all asking ourselves how this happened,” said Pedro Sánchez, Spain’s prime minister, when he visited the crash site at the village of Adamuz. Indeed so. It was Spain’s first crash involving high-speed trains, and its worst rail accident since 2013. Preliminary investigations revealed a worn fishplate, causing a gap to open between two lengths of rail. A full inquiry will take weeks or months. But the context invites questions. The network has seen mounting delays and disruptions because of the theft of cables, maintenance issues or extreme weather.

On January 20th, two days after the collision at Adamuz, an apprentice driver died and 37 people were injured when a suburban

train crashed into a wall that had collapsed during torrential rain near Barcelona. The problems have coincided with a commercially successful liberalisation of parts of the high-speed network: since 2021 Iryo and a French rival have challenged Renfe's previous monopoly. Traffic on the busiest lines has surged (by up to 70%) as prices have fallen.

The train drivers' union has announced a three-day strike next month over safety concerns. Investment in Spanish rail fell after the financial crisis, but has recently increased. Some rail experts worry that governments have prioritised expanding the network over maintaining it. Both Renfe and Adif, the state body that manages rail infrastructure, are homes for political appointees. The crash may have had nothing to do with these issues. But debate about them will nevertheless grow. ■

<https://www.economist.com/europe/2026/01/22/an-awful-crash-blots-spains-gleaming-super-fast-trains>

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From Europe into space

A German company is poised to send a rocket into space from Norway

If successful, it would mark a big leap for the European space industry

Jan 22, 2026 02:07 PM



From the fjords to the stars

UNDER THE shimmering aurora borealis, a rocket readies for take-off beside a Norwegian fjord. Isar Aerospace, a German startup, is running countdown procedures at the Andoya Space Centre, hoping for the first time to put an object into orbit from continental Europe. The launch, first scheduled for January 21st but delayed for technical reasons, is expected any day. If successful, it would mark a leap for Europe's modest space ambitions.

Europe is desperate to launch satellites. A look at Ukraine's battlefields explains why. Starlink, Elon Musk's constellation of telecom satellites, has been crucial for Ukraine's armed forces. Relying on a company run by a Europe-basher for defence is imprudent and costly. Space autonomy is an urgent geostrategic imperative for Europe, says Toni Tolker-Nielsen, director of space transportation at the Paris-based European Space Agency (ESA).

To launch satellites on its own rockets, Europe currently sails them 6,000km to French Guiana in South America. The ESA's spaceport in Kourou is well suited for certain missions. Its low latitude takes advantage of the fact that the Earth rotates fastest at the equator, giving rockets a bit of a boost towards orbital velocity and saving fuel and money. But one spaceport is not enough. Of the 324 orbital launches in 2025, just eight were European. America managed 193, China 93 and Russia 17.



Three spaceports are vying to offer launches directly from Europe: Andoya in Norway, Esrange in Sweden, and SaxaVord in Scotland's Shetland Islands. High-latitude launches are more fuel-efficient for polar and sun-synchronous orbits (SSO), which pass over the same points on Earth at the same local time each day. SSO satellites also maintain the same angle towards the sun, so the lighting remains constant in imagery they transmit. That makes them ideal for tracking troop movements, new construction or retreating glaciers.

Andoya is in the lead for now. It has dedicated an entire launch pad to Isar. The mostly privately funded company was founded in 2018 by engineering students in a Bavarian cowshed. It attempted an orbital launch in March 2025 from Andoya, but its Spectrum rocket plunged into the sea. Isar said it gathered useful data; most maiden flights suffer similar fates.

The space gap between Europe and other players used to be less stark. But Europe's state-oriented programmes were overtaken thanks to the innovation and risk-taking of private American firms like SpaceX, says Hermann Ludwig Moeller of the European Space Policy Institute, a think-tank in Vienna. A successful launch from Norway by a privately funded rocket designed in Germany would help put the continent back on the map.■

<https://www.economist.com/europe/2026/01/22/a-german-company-is-poised-to-send-a-rocket-into-space-from-norway>

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Drones and frost

Ukraine's new air-defence whiz must stop a redoubled blitz

In freezing temperatures, Russian drones threaten to cut off Kyiv's power

Jan 22, 2026 02:08 PM | Kyiv



KYIV'S NIGHTTIME curfew has been in force through nearly four years of war, unchanged even on New Year's Eve. But on January 16th authorities relaxed most of its provisions, allowing people to leave their homes to seek warmth. The decision was a response to a growing humanitarian threat in the capital. Russian air assaults are wrecking the damaged energy grid just as temperatures plunge to -20°C. An attack overnight on January 19th left 1m users without electricity, with several thousand homes cut off from the city's central heating system. Emergency services are struggling to patch the grid. The capital seems a few steps away from a disaster.

A spokesman for DTEK, the local power company in Kyiv, says Russia is doing all it can to detach the capital from the national grid. "They have found a strategy that works in ultra-cold weather," he laments. Recent bombardments have focused on civilian energy infrastructure, especially substations that convert the national grid's

high voltage to the local one's lower voltage. Too few low-voltage lines into the city remain intact. Some of the capital's own thermal power plants are still operating, but if they too were knocked offline the water system would follow. In a worst-case scenario, the city's pipes would have to be drained until spring to stop them freezing and bursting. Vitaly Klitschko, the mayor, is encouraging anyone who can to leave. Some 600,000 already have.

Municipal planners face a scary combination: too little power, too few air-defence missiles, unusually low temperatures and increasingly accurate Russian bombardment. Shahed drones, now produced by the hundreds daily, are Russia's main weapon. In a typical attack, a missile punches through a target's roof and dozens of drones follow into the breach. Shortages of interceptor missiles for Western systems are a long-running headache. But an air-defence source says the sheer number of drones is now the main problem. Over the past year, Ukraine's drone interception rate has fallen from 98% to 80%.

Following the January 19th attack, President Volodymyr Zelensky postponed a planned trip to the World Economic Forum in Davos and pledged to reform the country's air-force command. The most striking change was the appointment of Colonel Pavlo "Lazar" Yelizarov, a front-line drone commander, as assistant air-defence commander. His leap from strike drones to strategic air defence raised some eyebrows. Yet Mr Yelizarov is renowned for guiding a secretive unit credited with destroying more than \$12bn-worth of Russian equipment. His elevation suggests a new emphasis on domestically produced interceptors and a change in doctrine.

Speaking to *The Economist* before his switch, Mr Yelizarov said his battlefield philosophy drew from business systems he learned in his pre-war career as a media producer. Having volunteered for the army in 2022, he moved into drone warfare after converting a cigarette-smugglers' drone into an improvised bomb. He went on to build a feared force of some 1,500 operators. "Lazar's Group" now

fields reconnaissance, night-bomber and interceptor drone units every 10km along the front line. Most of its soldiers operate remotely from swivel chairs in high-tech underground bunkers in Kyiv, and almost all are under 35.

The work is deadly quiet, broken by a cheer when an especially valuable target is hit. “My task has been to create the equivalent of McDonalds, a standardised system,” Mr Yelizarov says. “We are generally creative, the Russians are more systemic. Yet whenever the Russians hit another organised system, they stop.” Ukrainians must hope his system can stop Russian drones before Kyiv freezes.■

<https://www.economist.com/europe/2026/01/22/ukraines-new-air-defence-whiz-must-stop-a-redoubled-blitz>

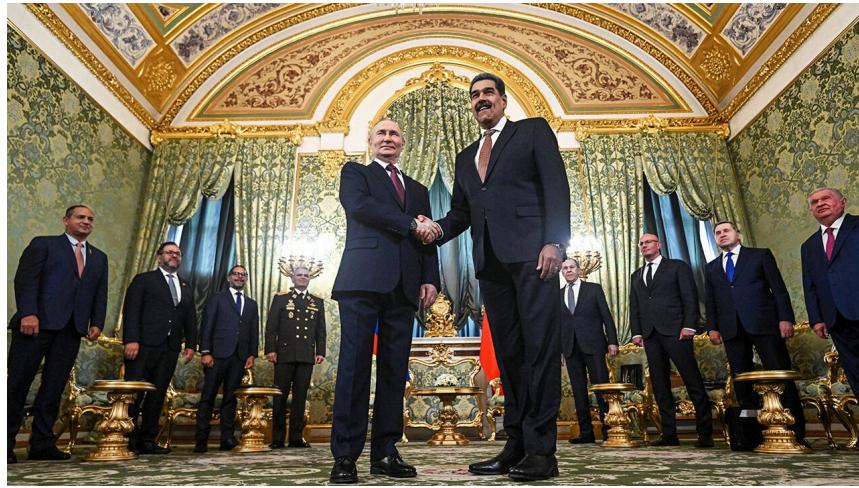
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Speaking loudly, carrying a tiny stick

Russia's no-show in Venezuela weakens its bad-boy image

Is Vladimir Putin no longer the biggest gangster on the world stage?

Jan 22, 2026 02:08 PM



A protection racket, but without the protection

WHEN THE Kremlin announced that Vladimir Putin would make an “important statement on international affairs” on January 15th, the first since America’s military intervention in Venezuela and the mass protests in Iran, most observers braced themselves for a barrage of his typical belligerence. Instead Russia’s president sounded like a peacenik. He lauded co-operation and lamented disregard for international law and infringements on small countries’ sovereignty. “Instead of having states engage in dialogue with one another, there are those relying on might-makes-right...to impose their will,” he told foreign diplomats, four years after his full-scale invasion of Ukraine.

Mr Putin praised Russia’s constructive role in Latin America and the Middle East. He made no mention of America’s armed forces having abducted Nicolás Maduro, Venezuela’s president, a Russian

ally whom he had welcomed in the Kremlin eight months earlier—much less of how easily they had knocked out Venezuela’s Russian-built air defences. He said nothing about American naval vessels commandeering Russian-flagged shadow-fleet tankers sailing from Venezuela. Criticism of American “aggression” was delegated to Sergei Lavrov, the foreign minister, while Mr Putin kept mum.

The silence was telling because of Mr Putin’s contempt for leaders who desert their allies. He is known to consider the abandonment of fellow communist regimes by Mikhail Gorbachev, the last Soviet leader, as a betrayal that spelled the demise of the empire. It was Mr Putin’s desire to restore Russia’s global power that led him to court Venezuela at the outset of his presidency in 2000. Russia sold Venezuela weapons, offered multi-billion-dollar credit lines, invested heavily in its oilfields (seized from American firms) and helped it circumvent sanctions.

Commercially, it did not pay off. But the alliance flattered Mr Putin’s vanity and gave him a foothold in America’s backyard. He believed Venezuela was an asset that could be traded in the geopolitical game. Fiona Hill, a former American national-security official, testified in 2019 that during Donald Trump’s first term Russia had offered to drop its support for Venezuela if America gave it a free hand in Ukraine. Yet in the end Mr Trump simply grabbed Mr Maduro, disregarding Mr Putin’s ego.

This was not the first time Mr Putin failed to defend a strategic partner. In 2024 he watched as Bashar Assad was overthrown in Syria. Last summer he stood by while America bombed Iran, an ally in his war against the West. Alexander Gabuev and Sergei Vakulenko of the Carnegie Russia Eurasia Centre, a think-tank in Berlin, argue that Mr Maduro’s ousting revealed the hollowness of Russia’s promises to provide a hedge against American power, and dispelled any illusion of its influence over Venezuela. Yet the damage went deeper. Mr Trump’s brazenness stripped Mr Putin of

his main competitive advantage: his image as the world's gangster-in-chief.

Mr Putin's revanchist assault on the post-cold war security order relied not so much on Russian military or economic strength, but on his confidence that the West was in decline and that America aimed to preserve the status quo. This gave him "escalation dominance": the ability to raise the stakes in ways his opponent could not counter, whether because of scruples or expense. As one American strategist put it, "it is easier and cheaper to destroy and sow chaos than to stabilise and rebuild."

By abandoning America's commitment to liberal values and the rules-based order, Mr Trump has left Mr Putin exposed (hence his newfound nostalgia for international law). America now seems to be playing a similar game to Mr Putin's, but with more resources. The speed and efficacy of America's operation in Venezuela highlighted the failure of Mr Putin's "special military operation" in Ukraine, which was conceived as a lightning invasion to replace the government in Kyiv but turned into an endless bloodbath.

The contrast was not lost on Russia's military bloggers. America maintains its vast armed forces "not for parades and taking one village in two years, but for the sake of efficiently giving [someone a] thrashing", wrote one. The demonstrations in Iran, a country that has been a model for Russia in its ability to evade sanctions and preserve ideological control, were another worry. That America's bombing of Iran last year was ultimately followed by mass protests emphasised to Mr Putin the link between military failure and popular unrest.

To reassert his power, Mr Putin doubled down against Ukraine and its European allies. Unable to make significant progress on the ground, he stepped up drone and missile strikes on energy infrastructure and cities. On January 8th he struck Lviv, a city close to the Polish border, with an Oreshnik, a nuclear-capable

hypersonic missile. Evgeny Buzhinsky, a retired Russian general used as a talking head for the army, spelled out the message to the West on Russian television: European countries' offers to put troops in Ukraine to guarantee a notional peace deal are unacceptable.

The Kremlin has also tightened control over Russia's internet. It is experimenting with mobile-internet blackouts that force people to use state-controlled messenger services which double as tools of surveillance. But Mr Putin needs to regain the initiative internationally too. So he will no doubt seek to exploit the rift between America and Europe over Greenland and test NATO's cohesion.■

<https://www.economist.com/europe/2026/01/22/russias-no-show-in-venezuela-weakens-its-bad-boy-image>

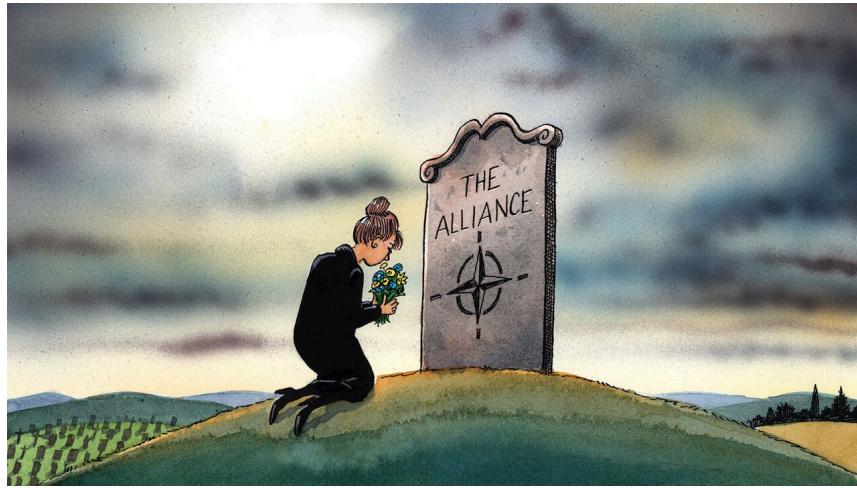
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Charlemagne

Europe's five stages of grief for the transatlantic alliance

From denial to bargaining to acceptance that the world has changed

Jan 22, 2026 02:07 PM



FROM THE 1940s until 2024 the security challenge Europe faced was how to defend itself alongside America, its closest ally. By 2025, with Donald Trump back in the White House, the issue was whether Europe could defend itself without America—a scary prospect, given Russia’s designs on the continent. Now, in 2026, a once heretical question is preoccupying Europeans: what might they one day have to do to defend themselves *against* America?

To misquote Mark Twain, reports of the demise of the transatlantic pact have in the past been greatly exaggerated. But an “alliance” which involves threats and bullying is unworthy of the name; at this point it looks to be either dead or dying. The flashpoint is Greenland, coveted by Mr Trump and impossible for Europe to surrender while retaining its dignity. Mr Trump on January 21st ruled out the use of force—for now—to acquire the Danish autonomous territory, then hailed a still-opaque “deal” with NATO.

But although the immediate crisis may have been defused, the deeper problem remains: a new American creed that treats power as a virtue and allies as expendable. The narcissistic hubris that emanates from Washington makes any enduring alliance impossible, even one as storied as NATO. Mark Carney, the Canadian prime minister, spoke for his European hosts in Davos when he said: “the old order is not coming back...we should not mourn it.”

Yet Europeans are grieving all the same. The transatlantic alliance endures on paper, but the promise at the heart of NATO—that America would defend Europe should it come under attack and vice versa—is no longer an article of faith. Would such a guarantee depend on Denmark “handing over” Greenland, for example, if such a thing were even possible? For Europeans the sense of loss is acute. How else to react to the fraying of the security compact that underpinned the longest (mostly) peaceful stretch in centuries, on this relentlessly quarrelsome continent?

The North Atlantic partnership was not always happy, but it proved resilient. The shock of its passing has left the survivors stunned. Elisabeth Kübler-Ross, a Swiss-born psychiatrist, posited that humans facing the loss of a loved one go through five stages of grief: denial, anger, bargaining, depression, and finally acceptance. Europe, it turns out, has been working through the list.

It started with denial—a steadfast belief in European circles that Mr Trump would never come back to power. That Americans voted for him once in 2016 was incomprehensible enough in European eyes. But could they *really* plump for him again after having seen what he was capable of, insurrection and all? Vague attempts were made to “Trump-proof” Europe ahead of the election in 2024, though with no firm idea as to what that actually meant.

Soon came anger. Within weeks of Mr Trump’s second inauguration, a year ago this week, Europeans were goaded by

America-Firsters into spluttering rage. In February J.D. Vance, the vice-president, travelled to Munich to explain to Europeans that the real threat they faced came not from Russia, but from “the enemy within”. The only solution to the continent’s inexorable decline was to elect xenophobes, and perhaps scrap the European Union. Later that month Volodymyr Zelensky, the Ukrainian president, was humiliated in the Oval Office, and his soldiers temporarily deprived of vital American intelligence. By April the tariff-mad Mr Trump was blowing up the free-trading system that America and Europe had built together over decades. *Aaarrgh!*

Europe then tried bargaining; Mr Trump is known to like a deal, after all. In a bid to keep American support for Ukraine forthcoming, Europeans agreed to do America’s bidding. Some demands were reasonable, like spending more on defence (a target of 3.5% of GDP was agreed in June). But an implicit part of the deal was kowtowing to America, as when NATO’s secretary-general, Mark Rutte, sycophantically called Mr Trump the “daddy” of the alliance. The EU in July signed a lopsided trade deal with America, agreeing to pay tariffs but not imposing its own. To many Europeans this felt not so much like bargaining as capitulation.

Alas, the prostration proved fruitless. Hence the depression when Europe realised it had sold out, yet got nothing in return. Notably, in recent months Mr Trump has continued to put more pressure on Ukraine than on its Russian invader. He has threatened fresh tariffs on EU countries in response to the situation in Greenland—then withdrawn them. Perhaps most dispiriting for many Europeans was realising the French had been right all along. Ever since Charles de Gaulle, their presidents have railed against dependence on America. Emmanuel Macron declared NATO’s “brain-death” in 2019. More Europeans sniggered than took heed.

The Long Goodbye, Atlantic edition

What might the final phase of grief—acceptance—look like? Across Europe there is the sense of a line having been crossed, of limits having been exceeded. Even leaders of once firmly Atlanticist countries sound like Gaullists these days. “Being a happy vassal [of America] is one thing, being a miserable slave is another,” said Bart De Wever, the Belgian prime minister.

But accepting times have changed is not the same as agreeing on how to adapt. Building up “strategic autonomy” from America, as Mr Macron puts it, will require years, if not decades, of investment, notably to plug gaps in military capabilities. A trade war with America still seems likely sooner or later. At a summit on January 22nd, as *The Economist* was going to press, EU leaders were to discuss the bloc’s “anti-coercion instrument”, a measure allowing it to respond assertively to threats of tariffs (though its immediate triggering seems improbable following Mr Trump’s climbdown). The EU had designed the “trade bazooka” to intimidate bullying foes, with China in mind. Instead, the first target may end up being a country Europeans once thought of as a friend. ■

<https://www.economist.com/europe/2026/01/22/europes-five-stages-of-grief-for-the-transatlantic-alliance>

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Britain

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The opportunity in a crisis :: Even as top Tories defect to Reform UK, voters' priorities are shifting

- **Britain's Chagos disposal looks like an idea out of time**

Diego Garcia :: A faith in international law and consistency from the White House? Good luck, prime minister

- **On Scotland's nationalist fringes, a new Tartan intolerance rises**

Saltire of the earth :: A rally in Aberdeen reflects a growing anti-immigrant mood

- **Affluenza: the new British disease**

Bagehot :: What happens when a country is not quite as rich as it thinks?

The opportunity in a crisis

A scenario for a Conservative comeback in Britain

Even as top Tories defect to Reform UK, voters' priorities are shifting

Jan 22, 2026 02:20 PM



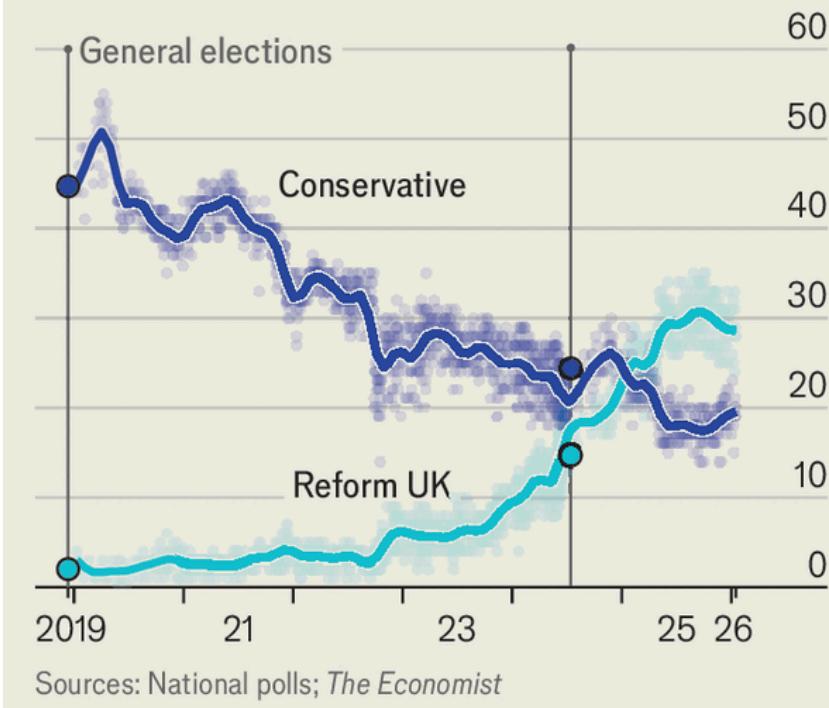
POLITICIANS ARE routinely accused of being shameless. Nigel Farage has a novel solution. At a press conference on January 15th he told reporters he was “getting in people who are apologetic, indeed ashamed, of what they’d done in the past.” Beside him Robert Jenrick, his newest recruit (and better known for being shameless), shifted in his seat.

The former immigration minister is the most prominent in a string of repentant Tories who have left to join Mr Farage’s populist-right outfit, Reform UK. The most recent defections include a former chancellor, Nadhim Zahawi, and the MP for Romford, Andrew Rosindell. Mr Farage has given Tory MPs a deadline of May 7th (the day of local and devolved elections) to join his party. Kemi Badenoch, the Conservative leader, hopes to persuade voters that her party is the true standard-bearer of Britain’s right. To do so, it might not hurt to lose some apologetic colleagues.

A right-wing revolution

1

Britain, general-election voting intention, %

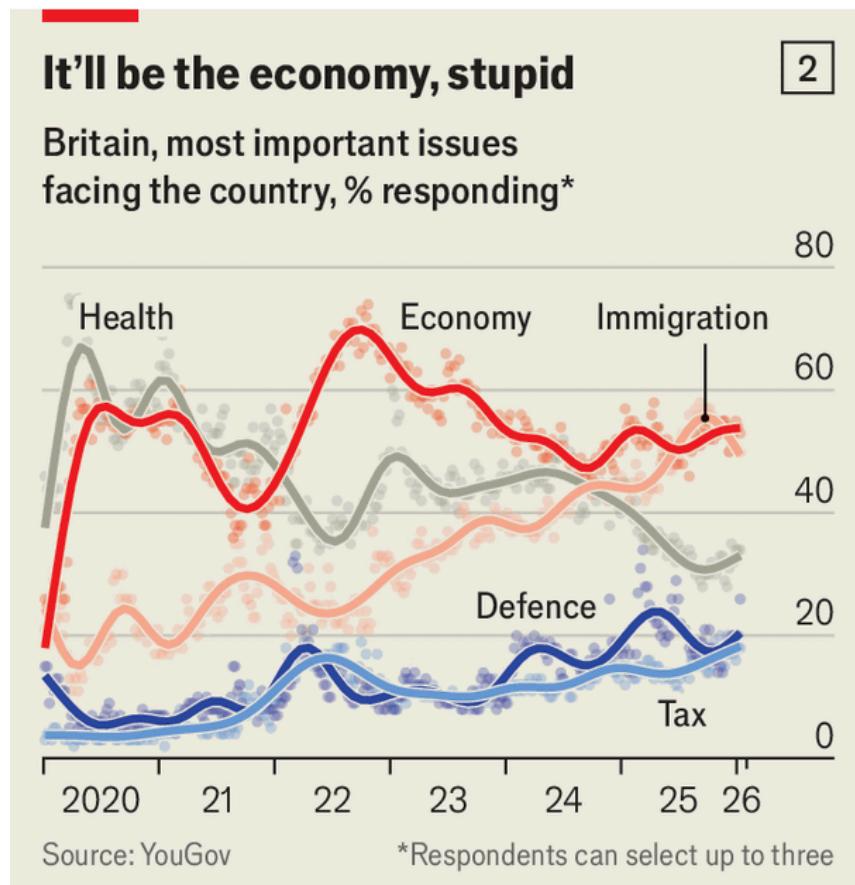


The Tories' position is dire. Their poll numbers have been in decline almost continuously for six years (see chart 1). From breaking covid-19 lockdown rules to Liz Truss's disastrous premiership in 2022, the party has eroded Britons' trust and lost its status as the natural party of government. Some reckon the origins of decline were even earlier, with the 2016 Brexit referendum fracturing the party's alliance of social conservatives and economic liberals. In both vote share and seats the result in 2024 was its worst since 1832.

Since becoming leader, Ms Badenoch has done little to stop the bleeding. Despite an unpopular Labour government, the party's support is just under 20%—lower than the 24% it won at the last election and little more than half its typical post-war poll numbers. Reform's surge makes the Tories' plunge existential. If right-of-centre voters judge the Tory party to be a lost cause, they may switch en masse to the populist alternative. Even if prominent defectors are not particularly popular (only 11% of Britons have a

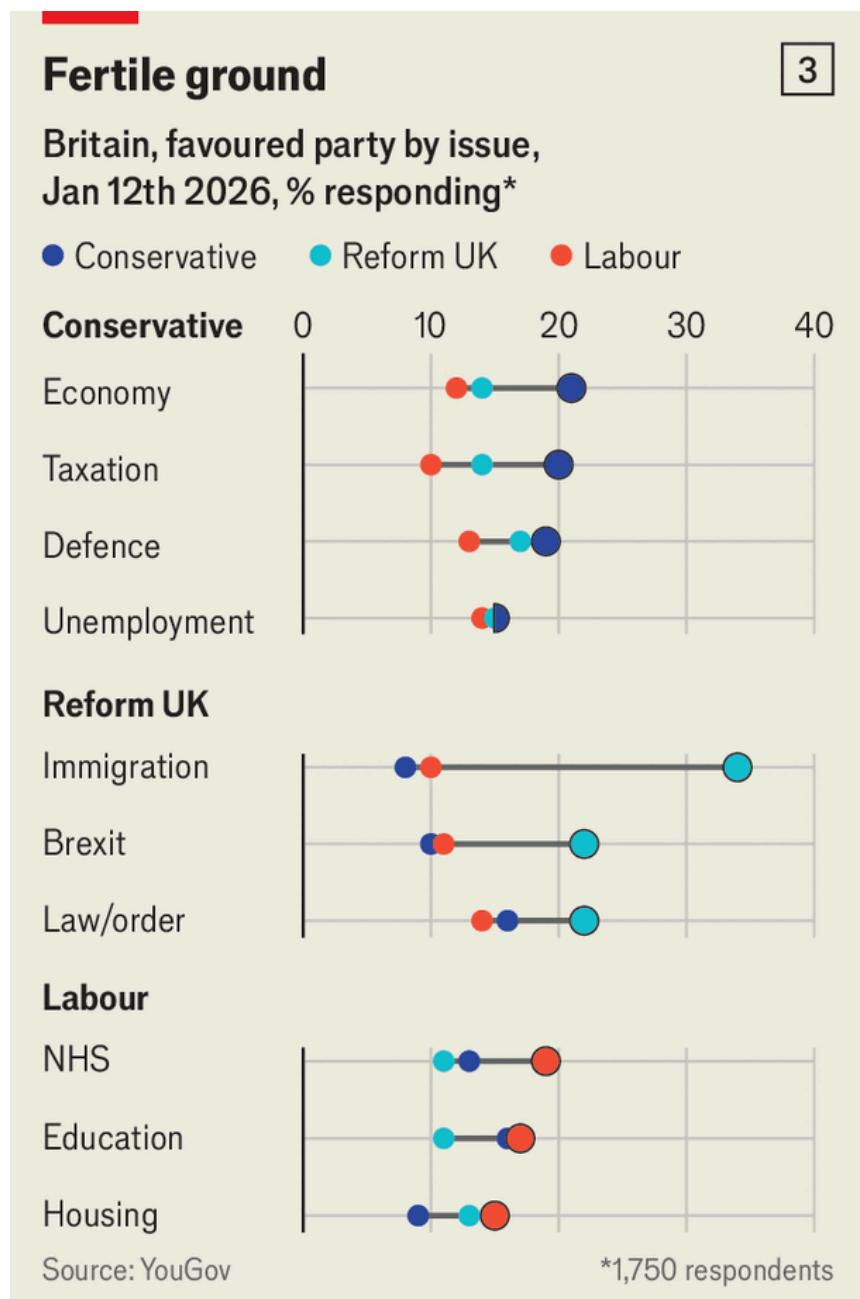
favourable view of Mr Jenrick), they reinforce Reform's status as the premier right-of-centre contender.

Yet Westminster has a tendency to make premature pronouncements of death. Based on the fundamentals of the next election, there is a scenario which may not be so bleak for the Tories.



The rise of Reform since 2019 has been closely associated with the salience in voters' minds of immigration—the party's *raison d'être*. In April 2020 YouGov, a pollster, found that only 13% of Britons said immigration was one of their three top issues (see chart 2). Reform languished with less than 2% support in *The Economist's* polling average. By the 2024 election the figures were 41% on immigration and 15% for Reform. And by October 2025 immigration's score as a top-three issue had risen to 57% and Reform's support to a heady 30%.

There is no guarantee that immigration will continue to have such a hold on Britain's politics. The Office for National Statistics estimates that, after reaching a peak of almost 1m in 2023, annual net migration is falling fast and may now be lower than it was in June 2016, when Britain voted to leave the European Union. Visa restrictions introduced by the previous government seem to be having an effect and Labour promises to tighten the system. Although there is no sign yet that the government has been able to slow the arrival of small boats, that may change too.



Meanwhile, people's concerns about their pay packets are likely to increase. Real household disposable income grew by 2.6% in 2024-25, the fastest pace since 2015-16. It's probably downhill from here. The Office for Budget Responsibility (OBR), Britain's fiscal watchdog, forecasts that income growth will slow for the next three years, to just 0.1% in 2027-28—as the next general election approaches. Such stagnation will make the tax rises planned by the chancellor, Rachel Reeves, even less popular; many of them come into effect only in 2028 or 2029. And all that is before accounting for tax rises to pay for higher levels of defence spending as the transatlantic alliance frays.

It is possible that the economy, rather than immigration, will be the dominant issue at the next election. The Conservatives may try to make it so. Despite everything, they hold a clear lead on the question of which party voters think would be best to handle Britain's economy (see chart 3). Just as Reform rises when immigration is salient, the Tories rise when the economy is voters' top issue. And voters seem fed up with Labour's left-wing approach. According to polling by YouGov, the share of people who say the government taxes too much and spends too much has increased from around 28% before Labour was elected to almost 43% today (see chart 4). In late 2024, the British Social Attitudes survey recorded the highest support for reducing taxes and spending since researchers first asked the question in 1983.

Ripe for Thatcherism?

4

Britain, public opinion on taxation and government spending, % responding



Source: YouGov

Reform is not well-placed to benefit from this. Its voters are poorer than those of other parties, meaning they are more reliant on public spending. And a parliamentary majority for Reform would probably require winning many working-class constituencies in the north of England from Labour. All that makes it tricky for Reform to advocate deep spending cuts. The Liberal Democrats are the only other party, apart from the Tories, that could feasibly gain from criticising Labour from the right, but they have shown neither the ability nor the inclination to do so.

Ms Badenoch, though becoming a more confident performer in Parliament, has so far prioritised anti-wokery over economic wonkery. But it might not be such a bad thing for her to lose colleagues who are ashamed to be Tories. As foreign secretary in 2018, Boris Johnson said “fuck business” over corporate concerns about Brexit. Ms Truss lambasted “unelected bureaucrats” at the OBR. Tory MPs even railed against people who eat avocados or drink lattes as out-of-touch elites. By contrast Kemi Conservatives

(according to her shadow chancellor, Sir Mel Stride) defend the OBR. If the party wants to be relevant by the time of the next election, it wouldn't hurt to be unashamedly in favour of business, fiscal responsibility and prosperity.■

<https://www.economist.com/britain/2026/01/22/a-scenario-for-a-conservative-comeback-in-britain>

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Diego Garcia

Britain's Chagos disposal looks like an idea out of time

*A faith in international law and consistency from the White House?
Good luck, prime minister*

Jan 22, 2026 02:08 PM



OF ALL THE surprises thrown up by Donald Trump's second term, among the most curious has been his courteous relationship with Sir Keir Starmer, Britain's stiff, left-wing prime minister.

That changed on January 20th. In a post on Truth Social Mr Trump belatedly lacerated Britain's decision in May 2025 to cede sovereignty over the Chagos Islands, an archipelago in the Indian Ocean, to Mauritius. (Diego Garcia, a British-American base, will be retained on an initial 99-year lease.) "Shockingly, our 'brilliant' NATO Ally, the United Kingdom, is currently planning to give away the Island of Diego Garcia, the site of a vital u.s. Military Base, to Mauritius, and to do so FOR NO REASON WHATSOEVER," the president wrote.

The lease deal undermines Mr Trump's argument that he needs to own Greenland in order to have a reliable base. Earlier in the week

Sir Keir had criticised Mr Trump's ambitions. In a rare rebuke, he called the tariff threats over the dispute "completely wrong". That, it seemed, had also played on Mr Trump's mind. "The UK giving away extremely important land is an act of GREAT STUPIDITY, and is another in a very long line of National Security reasons why Greenland has to be acquired."



The decision of Sir Keir's government to dispose of the Chagos Islands, motivated by worthy intentions, looks increasingly out of time—better suited to the 1990s in which much of the Labour Party gives the impression it would rather be governing.

Relic one: a reverence for international law. The decision had been prompted by an advisory ruling by the International Court of Justice, which said Britain had been wrong to cleave off the islands from Mauritius in 1965 as it prepared to grant its former colony independence. Such a concern for international law is out of fashion, at least with Mr Trump's administration.

Relic two: the hope of consistency from the American administration. The White House had welcomed the deal, gushing about Sir Keir's "monumental achievement" that secured the future of the base.

Relic three: expecting consistency from the British opposition. The bulk of the negotiations were held under the last Conservative government. That has not stopped Kemi Badenoch, the current leader, from denouncing the deal.

A bill to ratify it is in its final stages in Parliament. It now faces a bumpier time. ■

<https://www.economist.com/britain/2026/01/22/britains-chagos-disposal-looks-like-an-idea-out-of-time>

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Saltire of the earth

On Scotland's nationalist fringes, a new Tartan intolerance rises

A rally in Aberdeen reflects a growing anti-immigrant mood

Jan 22, 2026 02:08 PM | Aberdeen



Scotland the wave

FROM A DISTANCE, it looked like just another rally for Scottish independence: Saltires billowing in the wind, slogans broadcast through a megaphone, the sound of the bagpipes blasting from a portable speaker. At gatherings like this you can usually guess what kind of Scotland those attending yearn to see: an independent progressive country alongside the Nordics, where strangers are welcome. But the activists beside Aberdeen's seafront on January 18th had come with a very different message: "stop the boats". This crowd, which had gathered outside a hotel housing asylum-seekers, chanted "remigration now" and "save our kids", as speakers warned that native Scots are being replaced in their homeland.

Scottish nationalists tend to pride themselves on their progressiveness. The populist right could be dismissed as a minor branch of an English movement. That has changed. For one thing, polls suggest that Nigel Farage's Reform UK could well beat Labour

to become the second-biggest party in the Scottish Parliament at elections in May. And the leaders of Sunday's demonstrations were as Scottish as Irn-Bru. A boy addressed the crowd wearing a kilt as "Scotland the Brave" played on a speaker. A poster for this "Unite the Clans" rally featured tartan-clad warriors charging forward under the Saltire and Royal Flag of Scotland.

The impetus for this recent wave of protests is the growing number of hotels being used to house asylum-seekers. This hits a particular nerve in Scotland because illegal migrants are considered an English problem. A veteran canvasser in one of Edinburgh's shabbier suburbs recalls speaking to frustrated voters who had come round to independence because it would, in their view, give Scotland the power to turn away those who had entered Britain by crossing the channel. After all, the dinghies arrive in Dover, not Dundee.

Scotland's attitude to migration more broadly is also becoming harsher. In 2023 just 28% of Scots said the number of migrants should be reduced. Last February 45% did. In part that reflects anxiety about Scotland's declining, but still high, white population: 91.8% of Scots identified as White Scottish/British at the 2011 census. In 2022 that had fallen to 87.1%.

Supporters of Scottish independence find it hard to accept that their movement has this anti-immigrant side. One prominent writer in favour of Scotland leaving Britain ridiculed the English flags that far-right activists put on lampposts last summer. But their Scottish counterparts had done the very same, albeit with the Saltire.

The party that benefited from this prideful anger was once the Scottish Nationalist Party. Those voters are now flirting with others. John Hall, a 44-year-old fish filletter from Aberdeen, said he had voted for the SNP all his life but was now thinking of taking a punt on Mr Farage's lot. The decision to open the hotels "lies with

Westminster”, he said. “But there has been no opposition from the SNP.” That, he believed, was the true betrayal.

There are many people like Mr Hall. Polling from last October found that 20% of current Reform voters in Scotland backed the SNP in 2019; and 45% said they had voted SNP at some point in the past. That helps explain why Reform’s Scottish leader has not ruled out a second referendum on independence.

It should come as no surprise that as the share of Scots identifying as “wholly or mostly Scottish” has reached a record high of 60%, according to last year’s social-attitudes survey, so have attempts to define “Scottish” along narrower lines. It seems that an ideology which views Scotland as a conquered people by a foreign foe can just as easily be turned against a new enemy.■

<https://www.economist.com/britain/2026/01/22/on-scotlands-nationalist-fringes-a-new-tartan-intolerance-rises>

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Bagehot

Affluenza: the new British disease

What happens when a country is not quite as rich as it thinks?

Jan 22, 2026 02:08 PM



BRITAIN'S BODY POLITIC is sometimes struck down by illness. From the 1960s it was “the sick man of Europe”, lagging its continental peers. In the 1970s it suffered from the “British disease”, when stagnation and maniac trade unions laid the country low. Now a form of “affluenza” is the malady of the age. Britain combines the obligations and expectations of a wealthy country with the means of one that is much less rich than it thinks.

Affluenza is a cross-partisan affliction. Those with the most bombastic approach to Britain's affluence are often found on the left, where any spending pledge is justified by the statistic that Britain is “the sixth-richest economy in the world”. The NHS can have more money; benefits can always be increased. As an argument, it is absurd. Few accept that since India is the fifth-biggest economy in the world it should have a more generous welfare state than Britain. The figure that matters is income per person. Britain is poorer than its near neighbours on this basis. The

first step for curing affluenza? Swap “sixth-richest economy in the world” for “significantly poorer than Belgium”.

The new British disease is the cause of the country’s biggest screw-ups. Brexit was a decision of an affluenza-riddled nation. Warnings that it would leave Britain poorer were borne out. Not that voters refused to believe them; rather, they did not care. Affluence leads to the sort of carelessness F. Scott Fitzgerald wrote about in “The Great Gatsby”, creating people who “smashed up things...and then retreated back into their money”. Affluenza breeds recklessness without the cash to protect against the consequences. Outside the EU, Britain is poorer—but no happier.

Since Britain is an inevitably affluent place in the minds of its voters, they enthusiastically support permanent spending with little thought. The triple lock guarantees that the state pension increases by the higher of inflation, earnings or 2.5%. Although introduced in only 2010, it is an immovable fixture. At the moment the state pension is £12,000 (\$16,100) a year. By 2070 the state pension is set to be worth about £30,000 in today’s money, according to the Centre for British Progress, a think-tank. To its defenders, the triple lock is the price of a civilised society. To its critics, it puts public spending on an unsustainable path. It is a promise that could be offered only by those bamboozled by affluenza.

The illness affects even matters of state, where the government should be at its most realistic. Affluenza is at the heart of Britain’s defence policy, which still cannot decide whether it wishes to play a global role. Military obligations pile up quickly, while the means to meet them lag far behind, even as Sir Keir Starmer pledges to increase defence spending to 3% of GDP by the next parliament. And so a British aircraft-carrier can sail serenely through the Singapore Strait, while land wars break out in Europe and Russian boats decide which cables to slice in the North Sea.

Vast one-off cheques are written without protest, like a rich man offering a credit card before even looking at the bill. Britain is in the middle of atoning for a colossal sin in which 30,000 adults and children were infected with diseases ranging from hepatitis C to HIV. Compensation of £12bn is being paid. But what is the going rate for accidentally giving a child HIV? Better to go with what the judge said. It is more than other countries offered, but so what? Britain can afford to ignore such awkward questions. We are an affluent society, albeit one with a debt-to-GDP ratio of 96%.

Affluenza can lead to lifestyle creep. Britain's infrastructure costs are among the world's highest. Capital budgets may have been constrained for decades, yet somehow only deluxe versions of infrastructure end up getting built. The travails of HS2, the high-speed rail line from London to Birmingham, are well known. A 1km tunnel to protect a few hundred bats at a cost of over £120m is one of Britain's most famous building sites. Other costs were added to protect another endangered species: Tory voters. Billions were spent digging 16km of tunnels through the Chiltern Hills. A huge obligation—vast infrastructure for purely aesthetic reasons—was signed off by a Conservative government whose project was deficit reduction. Affluenza can addle even the most tight-fisted.

A common way to alleviate the symptoms of affluenza is resorting to an accounting trick. Britain's government makes bold promises that other parts of the state must pay for. Such “unfunded mandates” were once an American affliction, but have become a British condition. Sweeping obligations—such as for care for the elderly—are set by the government, but the money to deal with them never follows.

Eventually, caring for the elderly comes out of the pothole budget and voters are left wondering why the streets of “the sixth-richest economy in the world” look such a mess. To a healthy onlooker, it is the consequence of a state that refuses to account honestly for what it promised. For those suffering from affluenza, it is proof that

money is being somehow mislaid or misspent. The idea that money is being wasted is far more comforting than the recognition that it was never there.

Less rich, more expensive

A politics built for affluence struggles in a time of scarcity. The idea that people must pay more for (at best) the same is anathema to voters suffering from affluenza. Britain's political parties are unwilling to dole out medicine. Neither the Conservative Party nor Reform UK is able to say what obligations the state would ditch to save money. Meanwhile, Britain's left-wing parties insist spending can increase by a little (in the case of Labour) or a lot (in the case of the Greens) without broad-based taxes rising. The affluenza fever shows no sign of breaking. Before it can get better, Britain must do one thing: accept it is sick. ■

<https://www.economist.com/britain/2026/01/21/affluenza-the-new-british-disease>

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Looking like a trillion bucks

Why the beauty industry is booming

Plain bottles with clinical labels are part of the secret

Jan 22, 2026 02:08 PM



CONSUMERS ACROSS much of the world have been feeling glum lately. In 20 countries tracked by Ipsos, a pollster, sentiment remains stuck below where it was at the start of 2022, before prices rocketed for all manner of goods, followed by interest rates. Donald Trump's willingness to tear up global trade and threaten enemies and allies alike with military force has hardly lifted shoppers' spirits.

Even so, they have never looked more radiant. McKinsey, a consultancy, reckons that retail spending on beauty products worldwide—including skin care, hair care, make-up and fragrances—reached \$440bn in 2024, having grown by 7% annually over the preceding two years, far outpacing overall retail spending. Perhaps that reflects consumers' tendency to splurge on small indulgences during tough times—a pattern Leonard Lauder, an American beauty tycoon, termed the “lipstick effect”. Stéphane de La Faverie, the boss of Estée Lauder today, points out that people buy its products to help them “feel confident”.

But deeper forces are behind the rise in beauty spending. Consumers glued to social media have never felt more pressure to look good, even more so now as celebrities turn to slimming drugs and advanced plastic surgery. The result has been a concoction of new customers, products and brands that is propelling the beauty industry to greater heights.

Start with customers. No longer is the industry focused primarily on women of a certain age. Plenty of men now spend lavishly on beauty products, and not just on hair gels and facial creams. The share dabbling in make-up is on the rise, with products that subtly improve appearance, such as tinted moisturisers, concealers and eyebrow gels, most popular. Beauty retailers such as Sephora are hiring male shop assistants to make their cosmetics counters less forbidding. Male social-media influencers, many from beauty-obsessed South Korea, have helped erode taboos. “If men want to wear make-up, that is now totally okay,” says Priya Venkatesh of Sephora, who oversees its product line-up.



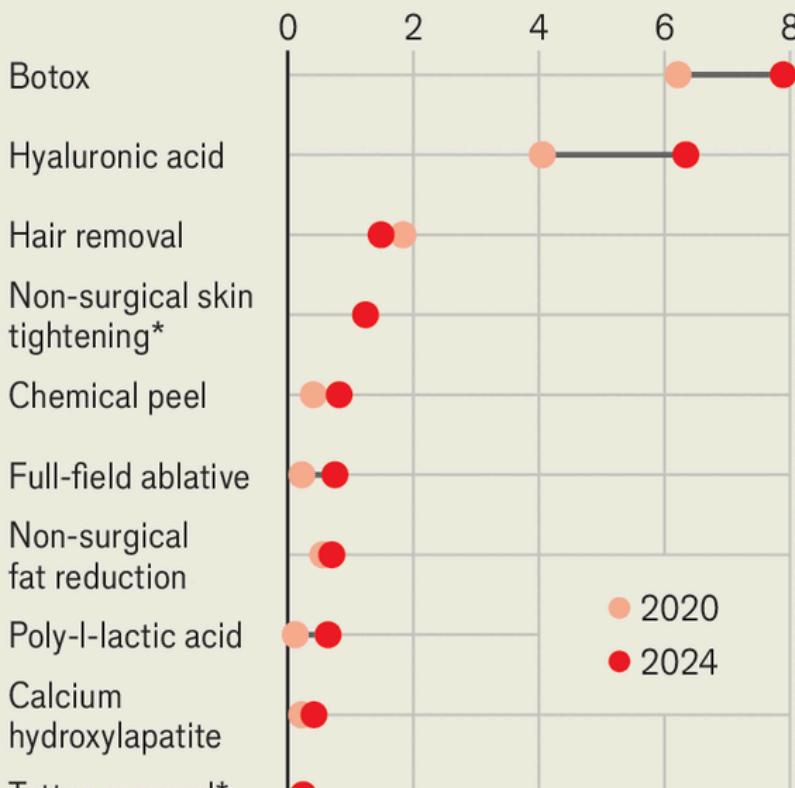
More troubling is demand among youngsters, who are discovering products on social media—from lip glosses to anti-ageing creams—and pestering their parents to buy them. American baby-boomers, born between 1946 and 1964, typically started using beauty products after 18; their generation-alpha grandchildren are getting going at around eight, according to Ulta Beauty, another retailer (see chart 1).

At the same time, the products consumers want are changing. Take skin care, which accounts for two-fifths of retail spending on beauty. Consumers are learning about the science behind active ingredients such as retinol, which helps with the appearance of ageing, from dermatologists (real and fake) on social media. Brands such as The Ordinary, founded a decade ago, now offer products with high concentrations of such ingredients at relatively low prices. Pink jars with romantic names are out; plain bottles with clinical labels are in. Supplements such as collagen pills (sometimes called “beauty ingestibles”) and gadgets such as [LED face masks](#) are on the rise, too.

Moving the needle

2

World, number of non-surgical procedures performed by plastic surgeons, m



*No data in 2020

Source: International Society of Aesthetic Plastic Surgery

Men and women alike are also relying more on beauty services, on which they spent nearly \$150bn in 2024, according to McKinsey. These often involve substances and devices that consumers cannot get hold of on their own. There is botox to smooth skin, hyaluronic fillers to plump it up and chemical peels to brighten it. Lasers can remove hair or thicken it. Plastic surgeons performed over 20m such non-surgical procedures in 2024, up by almost 40% from 2020, according to the International Society of Aesthetic Plastic Surgery, an industry group (see chart 2).

Indeed, the line between beauty and medicine has become increasingly blurry. Sarah Chapman, a facialist for celebrities including Gigi Hadid and Victoria Beckham, says her clinic in

London has expanded to include dermatologists who write prescriptions and other medical professionals who test clients' blood and stool to determine the underlying causes of skin troubles. She says clients now come to her wanting to look healthier, not just to get rid of wrinkles and spots.

The focus on new customers and products has often been led by upstart beauty brands. Social media have allowed them to build their businesses without having to spend vast sums on marketing. Charlotte Tilbury, the eponymous founder of a British make-up brand, notes that her firm's growth over the past decade or so has been fuelled by social media, describing it as "our biggest shop window". Others have followed. Bubble, a skin-care brand founded in 2020, has used social media to amass a teenage following. In fragrances, demand among youngsters has likewise been stoked by newish brands such as Sol de Janeiro, which has rebranded perfumes as "mists", and KAYALI, which instructs shoppers to "layer" them (read: buy more).

Many of these upstarts represent not so much a threat as an opportunity for incumbents, which are eager to gobble up buzzy brands that help them grow. In May e.l.f. Beauty, an American cosmetics company, acquired the [make-up brand of Hailey Bieber](#), wife of Justin, for up to \$1bn. Estée Lauder has snapped up The Ordinary, and in June L'Oréal, the world's biggest beauty business, acquired a majority stake in Medik8, a rival "science-backed" brand. Last year the French colossus also increased to 20% its stake in Galderma, a Swiss maker of aesthetic injectables and other dermatology products, and said it would buy the beauty division of Kering, a luxury conglomerate. P&G and Unilever, two consumer-products conglomerates with big beauty divisions, have been on their own acquisition sprees.

Scale gives the industry's largest firms leverage over retailers and the financial firepower needed for splashy marketing campaigns, notes Joël Hazan of Kering. Under threat in China from

homegrown brands such as Proya, Western incumbents have been investing to consolidate their grip on the American and European markets. They will be hoping that “Instagram Face”—poreless, plump and eerily perfect—does not go out of style soon. ■

<https://www.economist.com/business/2026/01/20/why-the-beauty-industry-is-booming>

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Code red

Chinese AI models are popular. But can they make money?

Building world-class software was the easy part

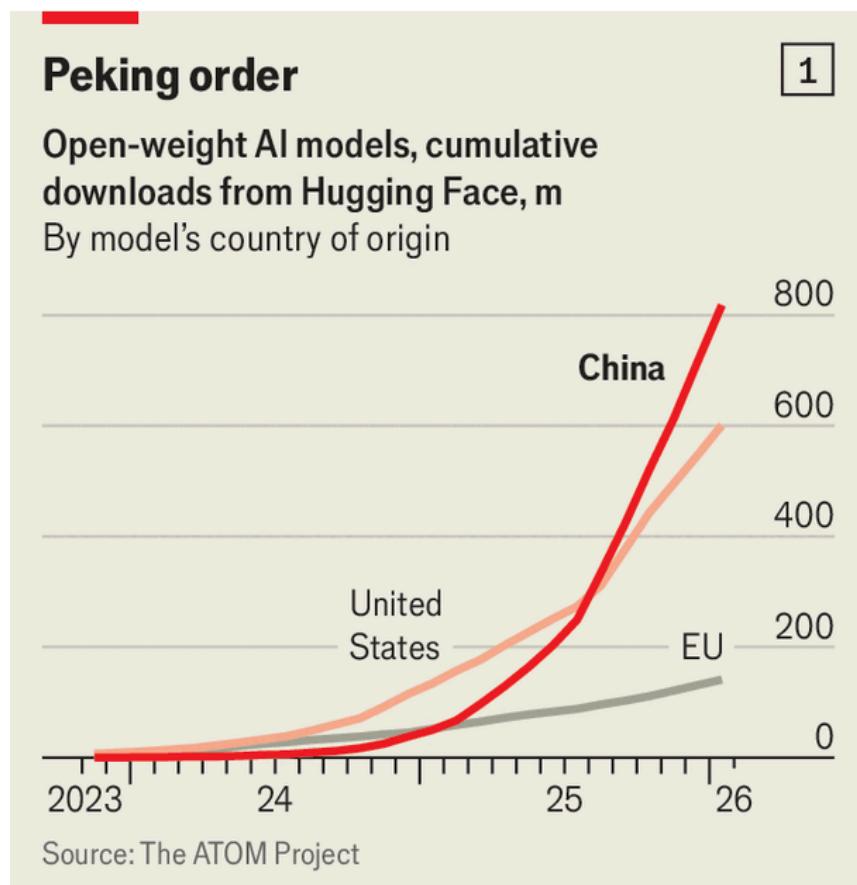
Jan 22, 2026 02:08 PM



IN THE YEAR since DeepSeek, a little-known artificial-intelligence lab from China, shocked the world with a whizzy new model, the country's clout in AI has only grown. It is now the undisputed global leader in so-called open-weight models, which make freely available the numerical parameters learned during training (though not the underlying data or source code). On Hugging Face, a popular library for such open models, downloads of Chinese ones have now overtaken those from America (see chart 1).

It is not just DeepSeek—which reportedly plans to release its next whizzy model in a few weeks—that has made waves. In September Qwen, a family of models from Alibaba, a Chinese e-commerce giant, became the most popular on Hugging Face, dethroning Llama, a rival set from Meta. Just after Christmas the American social-media titan announced it would pay more than \$2bn to acquire Manus, another Chinese AI lab that had relocated to Singapore (the Chinese government could yet block the deal). In

early January MiniMax and Z.ai, two more Chinese model-makers, listed in Hong Kong. Their share prices have since rocketed.



China's models are world-class. On LM Arena, a ranking site, the proprietary models offered by America's leading AI companies—OpenAI, Google, Anthropic and xAI—dominate the top spots in performance benchmarks. But open alternatives from Alibaba, Z.ai and other Chinese firms are not far behind.

The trouble has been making money from these open models. According to figures from Sensor Tower, a data provider, OpenAI's ChatGPT made \$1.7bn globally through Apple's App Store in the 12 months to October, compared with a total of \$500,000 for the ten most popular Chinese AI chatbots. Most of them remain free to use. Selling services to help businesses deploy open models and infrastructure to run them on are the main ways in which their developers profit. But that has not been easy. MiniMax made just \$53m in sales in the first nine months of 2025, and lost \$512m. Z.ai

is also deeply in the red. China's AI industry—and particularly its startups—looks headed for a shake-out.

The difficulties of China's model-makers stem in part from their ferociously competitive yet relatively small domestic market. DeepSeek's break-out success last year triggered a "culling" as weaker model-makers retreated, notes Kyle Chen of the Brookings Institution, a think-tank. Still, the market remains intensely crowded. According to Bloomberg Intelligence, a research group, there were more than 500 Chinese AI models on offer in September, up from only 14 two years earlier.

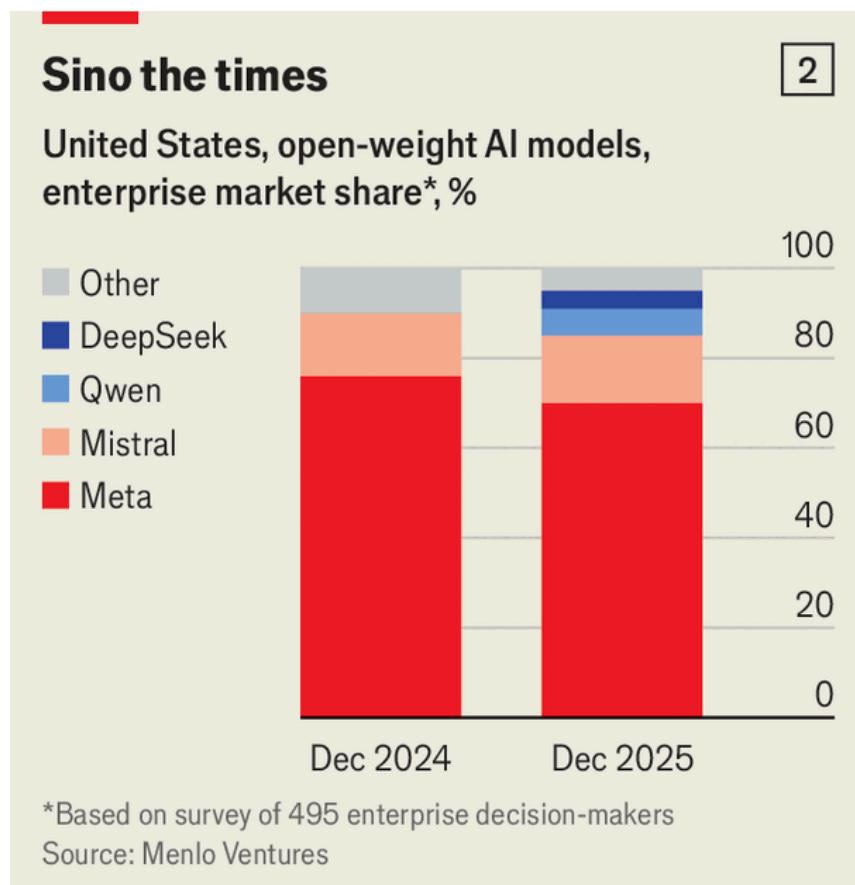
Revenue from Chinese consumers, who enjoy an overwhelming range of options, is negligible. For most developers, the enterprise market has not been particularly lucrative either. Chinese companies are notoriously stingy when it comes to spending on the software they use to operate; in total they fork over around \$50bn, less than a tenth of what American companies do.

Small model profits

That explains why Chinese AI companies have been looking abroad for growth. One path lies through the global south. Zixuan Li, who leads the overseas business of Z.ai, says the company has been gaining business customers mostly in countries such as Brazil, Malaysia and Singapore, which "have no conflict" with China. In November Singapore's national AI programme announced that its Sea-Lion model had switched from Llama to Qwen, running on Alibaba's cloud infrastructure. Goldman Sachs, an investment bank, estimates that big Chinese cloud-computing providers—among them Alibaba, Baidu, ByteDance and Tencent—will invest \$70bn this year in data-centre infrastructure, with a particular focus on Asia, Latin America and the Middle East.

Many of these markets, however, are also small. The bigger prize by far is the West, where Chinese models have also been gaining a

following. Brian Chesky, chief executive of Airbnb, has noted that the lodging platform is among the companies now using Qwen.



Most of the adoption in the West, however, has been by penny-pinching startups, rather than deep-pocketed corporations. Chinese models are attractive for smaller companies because they are free and engineered to be less computationally intensive than many Western models. They can also be readily adapted for specific purposes. Developers have created more than 180,000 “derivative” versions of the 400 open Qwen models Alibaba has released. Lin Qiao, boss of Fireworks AI, a platform for running open models based in San Francisco, notes that startups want to experiment quickly and cheaply. Open models work “really well” for this.

Bigger businesses, however, remain skittish. According to a survey by Menlo Ventures, a Silicon Valley venture-capital firm, Chinese models account for around 10% of open-model usage among American enterprises (see chart 2). Most rely instead on models

from Meta or Mistral, a French developer. One executive at a large American business cites concerns over data privacy, and the risk that a Chinese model could be banned in the West, forcing systems to be adapted. Even when large firms do use Chinese code, they tend to run it on their own infrastructure rather than accessing it via the provider's cloud. That keeps the risk low, but it also keeps revenue out of the model-maker's pockets.

Large language barriers

Doing business in America may only get harder for Chinese AI companies. Last year Z.ai was added to America's "entity list", restricting its access to the country's technology. Several state governments have prohibited the use of DeepSeek on official computer networks. The saga of [TikTok](#), a wildly popular Chinese-owned short-video app that must now sell its American operation to a local consortium, highlights the treacherous political terrain faced by Chinese platforms.

[Europe may prove somewhat more open to business](#), particularly if its relations with America sour further. As it falls further behind in the race to develop cutting-edge AI, its governments may decide there is more to be gained from encouraging adoption of the technology. Embracing open Chinese models would help with that. Even in Europe, however, Chinese AI providers may struggle to make money. Convincing companies to experiment with free models is one thing; persuading them to use Chinese-owned data centres is quite another.

All this will not pose an existential problem for tech giants such as Alibaba and Tencent. By embedding AI into other services, such as e-commerce and social media, they can make these better and tighten their grip over users at home. They have cash to spare, and are investing far less than America's tech giants in data centres. For China's many AI startups, however, difficult times lie ahead. ■

<https://www.economist.com/business/2026/01/22/chinese-ai-models-are-popular-but-can-they-make-money>

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To the adopters, the spoils

Europe can still win the other AI race

Use of the technology is picking up pace

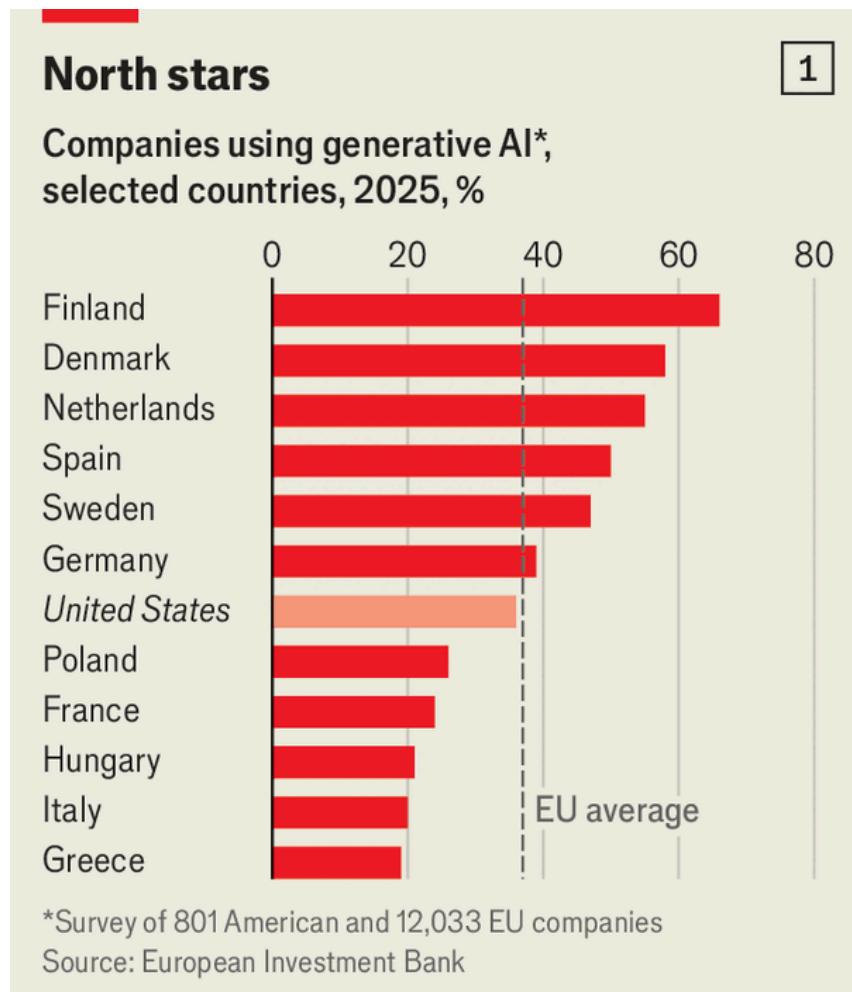
Jan 22, 2026 02:08 PM | BERLIN



ACROSS THE world, most businesses are still merely dipping their toes in artificial intelligence. Not so Schneider Electric, claims Peter Weckesser, who oversees the digital efforts of the French maker of industrial equipment. It has around 100 applications of the technology already in operation. Morgan Stanley, an investment bank, reckons that these will result in around €400m (\$470m) in annual savings for the company this year. That amounts to less than 1.5% of its total costs. But Mr Weckesser has his sights set much higher. Eventually, he declares, “there will be not a single product or function at Schneider Electric that will not be affected by artificial intelligence.”

From cloud-computing to 5G, European companies have tended to be slow in adopting new technologies. Many feared that the same would happen with the most recent wave of so-called generative AI. Yet, as Mr Weckesser’s enthusiasm shows, there are reasons for optimism.

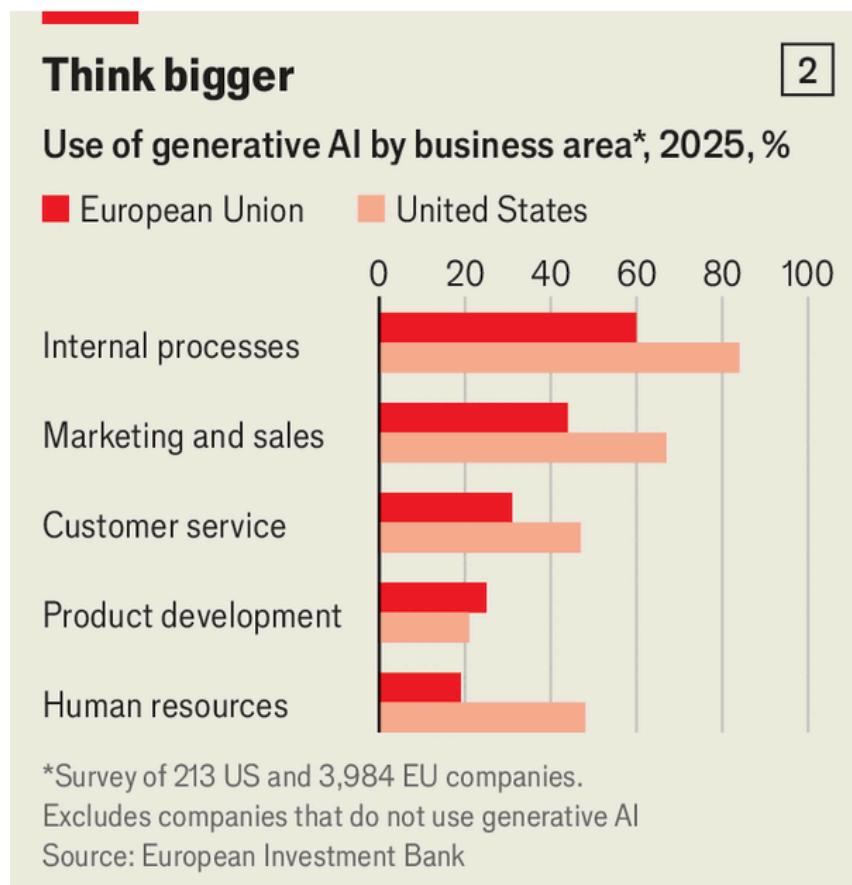
The opportunity is big. Europe has a large industrial base and it is hunting for ways to boost economic growth. It may have fallen behind in the race to produce cutting-edge AI models—it built just three of them in 2024, compared with China's 15 and America's 40. And it has no hyperscalers of its own to pour vast sums into building data centres. But when it comes to widespread productivity gains, adopting AI will matter more than selling it.



Already Europeans as individuals are among the most enthusiastic adopters of generative AI. According to research from Microsoft, a software giant, 32% of them use the technology, based on a population-weighted average of European countries, compared with 28% of Americans and 16% of Chinese. Many Europeans are hopeful about its promise. Pew, a pollster, asked people whether they were more excited or concerned about AI. Americans topped

the list of worriers; Europeans were more upbeat (though not as positive as the Chinese, according to other surveys).

A growing number of European companies are likewise now embracing AI. A recent survey by the European Investment Bank (EIB), a multilateral financial institution, showed that around 37% of EU firms use the generative sort, compared with 36% of American ones. That figure hides plenty of variation. Nordic companies have been the most eager: Finland topped the EIB's list, with 66% of businesses using the technology; Denmark, at 58%, came next. In Italy and Greece, by contrast, only 20% and 19% of companies, respectively, were adopting it (see chart 1). Moreover, European businesses have tended to use AI for a narrower range of functions than their American counterparts (see chart 2). Only 55% of EU firms surveyed by the EIB that were using AI were doing so in at least two areas of their business, compared with 81% of American ones.



Europe's manufacturers, though, are well ahead of their peers across the Atlantic. The EIB's study found that 48% of them use AI, including older types of machine learning and "big data", whereas only 28% of American manufacturers do. Siemens, a German industrial giant (whose chief executive, Roland Busch, is pictured), has been using AI at its [futuristic factory in Erlangen](#), in Bavaria, for over five years. More than 100 algorithms are improving production at the site. Schneider was also an early adopter. It hired its first "chief AI officer" in November 2021, a year before the launch of ChatGPT. Other manufacturers are eager to catch up. Last month 25 teams from Trumpf, a German maker of industrial tools such as laser cutters, came together for a "hackathon" to develop applications for the technology.

Many other European businesses are AI-curious. Carlsberg, a Danish brewer, has used it to create a tool for sales staff that, among other things, helps them choose the right promotions for customers. AI helps the firm design packaging and plan the transport of beer crates. Employees are encouraged to experiment with Copilot, Microsoft's AI assistant. One new staff member who had a patchy onboarding experience created an AI tool to guide newcomers through their first month or two at the company. Carlsberg is now planning to roll it out across the world.

Some European companies are working closely with the continent's few model-makers. In November the EU AI Champions Initiative, a lobby group, unveiled 18 such partnerships at a Franco-German summit on digital sovereignty in Berlin. These included a deal between Mistral, a French AI developer, and Helsing, a German drone-maker, to adapt AI models for defence and security, and one between Black Forest Labs, a German AI company, and Mercedes-Benz, a German carmaker, to develop tools for marketing.

ChatGPT, simplify this

What could slow the Europeans down? One risk, as usual, is regulation. Policymakers in Brussels have so far focused most of their energy on preventing the technology from wreaking havoc, resulting in the EU's AI Act. It sets a global benchmark for safety and data protection, but critics say it creates too much red tape and will slow down innovation and adoption. Although a full reversal is unlikely, in November the EU pushed back the implementation of some burdensome parts of the legislation after complaints from businesses. Bosses are hoping for a simplified approach that would provide clarity over what they can and cannot do. That, in turn, would encourage investment.

The other risk is economic. Already the continent's growth is sluggish. Chinese competitors in industries from carmaking to machine tools are eating into the sales of European businesses. American protectionism is only adding to their troubles. Companies struggling for growth may be tempted to cut back their investments in AI to maintain profits in the short term. To stay competitive in the long term, though, they must do the opposite. ■

<https://www.economist.com/business/2026/01/22/europe-can-still-win-the-other-ai-race>

On the fast track

Strava's public listing will help it race ahead of competitors

It needs extra financial oomph to expand its coaching offerings

Jan 22, 2026 02:08 PM



Now is the time of year when many of those who resolved on December 31st to change their sedentary ways will begin to lower those ambitions. But for Strava, a popular exercise app, 2026 is off to a running start. This month reports emerged that the company had filed confidentially for a public listing and hired investment bankers to guide it through the process.

Valued at \$2.2bn last year, Strava has been sprinting ahead ever since the pandemic, when stir-crazy populations turned to running to relieve the boredom of lockdowns. The app, founded in 2009 and originally focused on cycling, said last month that it has over 180m users, up from 135m a year before and only 48m in 2019. Although it has mostly kept quiet about its finances, in 2020 its former boss said it was profitable.

Strava's success is all the more striking because it competes in a crowded field that includes apps from deep-pocketed rivals such as

Apple, the iPhone maker, and Nike, the world's biggest sportswear brand. It has succeeded by turning solo exercise into a social activity. Users can follow and give "kudos" to running pals and fitness celebrities alike, who can post their activity on the app. They can also use it to discover popular routes in an area (which caused a stir in 2018 when such "heatmaps" were shown to provide information on the layout of American military bases around the world).

That, in turn, has been made possible by its focus on data. Strava works with most smartphones and smartwatches, which can monitor a wearer's heart rate and more. That allows enthusiasts to track not just overall times, but how they perform, say, running up a steep hill.

Strava now needs to convince a greater share of its users to upgrade to a paid subscription. Although many of them are on the app frequently, few are willing to stump up for it. The company does not disclose the share who do, but it is probably in the low single digits. That is why over the past few years it has been integrating automated coaching features into its app, which can analyse a user's exercise performance and offer advice.

Last year Strava bought two smaller exercise apps that had developed such features. Michael Martin, its boss, has said that a public listing would provide it with "easy access to capital in case we wanted to do more and bigger acquisitions". Securing such funding from venture capitalists obsessed with artificial intelligence may be tricky. Global vc investment in fitness startups last year was down by four-fifths from a peak of over \$6bn in 2021, according to Crunchbase, a data provider. Public markets offer an alternative—and should help Strava remain a frontrunner.■

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Game of loans

The battle war for Warner Bros is only getting fiercer

Netflix has sweetened its offer to fend off Paramount

Jan 22, 2026 02:07 PM



SINCE LAST autumn Netflix and Paramount have been chasing Warner Bros Discovery like a pair of Wile E. Coyotes in pursuit of a Road Runner. Paramount, recently acquired by the Ellison family, was initially the favourite to capture the prize. But last month Netflix dropped a giant cartoon anvil on the Ellisons when it announced that it had signed a deal with Warner's management to acquire most of the company.

The chase is not over. Paramount is loudly trying to persuade Warner shareholders to defy management and accept its bid, which it argues is "superior to Netflix's in every dimension". On January 20th Netflix responded by improving its own offer, which values Warner at \$83bn, from a mixture of cash and stock to one that is purely cash. It hopes this will speed up Warner's approval process; a shareholder vote is expected by April.

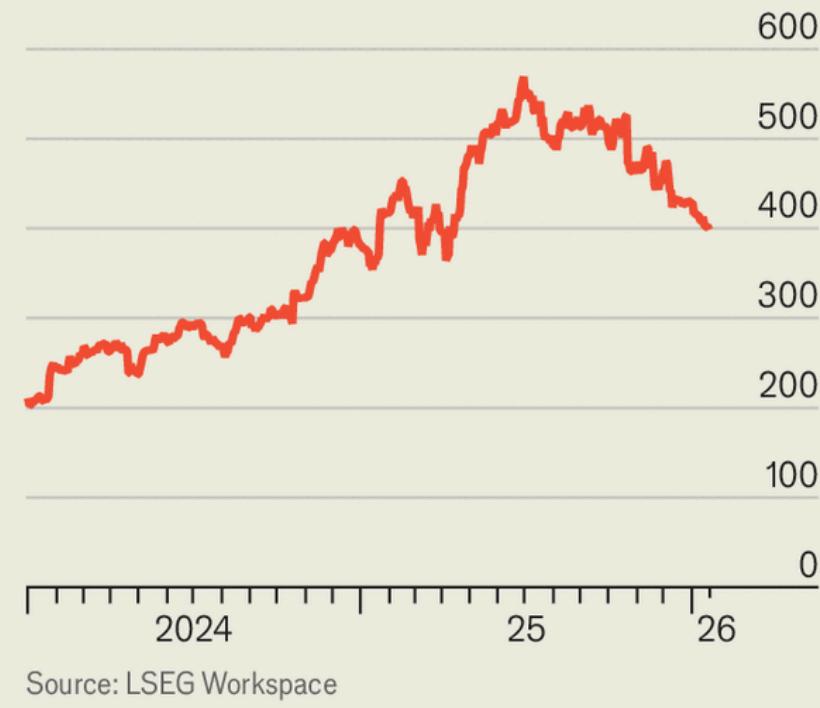
Things could change before then. In the past week both bidders have been on lobbying trips to Europe to try to persuade regulators that they would make the better suitor. As the smaller of the two firms, Paramount seems to have an easier case in terms of antitrust. Netflix's full-year results this week served as a reminder of its might: 325m global subscribers, revenue growing at 16% a year and an operating margin of nearly 30%. Combined with Warner, it would tower over its Hollywood rivals.

Yet Netflix pointedly noted in its letter to shareholders this week that competition in video now extends far beyond Hollywood. Including YouTube and the like, Netflix accounts for less than 10% of TV viewing in most of its big markets. It also argues that its deal would be better for American jobs than that of Paramount, which is planning a \$6bn "cost-synergy opportunity" if it gets the chance to merge its studio with Warner's. And although the Ellisons' friendliness with Donald Trump may give them an edge in America, this may not help their case in Europe, which the president has antagonised with his efforts to nab Greenland.

Rather than rely on regulators to give Netflix a red light, Paramount looks likely to improve its own bid. It is currently offering \$30 per share for all of Warner, whereas Netflix is offering \$27.75 for just its streaming platform and studios, allowing Warner shareholders to hang on to the firm's TV and cable networks. Whose deal is better depends on how those declining TV networks are valued. Paramount insists that its offer adds up to more. But to persuade Warner shareholders to defy advice from their management, it will probably need to raise its price.

Warner warning

Netflix, market capitalisation, \$bn



Netflix will then face a dilemma. Its all-cash switch this week shows its seriousness about acquiring Warner. But unlike Paramount, which can draw on the Ellisons' family fortune in Oracle tech stocks, Netflix has its own shareholders to worry about. Many of them are not convinced by the Warner project: Netflix's market value has fallen by nearly a third since it began circling the company in October (see chart). Shelling out even more could test their patience.

Netflix may raise its bid by another dollar or two per share, suspects Robert Fishman of MoffettNathanson, a firm of analysts. But whereas Paramount needs Warner's scale to remain competitive in streaming, for Netflix the Warner transaction is mostly a giant content deal. Netflix has a history of being prepared to walk away when content prices get too high: last year it allowed the Ellisons to outbid it with a Looney Tunes offer of \$7.7bn for seven years of Ultimate Fighting Championship rights.

Expect more twists and turns in the race towards the shareholder vote in April. For now, writes Mr Fishman, “The most likely next step...is more bids to come.” Anxious times for Netflix and Paramount, but good news for the Road Runner. ■

<https://www.economist.com/business/2026/01/22/the-battle-war-for-warner-bros-is-only-getting-fiercer>

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Bartleby

Signing the office birthday card

A simple task made complicated by work

Jan 22, 2026 02:08 PM



“TEAM, PLEASE can everyone sign Sarah’s birthday card by Wednesday lunchtime? We will have a small gathering on Thursday at 10am at the Heisenberg juice bar on the 2nd floor to wish her well. You can add your messages by clicking the link. Thank you. Dan.”

Yet another birthday reminder from my new manager. He apparently read some piece of research showing that when people forget to wish each other a happy birthday, the snubbed person stops putting in as much effort. So now we are all under pressure to write something heartfelt, and to show Dan that we are team players. Which first means checking what the others have put...

“Hi Sarah. Happy birthday! Rodney.”

No prizes for imagination. But Rodney clicked first, which gave him licence to write the obvious message. I could write the same thing: it would be a fair summary of my emotional investment in

Sarah's birthday. However, the first rule of office cards like this is that you cannot write exactly the same message as the people above.

“Happy birthday, Sarah! Gilbert.”

Same words, different order. Whoever comes next will need to take things in a different direction.

“Dear Sarah! Happy birthday! Hope you have a good one! Love Natalie.”

Nat's message raises the bar a little bit. She has written double the number of words as Rodney and Gilbert, and has also shown more warmth.

“Dear Sarah! Happy birthday! Hope you have a really good one! Love Bertha.”

Just one extra word, but it implies a deeper connection with Sarah. Nat suddenly seems a little detached. Rodney appears positively icy.

“Happy birthday, Sarah! Hope you have a really, really, really good one. Tom.”

Tom has failed to understand that adding more and more “really”s just makes him sound sarcastic.

“Dear Sarah. Companies are built on teams. Teams are built on trust. And you are someone we trust. Happy birthday. Niamh.“

Niamh always writes stuff like this. Her only audience is Dan: she wants to show how much she cares about teams. In Terry's birthday message she mentioned something called Project Aristotle. In mine, she went on about the All Blacks.

“Happy birthday! Hope you have a good one! Don’t get too wasted! Samantha!”

This does suggest Samantha knows Sarah well enough to joke around with her, and may even have bonded with her outside work. But it also suggests Sarah might be an alcoholic.

“Hi Sarah! Happy birthday. Don’t eat all the cake! Martin.”

Martin joined last week and is an intern. He has misread the situation.

“Dear Sarah. Happy birthday! Great having you on the team! Clara.”

Textbook stuff from Clara. It’s professional, friendly and leaves very little room for improvement.

“HB, SC! Looking forward to Saturday. Lots of love, WP”.

Big mistake—BM—from Wesley. Yes, he’s close to Sarah. But this is not at all inclusive. Now all of us, Dan included, feel a little less like a team.

“Hi Sarah. I may not be seeing you on Saturday but I will see you on Monday. Happy birthday. Freda.”

Told you.

“Dear Sarah. See you at the Heisenberg juice bar. Ray”

Ray always just writes the location of the place we are meeting. He once wrote a condolences card that read: “See you at the crematorium.” He’s very close to retirement so he doesn’t really care about anything any more.

*“Today we pause our schemes and plans
To celebrate Sarah—glue of this band.
She juggles chaos, makes problems small,
And keeps projects from going off the wall.”*

Dan has discovered ChatGPT.

“Happy birthday, Sarah! Thank you for everything you bring to the team—your calm problem-solving, your knack for finding the smartest path through tricky projects and the positivity you bring to every meeting. We’re genuinely better because you’re part of the team. Enjoy celebrating today! Barbara.”

So has Barbara.

“Dear Sarah! Happy birthday! You have a knack for finding obstacles on even the simplest projects. You make every meeting a bit more depressing. We’re genuinely a bigger team because you’re on it. Violetta.”

Sarah and Violetta are really good friends. At least I hope they are. Now it's my turn...[time passes]...[more time passes]...I just need to write something.

“Dear Sarah! Wishing you a really really birthday! Kim.”

Oh God. Where's the edit button?■

<https://www.economist.com/business/2026/01/22/signing-the-office-birthday-card>

Schumpeter

TikTok is still a danger. America no longer cares

The app will be owned by allies of the president but retain ties to China

Jan 22, 2026 02:08 PM



TIKTOK HAS sucked up countless hours of teenagers' lives. But it has kept plenty of politicians awake past their bedtime, too. Ever since the short-video app launched nearly a decade ago, Western governments have suspected it of being a tool of the Chinese Communist Party. In 2020, during his first presidential term, Donald Trump declared a national emergency as he tried unsuccessfully to outlaw TikTok, claiming that it was stealing users' data and feeding them propaganda. Four years later, under Joe Biden, a big bipartisan majority of Congress passed a bill compelling the app to separate from its Chinese owner or else be banned. After the Supreme Court upheld that law last year, TikTok's days in its largest market looked numbered.

Twelve months later, against the odds—and against the law—TikTok is still ticking over in America. One of Mr Trump's first acts on returning to power last January was to order officials not to enforce the ban for 75 days, a period he has extended again and

again. Now the app increasingly looks set to stay. TikTok's boss told staff before Christmas that a deal had been struck to transfer ownership of its American operations to a group of mainly American investors, and that the transaction would close on January 22nd. As we published this, it was far from certain whether the latest deadline would be met. But a resolution appears close. Years of drama seem to be heading for a surprisingly low-key ending.

On the face of it, the proposed deal solves the China problem. America's law says that investors from "foreign adversaries", including China, may not own more than 20% of TikTok. Its Beijing-based owner, [ByteDance](#), is duly creating a new American version of the app and reducing its stake in it to 19.9%. Oracle, a tech giant, and Silver Lake, an investment company—both American—will each take 15%, as will MGX, an Emirati sovereign-wealth fund. The remainder will be owned by "affiliates of certain existing investors of ByteDance", which probably means the company's American shareholders. [Users'](#) data will continue to be held in America by Oracle, which will also retrain TikTok's algorithm on American data to prevent foreign manipulation. So far, so good.

The snag is that ByteDance will remain closely involved in the company. It will have a board seat and reportedly will lease its algorithm in return for ongoing payments of around 20% of the American entity's revenue. TikTok says that its ByteDance-owned unit will continue to manage the American company's ad business, its e-commerce arm and "global product interoperability", implying close links between the two apps. Advertisers have been told that they will be able to buy spots across TikTok globally, via a single platform. All this would fly in the face of the law's requirement that TikTok be cut off from any "operational relationship" with ByteDance. ByteDance may not own the car, but it will still own the engine, sums up one analyst.

Why has Mr Trump, who once branded TikTok a threat to “the national security, foreign policy and economy of the United States”, agreed to this engineless car of a deal? One reason is public opinion. As more Americans have flocked to TikTok, fewer want to ban it. When Mr Trump took aim at the app in 2020 it was a teenage craze. The Pew Research Centre found in 2023 that supporters of a ban outnumbered opponents by two to one. By last year the numbers were almost tied. Today TikTok is used by 170m Americans, including some 40% of 45- to 54-year-olds, reckons GWI, a data provider: no longer just teens but their parents, too.

Another reason is that the deal looks like a bargain for allies of the president. The buyers will pay about \$14bn for TikTok’s American business, the vice-president, J.D. Vance, said in September. If true, it is a steal: equal to roughly one year of TikTok’s American ad revenue, estimates eMarketer, a research firm. The deep discount may partly reflect the ongoing lease payments to ByteDance. But the main factor is simply that, facing a ban, TikTok’s Chinese owner has few options. “It’s like saying, ‘I’m going to buy a house, and if you don’t sell me the house, I’m going to burn it down’,” says an adviser to one of the American buyers.

The president may also see an advantage to himself from TikTok’s new set-up. Mr Trump and his allies have not been shy about pressing American-owned media to sweeten their coverage of the administration. In Oracle, TikTok will have a steward whose owner, Larry Ellison, is friendly with the president and has already overseen Trumpy changes at CBS News, which his family controls. An executive order on TikTok that Mr Trump signed last year adds that “trusted security partners may also share information with other United States Government officials.” Americans’ media diet could now be open to influence by their own government, too.

Swipe along, nothing to see here

Six years on from the first attempts to ban it, TikTok is no less of a security risk. More Americans than ever are glued to the app. And whereas in 2020 only a quarter of them used TikTok for news, today half do. Yet Americans seem exhausted by the saga.

Congress, whose TikTok ban has been flagrantly ignored in the year since it passed, cannot seem to muster fresh indignation about the flimsy new deal. China hawks within the administration, such as Marco Rubio, who campaigned against the TikTok “Trojan horse” while in the Senate, have fallen in behind the president, and focused instead on adventures in Venezuela, Greenland and elsewhere. Democrats are becoming less concerned about foreign authoritarianism as they worry more about the domestic sort.

Outrage about TikTok, so heated a few years ago, now seems like a time capsule from another era. That the negligent, self-dealing new arrangement seems to be going ahead with so little opposition shows not that TikTok has become safer, but that so much else in America has become more dangerous. ■

<https://www.economist.com/business/2026/01/21/tiktok-is-still-a-danger-america-no-longer-cares>

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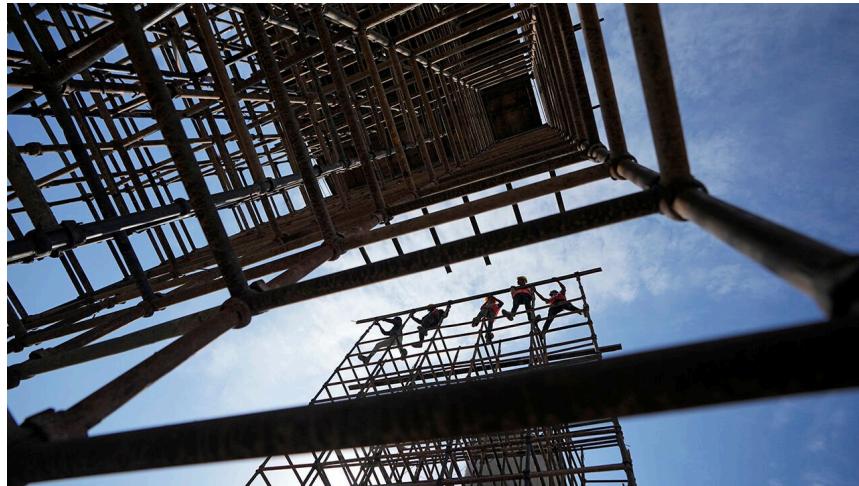
Free exchange :: There is no such thing as “the” Indian growth model

Rising giant

The ascent of India's economy

It has benefited from a slice of luck, a commitment to economic reform and a shove from Donald Trump

Jan 22, 2026 02:08 PM | Mumbai



INDIA HAS seldom been a source of economic cheer. The “Hindu rate of growth” is, notoriously, a pace so stubbornly slow it might have been cosmically fixed. Even in recent decades, as India has become the world’s fastest-growing big economy and closes in on being its fourth-largest, it has never matched the pace of Asia’s 20th-century tigers. The goal set by Narendra Modi, the prime minister, of being a developed economy by 2047, the centennial of independence, has seemed far off. The world’s most populous country has remained peripheral to the global economy. But it is now showing remarkable promise.

All the more so, given the headwinds it faces. In August Donald Trump, America’s president, singled India out for a tariff of 50%, combining a 25% “reciprocal” levy with a further 25% as punishment for buying heavily discounted Russian crude oil. Private-sector investment is sluggish. Foreign investors have been

selling out of India's highly valued stockmarket. The rupee slid to a record low against the dollar at the end of last year.



Yet a combination of three things—luck, macroeconomic policy and structural reform—is reason for optimism, in both the short and long term. In the year to the third quarter, GDP grew by 8.2%, much faster than expected. The government has raised its forecast for the 2026 fiscal year (ending on March 31st), which will feed into the budget on February 1st, from a range of 6.3-6.8% to 7.4%. That is the sort of pace that India needs to meet Mr Modi's 2047 target. Meanwhile, inflation is down to 1.3% (see chart 1). The government boasts of a “Goldilocks moment”.

Consider luck first. In 2025 India enjoyed a second consecutive year of good monsoon rains, boosting agricultural output. Food prices, which make up 46% of the Indian consumer-price index, fell by 2.7% last year, helping drag inflation down. That has boosted real disposable incomes and consumer spending. Low

inflation has also given the growth numbers a statistical lift. Because India's GDP deflator, which is based chiefly on wholesale prices, is thought to have risen by just 0.5% in the year to October, real growth has accelerated as nominal growth has slowed.

Next, macroeconomic policy. A programme of fiscal consolidation has cut the budget deficit from 9.2% of GDP in fiscal 2021 (when it was bloated by pandemic spending) towards a target of 4.4% for fiscal 2026. Excluding interest payments, the deficit will be only around 0.9% of GDP.

This year the government has relaxed the pace, tightening by only around 0.5% of GDP after 1% in fiscal 2025. After Mr Trump announced the additional tariffs, Mr Modi's government simplified India's goods-and-services tax, and cut its rates, at an estimated cost of 480bn rupees (\$5.3bn) annually. Capital spending on infrastructure was pulled forward. Even so, at the budget the government may reveal it has hit its 4.5% target. It will switch to a more forgiving goal, based on the ratio of debt to GDP. It aims to reduce this to 50% by 2031, from around 56% today.

The Reserve Bank of India (RBI), too, has shifted its stance. Sanjay Malhotra, the governor since December 2024, has been readier than his predecessor to let the rupee depreciate. With inflation under control, interest rates have been cut by 1.25 percentage points over the past year. Mr Malhotra has told the *Financial Times* that they are likely to stay low for a "long period".

Most durable, however, is the third factor, structural reform. The decline in inflation is not just limited to food, points out Sonal Varma of Nomura, a bank. Earlier reforms, such as the creation of a digital-payments infrastructure, which made prices more transparent, as well as the RBI's shift to an inflation-targeting regime in 2016, have helped reduce inflation expectations and are now paying off. The RBI has also built up its stock of foreign-

exchange reserves. A banking sector clean-up and reforms to the bankruptcy code have kept the financial system stable.

The longer term looks even more promising, thanks to a vigorous reform effort aimed at problems that have bedevilled the economy for decades. A long-mooted cut in the number of labour codes, from 29 to four, was enacted in November. A cap of 74% on foreign direct investment in the insurance industry has been lifted. Nuclear power has been opened up to the private sector. Financial-market regulation has been overhauled.

The states have also pursued reforms. Allowing women to work after dark, for instance, means textile and electronics factories can stay open later. An energetic committee led by Rajiv Gauba, formerly a long-serving cabinet secretary, publishes lists of potential reforms for both states and the central government every month.

Unintentionally, Mr Trump has also given India's reforms a shove. His tariffs quashed hopes that the country would attract manufacturers diversifying supply chains away from China. Mr Trump's reciprocal tariff on India was higher than on Vietnam or Thailand; the extra 25% made matters worse. India needed a new growth strategy. The tariffs also created the political space for Mr Modi to push through reforms long seen as too difficult.

In fact, Indian exporters have mostly shrugged off the tariffs: exports in December were 1.9% higher than a year earlier; in November they were 19.4% up. Granted, there are signs of suffering in labour-intensive manufacturing: exports of gems were down by 5% in December, and the growth of total exports to America has slowed. However, the damage has been mitigated by the weaker rupee, which has boosted the dollar value of exports, and by diversification—in particular, by India's growing share of the global electronics market.

Apple now makes around a fifth of all iPhones in India. Phonemakers benefit from “production-linked incentives” (subsidies based on factories’ output) as well as softer forms of government support. Tamil Nadu, a southern state, has been China-like in its fervour to build new industrial towns for workers at Foxconn (the main contract manufacturer of iPhones). At Samsung’s sprawling plant in Noida, near Delhi, workers now make touchscreens and circuit boards themselves rather than assembling kits built elsewhere. The value-added in India’s smartphone manufacturing has risen from around \$4.5bn in 2021 to \$17.3bn in 2025 (estimated using data from the India Cellular and Electronics Association). It does no harm that electronics are exempt from American tariffs.



Relations with China, which froze after a border skirmish in 2020, have thawed. After clashes in the Galwan Valley, a disputed area of the Himalayas, India suspended visas, investment permissions and direct flights. The countries have now reached a detente, at least on

trade, partly in response to Mr Trump's trade war. In December exports to China were nearly 70% higher than a year earlier (see chart 2). Recognising that India's ambition to become a global manufacturing hub depends on Chinese expertise and machinery, the government re-liberalised the visa regime, making it easier for Chinese workers to help build Indian factories. It is reported to be mulling allowing Chinese companies to invest in India again.

The government has begun to reverse a trend towards protectionism. The average effective tariff rate crept up from about 13% in 2014 to 18% by 2021, as ministers sought to encourage domestic manufacturing. The rate is now down to 16%. India is not embracing free trade. But it is seeking new export markets via trade deals with rich countries, while reducing barriers to imports of components from other developing markets.

Deals have been signed with Britain, Oman and New Zealand. One with the EU is expected to be announced on January 26th when Ursula von der Leyen, president of the European Commission, will be a guest of honour for a national holiday. Canada and India have said they are working towards an agreement. Relations were strained by the assassination in 2023 of Hardeep Singh Nijjar, a Canadian Sikh activist, but as with China, Mr Trump's trade war has pushed the two closer. The finance minister, Nirmala Sitharaman, apparently intends to simplify tariffs in next month's budget. "Customs is my next big cleaning-up assignment," she said in December.

Acid test

Meanwhile quality control orders (QCO), certifications for every import, nominally to protect consumers and the environment, have been thinned. By early 2024 there were 765. Since mid-2025 the government has been cutting them back, mostly on intermediate goods. They included purified terephthalic acid, an ingredient in polyester, and viscose staple fibre, used in textiles. The QCOs

boosted the profits of the big industrial houses that dominate domestic production of these inputs, but helped keep garment factories, which provide the sort of low-skilled jobs India desperately needs, uncompetitive.

India's next test is to convince investors its zeal for reform will last. Corporate capital spending is still soft, despite speedy GDP growth. Net foreign direct investment is negative, as foreigners repatriate profits and Indian conglomerates invest abroad. India's good luck may continue. But it is better not to rely on monsoon rains, or on America's Supreme Court striking down Mr Trump's tariffs. Just as well, then, that India seems to have decided that the risks from trying to transform its economy are less than those of being left behind. ■

<https://www.economist.com/finance-and-economics/2026/01/22/the-ascent-of-indias-economy>

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Still afloat

Can America's bond market keep defying the vigilantes?

Donald Trump's threats over Greenland are the latest test

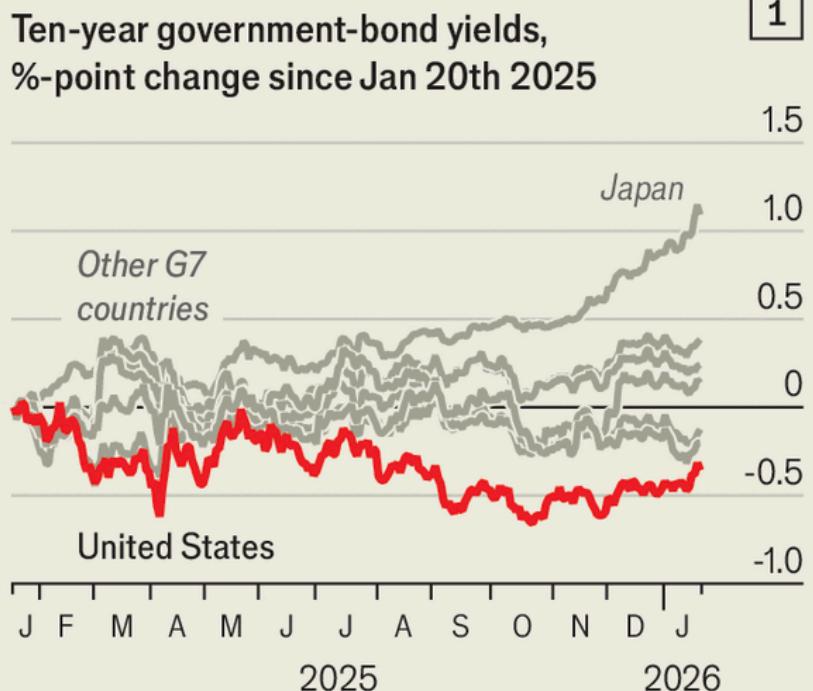
Jan 22, 2026 02:32 PM | WASHINGTON, DC



A YEAR INTO Donald Trump's second term, [investors have no shortage of reasons to flee American assets](#). They must contend with blockbuster deficits, attacks on the Federal Reserve, trade wars—and most recently an obsession with annexing Greenland that at one point looked as if it might blow up NATO. Occasionally, confidence has wavered. It has lately done so again, as the Greenland furore collided with a [blow-up in Japanese government bonds](#), knocking up yields on Treasuries.

Scott Bessent, the treasury secretary, has tried to pin the blame entirely on shockwaves from Japan that have hit government bonds across the world. True, yields elsewhere have also jumped in recent days. Yet chaos abroad would usually boost the dollar, seen by investors as a safe haven. This time the dollar has weakened amid the turbulence, which suggests there are also problems closer to home.

Paper profits



US, ten-year government-bond yields
Spread over trade-weighted basket of
other advanced economies*, % points

2



*Australia, Britain, Canada, Germany, Japan, Sweden,
Switzerland. Adjusted for currency hedging

Sources: LSEG Workspace; Robin Brooks, Brookings Institution

Past scares have been short-lived, though, and this time the damage is still small. Yields on ten-year Treasuries are only two hundredths of a percentage point above their level on January 16th. What is more, those yields are well below where they were when Mr Trump was inaugurated a year ago—and have declined by more since then than those for any of America's peers (see top chart). In other words, despite the president's antics, the bond vigilantes have largely spared him.

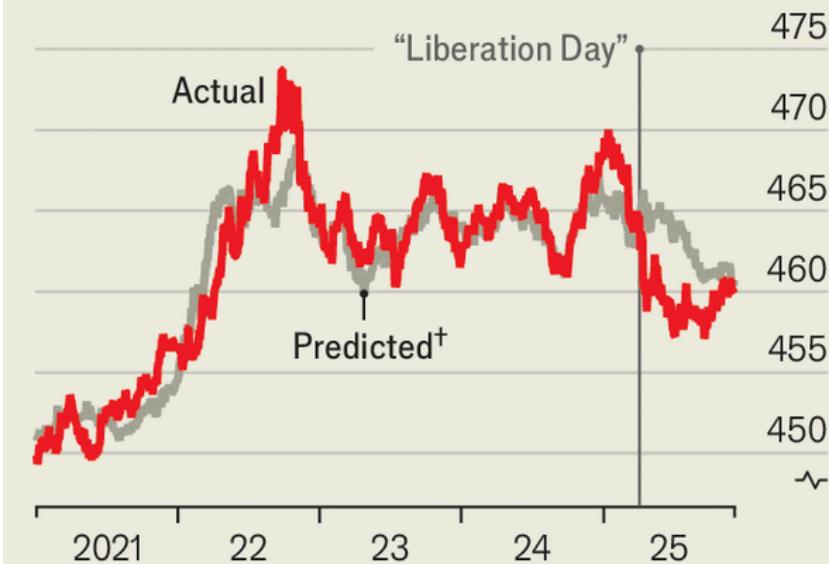
Other measures paint a similarly rosy picture. The premium investors demand to hold Treasuries, rather than buying other government bonds and swapping their proceeds into dollars, is within historical norms. In fact it has actually narrowed in recent months, calculates Robin Brooks of the Brookings Institution, a think-tank (see bottom chart). In the middle of last year the dollar looked weaker than might have been expected based on short-term factors such as cross-country differences in interest rates. Now it is back in line with what macroeconomic models would predict, reckons Steven Kamin of the American Enterprise Institute, another think-tank (see chart 3).

What is going on? One answer is that for all of America's fiscal sins, it looks chaste enough compared with the rest of the rich world. Japan is burdened by colossal debts. France is suffering a slow-burning fiscal crisis. Britain remains stuck in a low-growth, high-tax funk. Uncle Sam may be indebted up to his ears, but at least the American economy is still growing and its demography looks less dire than in other rich places. Its sheer scale, and the dollar's unique position in the global financial system, are additional virtues. And hand-wringing over America's deficits is hardly new. Giving in to such worries has historically been a good way to lose money.

Greenback comeback

3

US dollar trade-weighted index*



*Logged values, multiplied by 100 †Using interest-rate
differentials and the VIX stockmarket volatility index

Source: Steven Kamin, American Enterprise Institute

Another possibility is less cheery. Bonds do well when growth falls and markets price in lower interest rates. This makes the higher coupons locked in for existing bonds look more attractive. And American growth, though solid, has slowed—especially relative to what it might have been had Mr Trump not pursued anti-growth policies such as tariffs and mass deportations. This explanation will be tested if growth accelerates in 2026 as Mr Trump's tax cuts take full effect.

Or perhaps the market is getting things wrong. Traders are accustomed to dealing with small changes in growth and inflation. The impact of Mr Trump's radical ideas, about tariffs, immigration, the Fed's independence and much else, is harder to price in. When inflation surged in 2021-22 for the first time in 40 years markets were slow to twig that the Fed would have to ratchet up interest rates. The risk is that once investors do change their minds, their new beliefs will be hard to budge. ■

<https://www.economist.com/finance-and-economics/2026/01/22/can-americas-bond-market-keep-defying-the-vigilantes>

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The Takaichi trade

Japan's bond-market tremble reflects a fiscal-monetary clash

As investors worry about budgetary laxity, the central bank prepares for more rate hikes

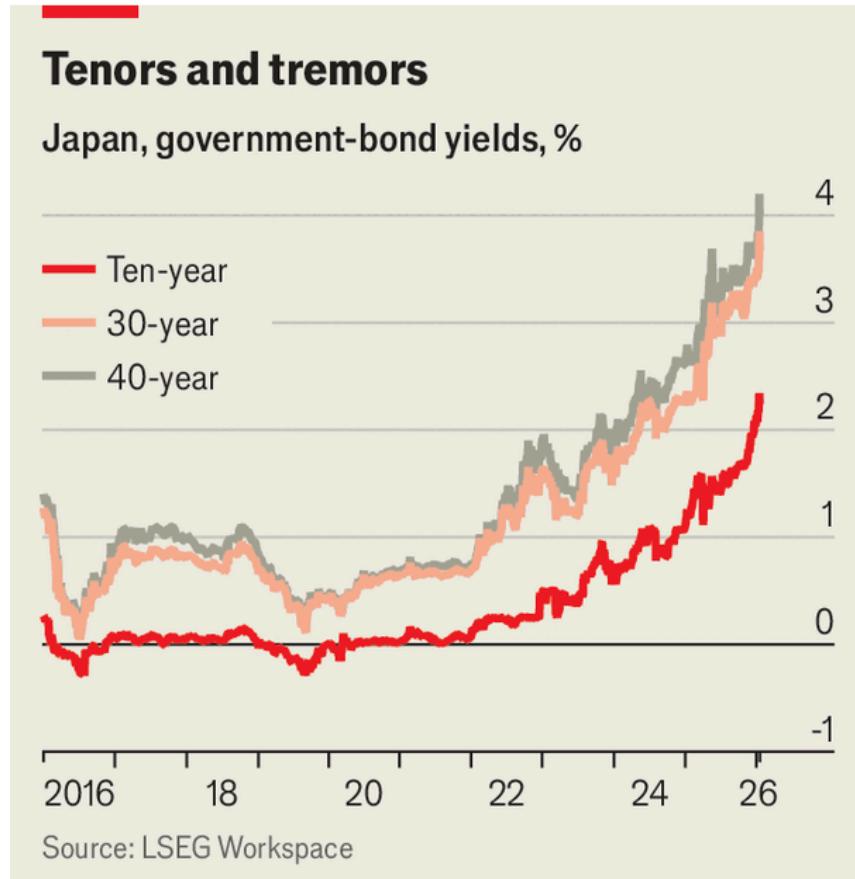
Jan 22, 2026 02:08 PM | SINGAPORE



SOMETHING IS AMISS with Japanese government bonds (JGBs). On January 20th the country's longest-dated debt sold off sharply. The yield on 30-year bonds rose by a quarter of a percentage point, the most in a day since 1999. The 40-year yield pierced 4% for the first time. Though yields fell the next day, the trembling bond market will overshadow a meeting of the Bank of Japan (BOJ) on January 22nd and 23rd. As it should: investors have cottoned on to a clash between the central bank and Takaichi Sanae's government.

The proximate cause of the turmoil is fear about fiscal policy. On January 19th Ms Takaichi, prime minister only since October, [called an election](#) for February 8th, seeking a mandate for what she calls “responsible and proactive” fiscal expansion. She promises a two-year suspension of the 8% consumption tax on food, and higher spending on defence and industrial policy. Suspending the food tax alone will cost ¥5trn (\$32bn) a year, or 6%

of the expected tax take in the latest fiscal year. Even if Ms Takaichi is thwarted at the polls, her embrace of tax cuts means that few in Japanese politics are urging fiscal restraint. (Her predecessor, Ishiba Shigeru, was a fiscal hawk.) Though Ms Takaichi says she will finance the tax cut without additional debt, investors are sceptical.



These days, they have good reason to worry. The JGB market is more reliant than ever on foreign buyers. This is especially so in the longest-dated debt (ie, with maturities of over ten years), the segment that sold off. In 2025 foreigners accounted for 53% of ultimate demand for long-dated government bonds, up from 22% before the pandemic. That is largely because traditional domestic buyers, such as insurers and the BOJ, have vanished. Many of them bought bonds for reasons other than return (because the BOJ was trying to reflate the economy, for example). The foreigners care primarily about price and yield.

In addition, inflation is nearly back to normal. Headline consumer prices have been rising faster than the BOJ's 2% target for almost four years. Yet the central bank, determined to banish deflation for good, has raised rates only gingerly. Now there is evidence that inflation is becoming entrenched. "Japan's underlying inflation [is] steadily approaching 2%," said Ueda Kazuo, the BOJ's governor, in December. He pointed to record corporate profits, mounting labour shortages, back-to-back years of bumper wage rises and fast-rising inflation expectations.

If Mr Ueda is right, then the BOJ's policy of negative real (inflation-adjusted) interest rates is nearing its end. It will have to raise rates towards "neutral", the point at which they neither stimulate the economy nor inhibit it. Its current nominal rate is 0.75%; estimates by central-bank researchers peg Japan's neutral rate in the range of 1-2.5%, according to Goldman Sachs, another bank. That looks in line with the bond market's bets. The ten-year yield—which incorporates bondholders' best guess at average interest rates over the next decade—has risen to 2.2%, from a mere 0.6% two years ago.

This means monetary and fiscal policy are heading for a clash. Mr Ueda wants higher borrowing costs to lower inflation and strengthen the yen. Ms Takaichi wants fiscal expansion, probably entailing fresh borrowing. Either would worsen the squeeze on a government already saddled with net debt of 130% of GDP. Ms Takaichi has called rate hikes "stupid". Her mentor, Abe Shinzo, ended a similar conflict in 2013 by forcing the BOJ into submission.

Ms Takaichi's course risks higher inflation for some time to come, eroding the purchasing power of Japan's households, while devaluing JGBs. Her timing is poor, too. Japan hardly needs stimulus: the government's estimate of the "output gap", a measure of how close the economy is running to its potential, is near zero. This is not Japan's "Liz Truss moment"—panic driven by sudden fiscal laxity, as Britain experienced in 2022. Too many JGBs are

owned domestically for capital flight to be a big risk. But investors are rightly wary. ■

<https://www.economist.com/finance-and-economics/2026/01/21/japans-bond-market-tremble-reflects-a-fiscal-monetary-clash>

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Buttonwood

American decay versus American dynamism

Only a decline in corporate America's vigour will dent the country's dominance of financial markets

Jan 22, 2026 02:08 PM



A PENSION FUND for Danish university staff cannot expect to make international headlines very often. But on January 20th AkademikerPension did just that, by announcing the sale of its holdings of American government bonds. The fund's managers stressed that the decision was not a reaction to America's territorial threats to [Greenland](#), a Danish territory, but a judgment on Washington's rampant overspending.

The fund is certainly not ditching American stocks, which make up 60% of its holdings of listed equity. Its private-equity assets tilt similarly heavily to America. Of its high-yield bonds, American issuers account for an even larger share, almost 80%.

AkademikerPension's American split therefore illustrates rather neatly the most powerful tug of war in global markets today. Even after the S&P 500 slid by 2% on January 20th, following another

tariff threat from Donald Trump over Greenland (since withdrawn), American assets continue to attract investors.

On one end of the rope, American institutional decay is pulling hard. Investors at home and abroad fear a noxious combination of American isolationism and occasional belligerence. Self-destructive economic policy, especially on trade, is a constant preoccupation. They fret about Washington's immense deficits, the attacks by the White House on the independence of the [Federal Reserve](#) and the lack of legislative restraint on an unpredictable and sometimes hostile president.

But pulling on the other end are the forces of unparalleled American dynamism. America boasts immense and effective capital markets, and unlike almost every other rich country has managed to sustain solid productivity growth for the past two decades. Ten of the 12 listed companies with stockmarket values of over \$1trn are American. So are almost all the private firms leading the race to supremacy in artificial intelligence. In one investor's most cynical interpretation: how much will Mr Trump's threats against Greenland affect earnings for Microsoft or Apple this year?

Days like January 20th make it look as if decay is winning. But the same seemed true last April, after Mr Trump declared that enormous tariffs would be levied on imports from around the world. Panic about economic damage and geopolitical isolation ruled only briefly. In the first 11 months of 2025, \$628bn poured into American stocks from abroad. Despite the Danish sale, foreigners own more American government bonds than ever.

Some investors argue that Mr Trump's proclivity for backing down —nicknamed the TACO trade—is what keeps the stockmarket propped up. That is part of the answer, but only part. America's effective tariff rate is 11.2%, higher than at any point since the second world war. At the same time, earnings per share for companies listed in America grew by around 12% in 2025,

compared with 1% for those in other rich countries. Had earnings slumped, Mr Trump's partial u-turns would not have been enough to prevent share prices from plunging.

For all the excitement about European stocks, especially those of banking and defence firms, the continent's corporate earnings have yet to top the levels of 2008, before the worst of the global financial crisis. Analysts at Goldman Sachs expect annual growth in earnings per share of around 6% for American stocks over the next five years, twice the rate in the rest of the rich world.

The world should not expect too much righteousness from its investors. Financial markets are ultimately amoral. Any Europeans inspired by patriotism or nudged by their governments into selling American assets will provide cheap openings for less scrupulous buyers. Anything less than outright capital controls—exceedingly unlikely even now, despite rising tension—will probably have little effect.

But nor should Americans believe that their country's corporate dynamism makes it invulnerable to a financial shock. Investment committees from Sydney to Stockholm now have all the priming they need. An economic slowdown beginning in America, a revival in the earnings fortunes of companies elsewhere in the world, or any sign that America's leadership in AI is fading would have been damaging at the best of times. Now, it would be pounced on as a welcome excuse for a long-delayed rotation out of American assets more broadly. Should American dynamism falter, the sell-off that follows will be all the more violent. ■

<https://www.economist.com/finance-and-economics/2026/01/21/american-decay-versus-american-dynamism>

Surprisingly stable

China hits its GDP target—in a weird way

Strong exports make up for weak investment

Jan 22, 2026 02:28 PM | HONG KONG



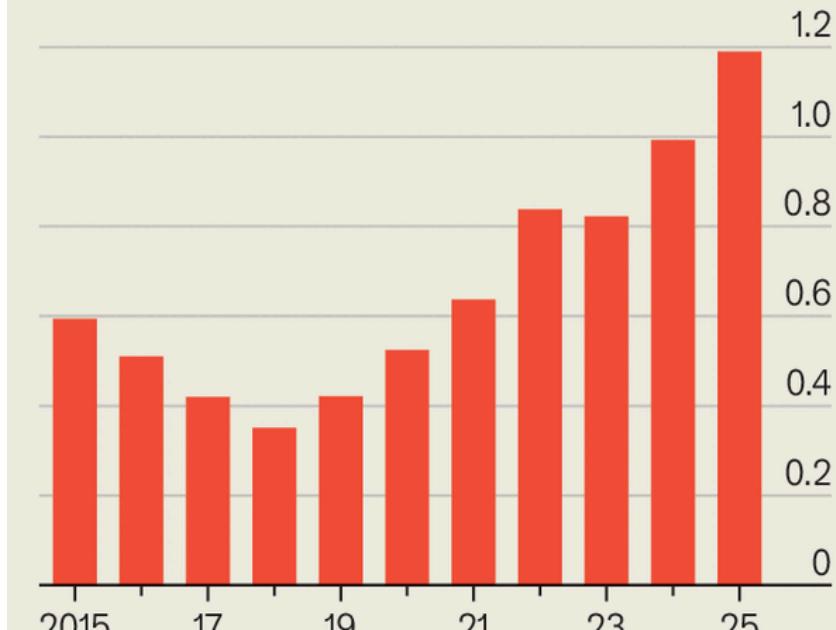
Shippin' on the dock of the bay

IN A CHAOTIC world, China did the predictable thing. Its economy met the official growth target for 2025, according to figures released on January 19th, just as it had the year before and the year before that. GDP grew by 5%, although [China's population](#) fell even faster than forecast. Growth was boosted by a record trade surplus, which reached almost \$1.2trn, despite the country's tariff war with America (see chart 1).

Trillion-dollar traffic

1

China, goods-trade surplus, \$trn

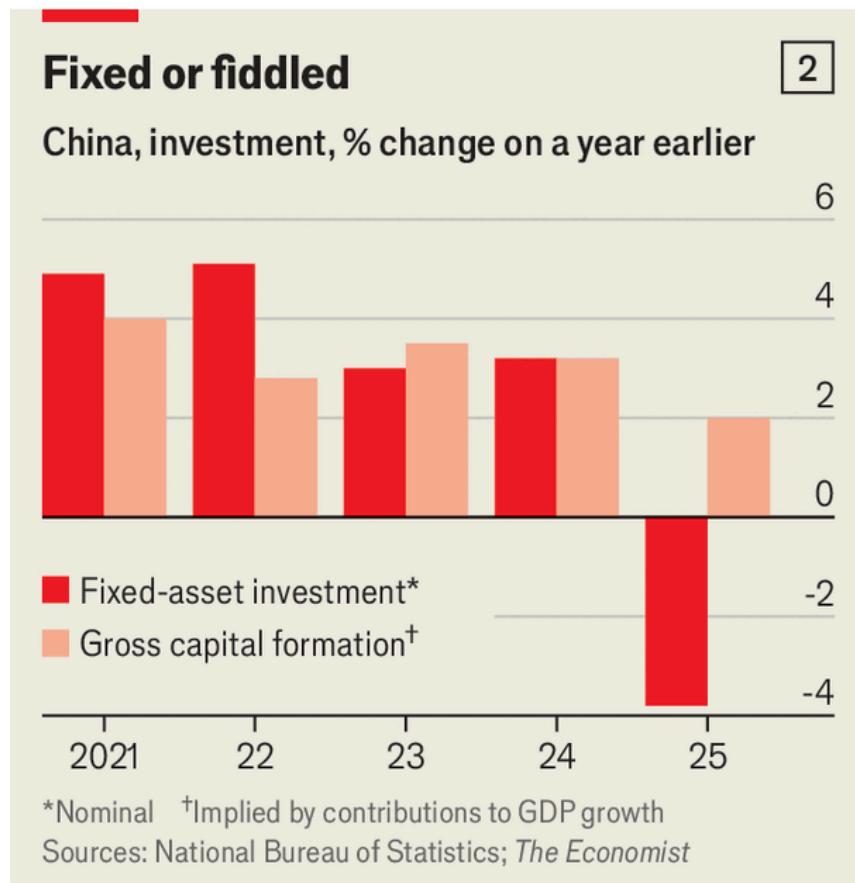


Sources: China Customs; Haver Analytics; Wind

The unexpected strength of China's exports last year made up for the weakness of other sources of spending. The government had set itself the task of "vigorously boosting consumption", but households [did not play along](#). They saved an even higher share of their income in 2025 (32%) than they had the year before (31.7%). It is not as if Chinese consumers already possess all that their hearts could desire. In a press conference, Kang Yi, head of the National Bureau of Statistics, pointed out that China has just 53 private cars for every 100 households. America has 197 cars and other "light-duty" vehicles.

China has usually relied on investment spending to keep its economy humming. But according to the official figures, fixed-asset investment (FAI) shrank in 2025 for the first time since 1989 (see chart 2). The slump in property investment continued, accompanied by a decline in infrastructure spending and negligible growth (0.6%) in manufacturing investment. The combined figure is so awful that many economists refuse to take it at face value.

Another official measure of investment—gross capital formation—suggests that capital spending continued to expand, albeit slowly, last year. Investment accounted for 0.75 percentage points of China's overall growth, a seventh of the total, according to Mr Kang. For that to be true, investment must have increased by about 2% in real terms.



Some of the glaring gap between the two statistics may reflect technical differences. FAI is not adjusted for inflation, excludes inventories and includes land purchases. But it is also possible that China's local governments are now understating the growth of FAI to make up for overstatements in the past.

China's weak domestic demand and strong supply stand in prominent “contradiction”, noted Mr Kang. To resolve that contradiction, the superpower still relies on foreigners to buy all the stuff it cannot sell at home. Some of China's trading partners, however, are losing patience, fearful that the flood of Chinese

goods will wipe out their own industries. Mexico, for example, began the year by instituting tariffs of up to 50% on over 1,400 goods—including car parts, toys, dental floss, even playing cards—from countries outside its trade agreements, China chief among them.

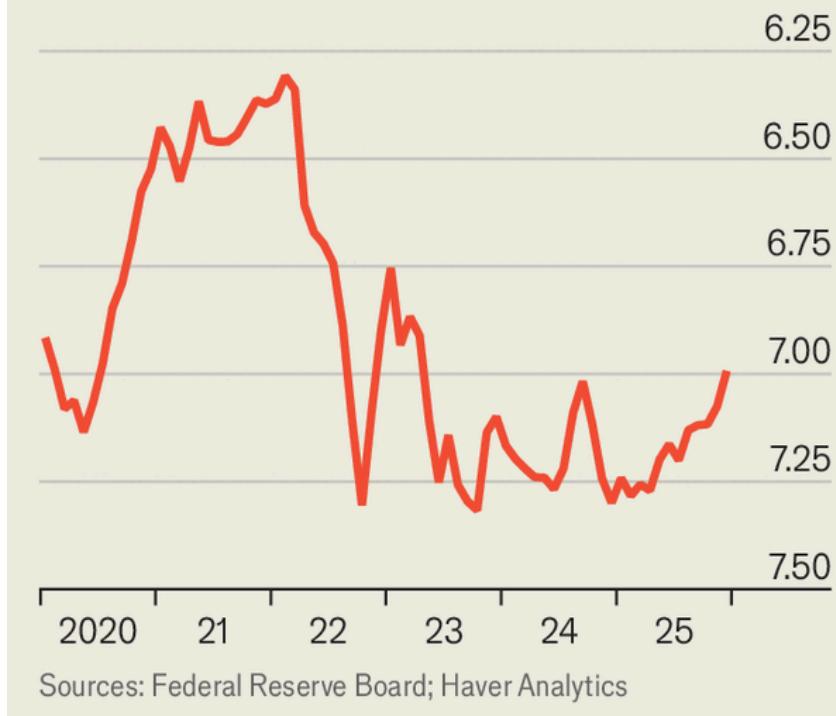
The trillion-dollar surplus has also drawn renewed attention to what many see as China’s trump card: its tightly managed exchange rate. Thanks to soft demand and persistent deflation, the prices of China’s goods have fallen relative to prices elsewhere. Adjusted for this shift, China’s exchange rate weakened by more than 18% between March 2022 and July 2025. This fall in the “real” (inflation-adjusted) exchange rate has made China’s exports cheaper, thereby “worsening external imbalances”, pointed out Kristalina Georgieva, head of the IMF, last month.

This criticism may be starting to register with China’s leaders. They have begun to throw a few sops to the country’s trading partners: making tax breaks for exporters less generous, for example. China has also reached an initial agreement with the European Union to set floors under the prices of its exports of electric vehicles. And during a visit to Beijing by Canada’s prime minister, Mark Carney, China agreed to cut tariffs on Canadian rapeseed (canola) and to exempt the country’s lobsters, crabs and peas from retaliatory tariffs for at least nine months.

Six-seven

3

Chinese yuan per \$, inverted scale



Sources: Federal Reserve Board; Haver Analytics

China has also allowed the yuan to strengthen a little. After the tariff truce with America in the middle of 2025, the currency began to rise on a trade-weighted basis. A doveish turn by America's Federal Reserve has reinforced this trend. In the last days of 2025 the yuan moved below seven to the dollar for the first time since 2023 (see chart 3).

A dearer exchange rate might mollify China's trading partners. But it could also intensify China's deflationary pressures. A stronger yuan would narrow the country's external imbalance (the gap between its exports and imports) but worsen its internal imbalance (the gap between what it can produce and what actually finds a buyer). The best response to that contradiction would be further fiscal stimulus, according to Xiangrong Yu of Citigroup, a bank, as well as reforms to strengthen China's social safety-net.

Fiscal stimulus would lift Chinese spending, contributing to both growth and inflation. The increase in Chinese prices at home would

strengthen the real exchange rate, just as deflation has weakened it. Even the IMF is keen. “We strongly support the government coming up with fiscal and monetary policy measures...to support the shift towards more domestic consumption,” said Ms Georgieva last month. And on January 19th the fund’s chief economist, Pierre-Olivier Gourinchas, urged China to rebalance the economy by spending more on cleaning up the property sector (and less on manufacturing subsidies).

China meets its growth target with monotonous predictability. But how it meets the target can defy expectations. Last year the strength of exports stunned everyone. This year China may have to spring a surprise by listening to the IMF instead. ■

<https://www.economist.com/finance-and-economics/2026/01/19/china-hits-its-gdp-target-in-a-weird-way>

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Moving the dole posts

Jobless rates in rich countries are getting topsy-turvy

National labour-market stereotypes need updating

Jan 22, 2026 02:08 PM



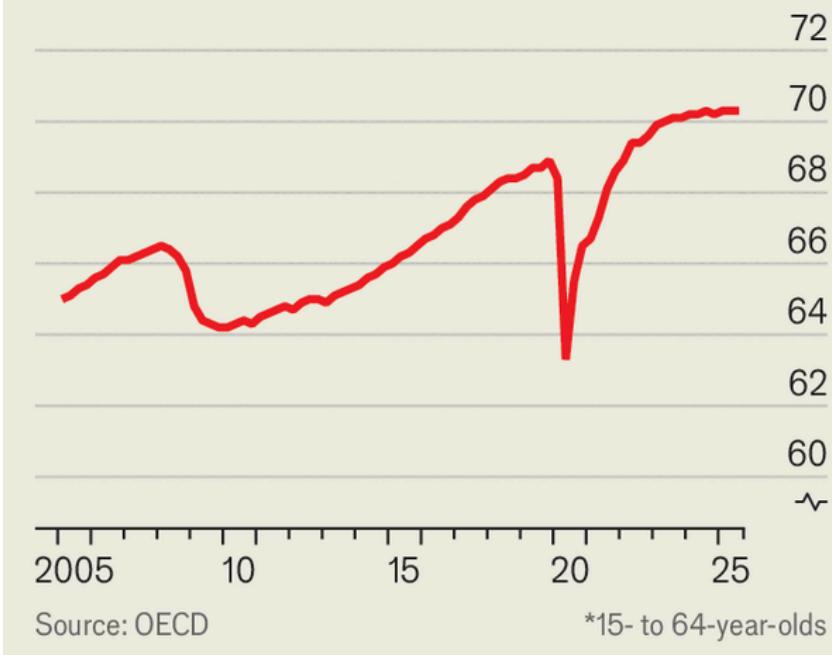
THE RICH world's labour market is on a roll. In the past three years the average unemployment rate in the OECD, a club of mostly wealthy countries, has repeatedly hit historical lows. The employment rate of working-age people is at an all-time high (see chart 1). Not bad in a world of tariffs, geopolitical uncertainty and the threat to jobs from artificial intelligence. Behind the strong aggregate performance lies even more remarkable change. Long-standing stereotypes are melting away.

Over time many countries have turned from high-unemployment basket cases into job machines. For decades joblessness in Ireland was notoriously high, prompting people to move to Britain, and then America, in search of work. These days, however, all three countries' unemployment rates are about the same. By contrast, Chile was once known as a haven of low unemployment. But by the late 2010s, as jobless rates elsewhere fell, its rate came to be among the highest in the OECD.

Working it

1

OECD countries, employment rate*, %

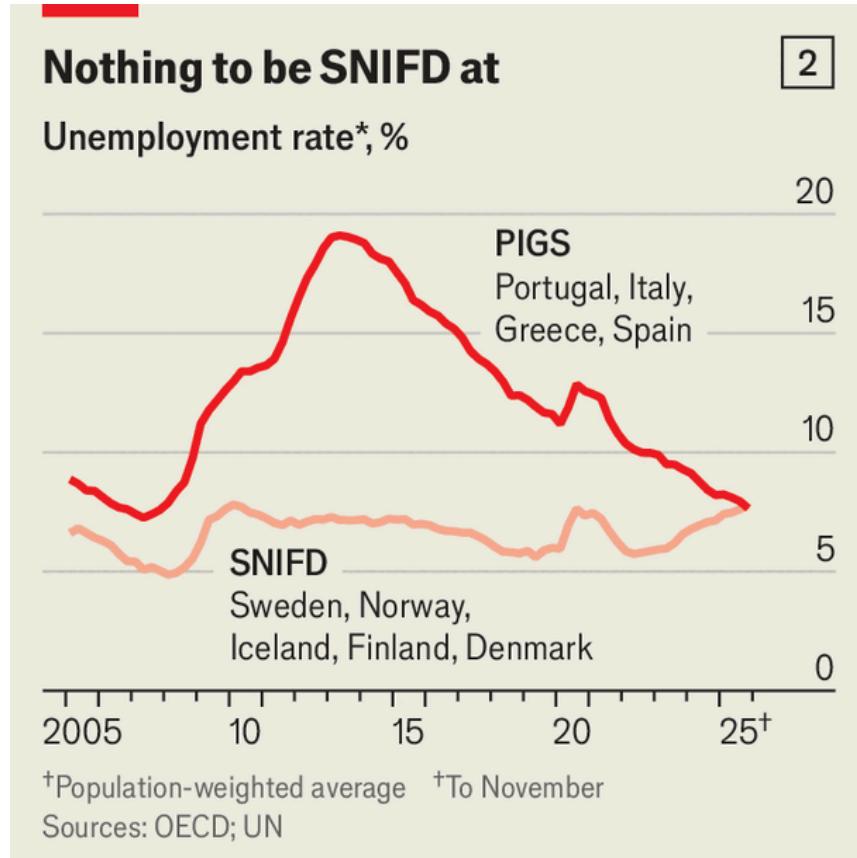


More recently the smashing of job-market stereotypes has gone into overdrive. In recent decades Australia's unemployment rate has been, on average, half a percentage point higher than New Zealand's. Today its rate is a percentage point lower, as Kiwis deal with the bursting of a massive housing bubble. In the late 2010s Costa Rica struggled to get unemployment below 10%. Now it is 5.8%. In recent months Canada's jobless rate has risen alarmingly, even as America's has been steady.

Nowhere has undergone a more remarkable transformation than southern Europe. At the peak of the euro crisis, in 2012-13, the average unemployment rate across Portugal, Italy, Greece and Spain neared 20%. Pundits dubbed the southern European countries "PIGS", unfavourably contrasting them with the supposedly harder-working northerners in Germany, the Netherlands and Nordic countries.

According to newly released data, the PIGS have, perhaps for the first time, a lower unemployment rate than Sweden, Norway,

Iceland, Finland and Denmark (see chart 2). In Greece joblessness is just 8.2%; hoteliers are complaining about labour shortages. By contrast, Finnish unemployment recently rose above 10% for the first time since the 1990s. Forget the PIGS. It is time to worry about SNIFD.



The convergence between the Nordics and southern Europe in part reflects a more fundamental trend. Labour markets across the rich world look increasingly similar. In the 2000s the annual unemployment rate of the most jobless country was on average 14 percentage points higher than in whichever was the most jobful. Today that gap is just eight percentage points. Almost everywhere has reasonably low unemployment.

A number of factors may explain this trend. Better education means fewer people are genuinely unemployable. Improved technology, for example platforms such as Indeed and LinkedIn, makes it easier to match workers with jobs. Tougher benefits policies have made it

harder to get by on the dole. The result is that one rich country's labour market is increasingly indistinguishable from another's.

That said, SNIFD could still learn a thing or two from the PIGS. The OECD recently praised Italy's programmes for improving lifelong learning, which may have helped reduce long-term unemployment. The IMF has noted that Greece's reform efforts "have facilitated labour-market adjustment since the pandemic". The fund also praised Spain "for the unprecedented decline in temporary employment" that followed a labour-market reform in 2021. While Nordic labour markets sniffle, their porcine rivals really are flying.



<https://www.economist.com/finance-and-economics/2026/01/22/jobless-rates-in-rich-countries-are-getting-topsy-turvy>

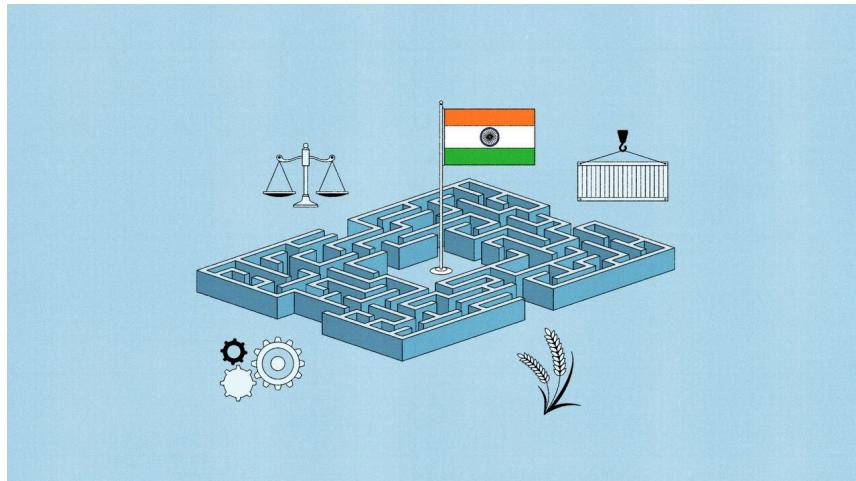
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Free exchange

An audacious new book about a “precocious” country

There is no such thing as “the” Indian growth model

Jan 22, 2026 02:08 PM



WHEN HE WAS the Indian government’s chief economist from 2014 to 2018, Arvind Subramanian made a surprising discovery. He drew an unexpectedly large audience for his annual “Economic Survey”, written on the eve of each year’s budget. As well as dry updates on tax revenues, inflation and grain production, his surveys included striking charts, provocative arguments and rhetorical flourishes. In 2016 he published a chart, bold in its simplicity, showing that democracy and development tended to go hand in hand. The big exceptions were China (too rich, given its lack of democracy) and India (not rich enough, given its “vibrant political institutions”). The chart indicated two ways in which India might converge to the global mean: fast growth or institutional decline.

Encouraged by the success of his surveys, Mr Subramanian has adopted the same approach (charts, arguments, catchy phrases) in an ambitious book, written with Devesh Kapur of Johns Hopkins University. It re-examines India’s growth record, social divisions and state apparatus over the past 75 years. “A Sixth of Humanity”

is not short, spanning over 600 pages. But plenty of books about America require as many pages to cover a quarter as many people.

The authors' accomplishment is all the more remarkable given India's forbidding complexity. The sixth of humanity within its compass is not much easier to summarise than any other sixth scattered across national borders elsewhere. India has 325 languages, according to one study, and no fewer than 24 scripts.

India's growth trajectory, like its population, is a bit of a jumble. It has pursued what the authors call a "precocious" model of development, doing things in a peculiar order. Its democracy outpaced its development and its skilled service industries outran its labour-intensive manufacturing. It prioritised universities before schools, hospitals before clinics, contraception before sanitation. The state ventured widely (and wastefully) into business before deigning to roll out much infrastructure. It has also dispensed cash transfers to citizens' bank accounts before providing public amenities, like clean air or good schools for all.

The state machinery that holds India together is surprisingly small. The country has only half as many coppers per person as England and Wales. Its civil engineers were slow to bind the nation with roads, tunnels and bridges. London has over 50 ways to cross its defining river; Kolkata just five. The Indian state has also failed to properly title or tax the land under its writ. There was no full land survey in Bihar, one of India's biggest states, from 1911 until the 2020s. By then few officers could read the nearly extinct script in which many old documents were written.

Land disputes have declined in recent years, the book notes. Economic growth has given the state more money to spend on compensating owners. The public investment enabled by less tortuous land purchases has in turn helped underpin growth.

But the “deep mystery” of Indian development is why industrialisation has not kept up. India’s manufacturing plants remain too small—“midgets making widgets”, as the authors put it—and employ too few of the country’s unskilled labourers. India has failed to emulate the tried-and-tested East Asian model of growth.

Instead it has muddled through with a miscellany of economic models. Progress in manufacturing has been largely confined to three coastal states—Gujarat, Maharashtra and Tamil Nadu—as well as Haryana, which benefited from an early joint venture with Suzuki, a Japanese vehicle-maker. There are also two examples of success via alternative routes. The unique, southern state of Kerala exported its people to the Gulf, while Bangalore, Hyderabad and other cities exported their brains through IT-enabled services. The successful parts of India, the book points out, defy Tolstoy’s quip about families: they are each happy in their own way.

Alongside these patterns of success are three “models” of failure. The populous, landlocked states of Bihar and Uttar Pradesh seem stuck in a “low-income trap”, reliant on fiscal transfers from elsewhere in India that blunt their internal incentive to reform. West Bengal, despite its scientific institutions and strong industrial base, was throttled by 34 years of uninterrupted communist rule. Between 2009 and 2013, the state accounted for 57% of all India’s man-days lost to labour strife.

Another reversal of fortune was visited on Punjab. It benefited more than any other state from the “green revolution” in agriculture. But the heavy farm subsidies it receives have conjured up a “resource curse”. Infusions of outside cash have bid up the price of land and labour and trapped the state into a water-intensive agricultural model that drains both aquifers and the exchequer.

Give and take

The growing gap between these different Indias could strain the country's fiscal federalism, the book argues. Its more successful states already hand over about 2.6% of their GDP to their less successful neighbours, including the Hindi-speaking heartland. If India's next census helps its populous, poorer states gain more political clout, they may place even greater demands on the budget. Combined with the heartland's increasingly chauvinistic, divisive politics, it is a recipe for "toxic" inter-state resentment.

In his survey ten years ago, Mr Subramanian seemed confident that India's exceptionalism would disappear in a benign fashion. The country would rapidly converge to a GDP per person to befit its vibrant institutions. But its development has been slower than he hoped and its democracy less secure. The "consuming furies of nativism and illiberalism" mar its politics just as they torment the rest of the world. India now seems likely to combine growth with a dash of institutional decline. It will become less of a global outlier via a move up in development but down in democracy. India's path out of precocity into normality will probably not be straight. ■

<https://www.economist.com/finance-and-economics/2026/01/22/an-audacious-new-book-about-a-precocious-country>

Science & technology

- **Treatment of a teenager with an ultra-rare condition is a medical milestone**

Unique drugs for unique diseases :: It will change regulators' rule books

- **To disperse their spores, truffles rely on animals eating other animals**

How truffles spread :: It is a gruesome business

- **Satellites encased in wood are in the works**

Wood enters the space age :: Timber is cheaper and better than alloys, and may be less polluting

- **A new study highlights the brain's role in immune health**

The placebo effect :: It truly is a question of mind over matter

- **The most useful indicator of your overall health**

Well informed :: "Heart-rate variability" has been decades in the making

Unique drugs for unique diseases

Treatment of a teenager with an ultra-rare condition is a medical milestone

It will change regulators' rule books

Jan 22, 2026 02:08 PM



MILA MAKOVEC was ten in 2021 when she died from an ultra-rare neurodegenerative disorder. But, though it had not saved her, she was nevertheless in the history books as the first to receive a drug designed for a single patient. And her story did not end there. After her death her mother, Julia Vitarello, set out to change how drugs are made, so that others with obscure genetic faults could have bespoke treatments more quickly and easily.

Ultra-rare disorders are those affecting fewer than one person in 50,000. Sometimes, they are unique. And unique problems need unique solutions. To that end, Ms Vitarello had, when her daughter was diagnosed, launched Mila's Miracle Foundation with the goal of finding her a treatment and paying for it. In collaboration with doctors at Boston Children's Hospital, it did so in the form of a molecule called an antisense oligonucleotide (ASO).

After Mila's death Ms Vitarello pushed regulators—first in America and then, with more success, in Britain—to think how developing individualised drugs for ultra-rare conditions might be simplified and accelerated. She also started a biotech company, Everyone Medicines, in Boston, to try to work out how to do this at scale.

Ne plus ultra

January 13th marked a turning point in her quest. After a change in the British rules, which her lobbying helped bring about, a girl known as patient A, who has an ultra-rare condition called Niemann-Pick disease type C (NPC), was treated at Great Ormond Street Hospital (GOSH), in London, with an ASO devised by Everyone Medicines. And this time, rather than being a one-off, it is part of a trial intended to make such treatments routine.

The rule change was made by Britain's Medicines and Healthcare products Regulatory Agency (MHRA). This regulator has agreed that patient A and nine other children with similarly threatening neurodegenerative conditions can be treated with custom drugs under a new “master protocol” that is intended to standardise trials for the treatment of groups of genetic conditions within a single framework. It thus tests a way of making drugs rather than assessing a single medicine. Lawrence Tallon, the MHRA's head, said it was the “start of what is a very, very exciting future for the treatment of genetic diseases”.

NPC is caused by a mutation in a gene encoding a protein responsible for clearing brain cells of surplus fats and other chemicals. The build-up of these substances kills those cells and the brain atrophies. As a consequence, patient A has epilepsy, suffers sudden losses of muscle tone, and has cognitive, memory and learning difficulties. Without treatment, her condition will worsen and will probably kill her.

ASOS work by ambushing RNA messenger molecules that carry genetic instructions from a cell's nucleus to its protein factories, and then either neutralising or altering them. The drug that patient A received at the hands of Paul Gissen, a paediatrician at GOSH, is called avasen and was made by Everyone Medicines. In her case it binds to the RNA messenger in a way that masks the error, allowing the cell's protein-making machinery to create healthy proteins. That means production of normal proteins should have started within hours of the infusion—although it will take much longer to see whether this helps, because a backlog of toxic fats will need to be cleared out first.

E pluribus unum

The MHRA's protocol covers data collection, safety assessments and how a drug's movement through the body is measured. It sets out which conditions can be treated—they have to be fatal or life-threatening neurodegenerative disorders. And it specifies a particular type of ASO, the length and chemical composition of which are well understood, as a “platform” molecule, which needs only tiny changes to customise it to a particular illness.

The goal of the trial, says the MHRA, is to show that, with such a standard set of procedures, it can grant a “process approval” for making these ASOS. The challenge regulators faced was that one-off drugs intended for individual patients cannot be run through conventional randomised controlled trials. Process-based approval, which requires close analysis of patients before and after treatment, is riskier. But, since the outcome without treatment is death, that risk seems worth taking. If it works, it will be a medical milestone. Not only will it make easier the use of ASOS to treat rare and fatal neurological disorders; it will also open the door for process approvals of other styles of drugmaking, and for other groups of patients.

One reason Ms Vitarello found more enthusiasm for this approach in Britain than in America was because Genomics England, a government-owned provider of genetic-sequencing data, was diagnosing a lot of children with rare genetic disorders who were in need of treatment. The question was how to provide it. In 2023, therefore, the MHRA, Genomics England and Mila's Miracle Foundation teamed up with a group of experts at Oxford University to create an organisation called the Rare Therapies Launch Pad to work out how to regulate custom drugs. In November America's Food and Drug Administration said it was developing a similar "plausible mechanism" pathway.

To help others, the British protocol requires that data collected be shared. This should assist firms wanting to build businesses around the idea. In Europe, meanwhile, an academic group called 1 Mutation 1 Medicine is trying to advance ASO-based treatments. And Ms Vitarello, who agreed on January 5th to become Everyone Medicines' boss, with a view to working out how these treatments will be paid for in the long run, has had from interested scientists and parents around the world.

Customised treatment could also offer a new tool for public health. Though the conditions it is aimed at are individually rare, collectively they add up to a significant burden. If tweakable platforms meant they could be treated routinely, it would become worthwhile to screen the genomes of newborns, so that conditions could be nipped in the bud. That would allow affected children to swap short and horrible lives for something closer to normality.

Process approval should also speed and cheapen development of custom drugs. At present, developing an individualised ASO takes two to three years and costs \$2m-3m. Ms Vitarello says process approval could bring the cost below \$1m and the time below nine months. That would be far less than the cost per treatment for most of the one-off gene therapies currently on the market, although

ASOS do need to be given over a lifetime, rather than as a single dose.

Bundling groups of ultra-rare genetic diseases together into treatable packages might also make them attractive to drugmakers, which currently focus on more common genetic conditions, like sickle-cell disease and spinal-muscular atrophy. And process approval will allow firms that use other ways of interfering with RNA messengers, and also firms that edit DNA directly, to consider treating ultra-rare disorders. One such, Aurora Therapeutics, was launched on January 9th by Jennifer Doudna, a Nobel-prizewinning pioneer of gene-editing. For the first ten patients in Britain, however, ASOS are not just another option but their only hope of survival—and, with that, a chance to thrive. ■

<https://www.economist.com/science-and-technology/2026/01/19/treatment-of-a-teenager-with-an-ultra-rare-condition-is-a-medical-milestone>

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How truffles spread

To disperse their spores, truffles rely on animals eating other animals

It is a gruesome business

Jan 22, 2026 02:07 PM

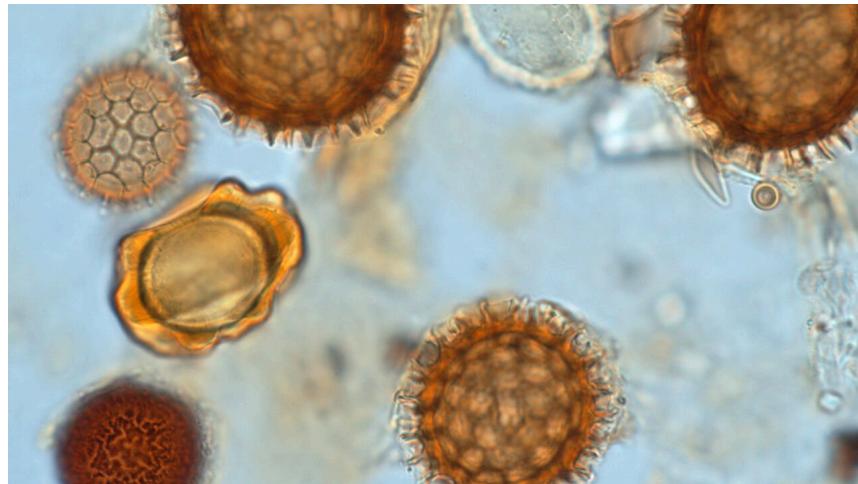


TRUFFLES, WHICH come in many guises, not just those regarded as delicacies by humans, are the fruiting bodies of fungi—the underground equivalents of mushrooms. Unlike mushrooms, however, they cannot shed their spores into the air, to be scattered by the wind. Instead, they rely on being eaten and the spores they contain (pictured) then being deposited elsewhere once they have passed through the gut of the diner.

But that, by itself, would not disperse them far. Most truffle-eaters are small mammals, mainly rodents and shrews, with commensurately small home ranges. Spores these animals pass in their faeces will not have travelled any great distance from the fungal mycelium that spawned them, and will thus end up competing with their parent rather than spreading parental genes elsewhere.

Noting this anomaly, Ryan Stephens at East Tennessee State University and Michael Joyce at the University of Minnesota wondered whether small mammals are thus mere pawns in this tale of fungal reproduction. The real work, they suspected, as they explain in a paper in *Ecology Letters*, is done by others.

They knew from studies elsewhere that plant seeds in the guts of small animals subsequently eaten by predators often survive their journey through this second gut. Since predators have larger ranges than small mammals, this helps spread those seeds around. They wondered if something similar was happening with truffles.



They therefore trapped small mammals—mostly mice, voles, squirrels and shrews—at 40 sites in the wildernesses of eastern Minnesota and southern Wisconsin, and searched their guts for spores. They also collected predator faeces, gathering 267 samples deposited by wolves, coyotes, foxes, bobcats and members of the weasel family called fishers.

Analysis of these two sets of samples showed the same fungal spores were present in both. Though the richness and total load of spores in predators' scats was typically lower than that in the guts of voles and squirrels, it was similar to that in shrews and mice. And, though Dr Stephens and Dr Joyce could not rule out the possibility of predators foraging directly for truffles, there is little evidence from other studies that this happens.

Predators, therefore, seemed as well placed as small mammals to carry spores around. The question remained—how far can they carry them? A search of the scientific literature showed that food takes about nine hours to traverse a fisher's digestive track and 17 hours for that to happen in a wolf. Some experiments with radio collars then showed that a fisher would travel, on average, 2km in this amount of time, and a wolf 3.5km.

All this suggests truffle-spreading involves not one, but two meals: that of the animal which eats the truffle, and that of the animal which eats the animal that eats the truffle. Bear this gruesome fact in mind next time the waiter is grating some *bianco d'Alba* onto your tagliatelle. ■

<https://www.economist.com/science-and-technology/2026/01/21/to-disperse-their-spores-truffles-rely-on-animals-eating-other-animals>

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Wood enters the space age

Satellites encased in wood are in the works

Timber is cheaper and better than alloys, and may be less polluting

Jan 22, 2026 02:08 PM



LIGNOSAT'S COMMUNICATIONS failed as it was launched from the International Space Station (ISS) on December 9th 2024 (see picture above). But it was a breakthrough all the same. For much of it was made of magnolia, a wood its builders at Kyoto University had picked for its strength, ease of working and (as demonstrated by previous experiments on the ISS) resilience to the hostile environment of space.

It proved a good choice. Though LignoSat's temperature oscillated from -100 to +100°C as it passed in and out of Earth's shadow, and it was also bombarded by the radiation of the solar wind, its wooden panels held firm, according to tracking by America's Space Force, until its fiery atmospheric re-entry 116 days later.

Huld, a Finnish firm, prefers birch plywood to magnolia for WISA Woodsat, a test vehicle it helped design that is due for launch this summer. Such plywood is routinely cooled to -163°C when used to insulate tanks carrying liquefied natural gas.

Wood has several advantages over metal alloys as a satellite material. One is to reduce the amount of metal vaporising when satellites burn up on re-entry. In 2023 some 290 tonnes of space junk fell into the atmosphere. A study published that year found a tenth of the stratospheric sulphuric-acid particles it sampled contained such metal.

How much that matters, if at all, is unclear. But some people fear a build-up of metals at altitude will trigger chemical reactions which might, for instance, destroy ozone, a form of oxygen that absorbs harmful ultraviolet radiation. And build up they surely will. One forecast suggests that, by 2035, more than 2,800 tonnes of space junk a year will fall from orbit.

Swapping metal for wood, though, is not without hazard, observes Daniel Cziczo of Purdue University, who was one of the authors of the stratospheric-particle study. What might emerge from a reaction between the resulting soot and vaporised electronics remains unknown.

Such fears are unlikely, however, to rule wood out as a space material, for it has another advantage. Regulators are tightening the “design for demise” rules, intended to stop chunks of falling spacecraft reaching the ground. Satellites weighing more than about 300kg usually need special guidance systems to comply with these rules by ensuring controlled re-entry into a deserted part of the ocean. Dr Sakraker’s team think incorporating wood, which would burn up in the atmosphere, might permit spacecraft weighing up to a tonne to duck that additional cost and re-enter uncontrolled.

A further benefit is that radio signals are unperturbed by wood, so communications equipment need not be specially deployed once a satellite is in orbit. That will protect it from flecks of space debris, such as paint chips, and should reduce drag from errant atmospheric molecules, a big problem in low orbits. LignoSat2,

intended for launch in 2028 into an orbit 400km up, will test this idea. Doi Takao, a former astronaut who is a member of the LignoSat team, reckons the reduced drag will extend the craft's flight time by about 50%.

Wood is also cheaper than spacecraft alloys. And it absorbs vibrations, a plus for sensitive instruments. It insulates better than metal, too, meaning a craft's heating coils will not have to be turned on so often.

It does have a downside. The vacuum of space can suck out moisture and organic compounds, weakening it—though not, experiments on the plywood used in the WISA Woodsat suggest, enough to matter. A protective coat of aluminium oxide may help. Overall, then, it looks possible that small spaceships may soon reverse the example of their maritime namesakes by rejecting man-made materials for their hulls and reverting to wood. ■

<https://www.economist.com/science-and-technology/2026/01/21/satellites-encased-in-wood-are-in-the-works>

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The placebo effect

A new study highlights the brain's role in immune health

It truly is a question of mind over matter

Jan 22, 2026 02:08 PM



THE PLACEBO effect, in which a patient's subjective belief can affect the efficacy of treatment, was once maligned as dubious and unscientific, but is now recognised as a genuine, albeit poorly understood, therapeutic tool. In a study published this week in *Nature Medicine*, researchers have begun to lift the lid on its inner workings by demonstrating that positive expectations can boost the immune system's response to vaccination.

Nitzan Lubianiker and Tamar Koren, a pair of neuroscientists at Tel Aviv University, wanted to understand the brain's role in regulating immune health. They chose to focus their attention on the mesolimbic network, a brain region associated with reward-related behaviour and also known as an area linked to immune function in mice. To this end, they recruited 85 volunteers to undergo an advanced form of brain training, allowing each of them to exert some influence over neural processes usually outside conscious control.

Participants were shown representations in real time of their brain's activity, converted into simple indicators such as changing numbers or a moving graph. Their goal, as explained by the experimenters, was to develop mental strategies, such as picturing an image or recalling a trip, which consciously directed neural activity to different brain regions. Each participant was encouraged to develop his or her own personalised approach. Over repeated sessions participants learnt, by trial and error, which strategies lit up which parts of the brain.

The researchers divided their volunteers into three groups. One trained to activate the brain's reward system. A second trained to activate an unrelated brain network. The third received no target or training. Each group completed four sessions, in which those in training groups developed and refined their individual strategies to shift activity to the assigned region. Immediately after the final session, everyone received a hepatitis B vaccination as a standardised challenge to the immune system.

Blood samples taken before and after vaccination revealed a striking link between brain activity and immune response. Several parts of the mesolimbic network were activated during training, even in those not trying to do so. However, in all participants, activity in one particular region—the ventral tegmental area—displayed a positive correlation with levels of vaccine-induced antibodies. Following an analysis to rule out alternative explanations, the researchers suggest that this is the first direct evidence of a brain-immune regulatory system in humans.

Feel-good factor

To understand the psychology behind this, Dr Lubianiker, Dr Koren and their colleagues compared and categorised the various strategies adopted by participants. This analysis found that sustained activity in the ventral tegmental area was specifically linked to positive expectations—hopeful thoughts about the future

—and that this connection strengthened through the training procedure. In contrast, general positive emotions, such as pleasure or love, did not display such a relationship.

The team's research provides compelling evidence for the brain's influence on physiology. A deeper understanding of this mind-body connection, they hope, could pave the way for new non-invasive procedures that boost immune health, with possible applications in cancer immunotherapy and against chronic inflammation.

This work may also help understanding of the biological mechanism of the placebo effect itself. Positive expectations have long been associated with placebo responses. Only now, though, have researchers observed the specific role of such emotions in activating the reward centre of the brain, and their downstream influence on immune response. More extensive trials are needed to establish the full implications of that for the placebo effect. But this demonstration of such a clear example of the link between brain and body means a potentially underused clinical tool is gaining a firmer scientific footing. ■

<https://www.economist.com/science-and-technology/2026/01/21/a-new-study-highlights-the-brains-role-in-immune-health>

Well informed

The most useful indicator of your overall health

“Heart-rate variability” has been decades in the making

Jan 22, 2026 02:07 PM



MODERN SMART watches can measure all sorts of health indicators. Step counts and heart rates sit at the simpler end of the array, whereas $\text{vo}_2 \text{ max}$ and blood-oxygen levels are of more interest to committed health nuts. But a category currently attracting particular attention is heart-rate variability (HRV).

As its name suggests, HRV measures not how quickly the heart beats, but how regularly spaced those beats are. With heart rate a lower score is usually better, other things being equal, since it suggests a high level of cardiovascular fitness. When it comes to HRV, though, a higher number—that is, a more irregular pattern—is generally what you want.

HRV arises from the way the body regulates the heart. Left to its own devices, the heart will chug along at 100 beats per minute or so. That default rate is nudged up or down by the opposing halves of the autonomic nervous system (ANS), which acts unconsciously to control things like body temperature, breathing and digestion.

One half is the sympathetic nervous system, often known as the “fight-or-flight” system. This revs up the heart in response to things like exercise or fear or excitement. Its control is mostly exerted through hormones in the blood and neurotransmitters in the brain. That makes it a blunt instrument, and as the heart rate rises, so the time between beats becomes steadier.

The other half of the ANS is the parasympathetic, or “rest-and-digest” system. This slows the heart down when it is time to relax. It communicates with electrical signals sent via the vagus nerve. That allows precise control from moment to moment, which makes the time between heartbeats more variable. (Your heart rate speeds up slightly when you breathe in, for instance, and slows down as you breathe out.)

All else being equal, stress on the body boosts the sympathetic nervous system, decreasing HRV. All sorts of stress count, whether psychological or physical. A hard workout will cause HRV to fall for hours (or sometimes days) as your system recovers. So will lack of sleep, a cold, a failing marriage or worries about money.

At a population level, higher HRV is a sign of an ANS that is in good nick, and a body that can adapt itself to the stresses of life. It is associated with a lower risk of heart attacks, and a higher chance of survival if you do have one. (It was in cardiology wards that HRV first proved its usefulness.) It is also associated with slower progression of dementia, less inflammation, a lower chance of suffering depression, and more.

Most people will be more interested in what HRV can tell them about their personal lives. The best way to think of it is as an “accumulated stress” score. For sporty types a low HRV may be a signal that the body is struggling with too much training, and a hint to go easier in the gym for a while. But the numbers need careful interpretation. A big day out on the bike will cause a low HRV in the

morning. But so will beers at the pub afterwards (alcohol suppresses HRV), or an unexpected tax bill waiting at home.

Those nerdy enough to track HRV may therefore want to keep a journal to refer to alongside the charts. Knowing what the numbers are telling you, after all, is the difference between mere data and its much more valuable cousin—useful information. ■

<https://www.economist.com/science-and-technology/2026/01/16/the-most-useful-indicator-of-your-overall-health>

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Copyrights and copywrongs

Are we all plagiarists now?

The steal industry is booming

Jan 22, 2026 02:09 PM



Strikingly Similar. By Roger Kreuz. *Cambridge University Press*; 256 pages; \$29.95 and £25

IT IS A truth universally acknowledged that people get away with plagiarism a lot—even when the line they are plagiarising is “It is a truth universally acknowledged...” In 2007 chapters of [Jane Austen’s](#) “Pride and Prejudice” were sent with minor variations to 18 editors, purporting to be a “new” novel entitled “First Impressions”. Despite it containing one of the most famous lines in English literature, only one editor called out the hoaxter. “My first impression” on reading “First Impressions”, he replied with Austenian archness, was “mild annoyance” then “laughter”.

Many find plagiarism less droll, as a new book by Roger Kreuz, an academic, makes clear. His book canters through 20 centuries of plagiarism, from musical plagiarism ([Bob Dylan](#)) to literary plagiarism (Dylan Thomas), oratorical plagiarism (Joe Biden) and all-of-the-above plagiarism. Mr Dylan’s acceptance speech for the

Nobel prize in literature, which referred to “[Moby Dick](#)”, had echoes of a less-than-noble literary source—SparkNotes.

This book, which offers more anecdotes about plagiarism than an argument about it, feels like an opportunity lost. Plagiarism is an old vice—the word was borrowed (plagiarised?) from a poem by Martial, a Roman writer—that feels newly relevant. What counts as intellectual theft—and what is considered acceptable borrowing or inspiration—are the great questions of the AI era. That is true both personally (is it alright to use AI to write that job application or love letter?) and legally (will popular AI models be punished for training on copyrighted material?).

Part of the problem is that there is no precise definition of plagiarism—it ranges from verbatim copying to the fudgier theft of concepts. As with pornography, it is assumed you “know it when [you] see it”. And you see it a lot now, thanks to technology. When [Shakespeare](#) nabbed the barge scene in “Antony and Cleopatra” from Plutarch, he had to write it out by hand, which was a bother. To churn out copies of knock-offs like “Martin Guzzlewit” and “Oliver Twiss” took Dickens’s imitators time and typesetting. Since the advent of the “Ctrl” and “C” keys, plagiarism has become easier to do—and harder to Ctrl.

It is even harder now. Large language models (LLMs) like ChatGPT and Anthropic’s Claude are trained on vast quantities of written, often copyrighted, material, so some feel that their output rips off authors and other creative types. Writers have filed lawsuits against AI companies. In one complaint, plaintiffs said tech firms were committing “systematic theft on a mass scale”. Anthropic recently agreed to pay authors \$1.5bn for using 7m pirated books for training. (This reviewer could receive a payout from that settlement for one of her books.) On January 15th two publishers asked to join a class-action lawsuit against GoogleAI for engaging “in one of the most prolific infringements of copyrighted materials in history”.

What about users of these LLMS? Training oneself on millions of books, then spitting out your own words afterwards, is a very good definition of what a writer does. Moreover, using ChatGPT, Mr Kreuz argues, does not make you a plagiarist, since it is not cribbing from a single “original” text. He suggests LLMS are doing unacknowledged “ghostwriting”. To many that is too generous: this is still plagiarism, but with an AI accomplice. It is a layered larceny, almost a double crime: the AI steals and often repeats the words it was trained on, then you take those words, as your own, for profit —the profit of imposture.

It is a thorny issue. But then it always was. Creativity and originality have been in a difficult dance for centuries. A list of authors accused of filching is a “Who’s Who” of literature: Chaucer, Shakespeare, Swift. Some, it is true, did take a principled stand: 250 years ago Laurence Sterne inveighed against plagiarists who, like apothecaries, merely pour content from “one vessel into another”. As it turned out, he had nicked that line from a fellow author, Robert Burton. There is, said [Mark Twain](#), not “much of anything in any human utterance...except plagiarism!”

It is often said to be romanticism and its obsession with “originality” that caused people to care. But plagiarism has always irked. The Latin word *plagiarius* means “kidnapper”, a criminal who should, according to Roman law, be “thrown to the wild beasts at the first public spectacle”. The authors who brought a case against Anthropic might feel likewise.

And there is a murky but crucial distinction between inspiration and straight-up cribbing. [T.S. Eliot](#) said that “Immature poets imitate; mature poets steal.” Few ever bother to include the second part of the quote, which notes that “Bad poets deface what they take, and good poets make it into something better, or at least something different.” Any author takes at least some inspiration from other works. The case against Anthropic partially failed: a

judge likened Anthropic to a “reader aspiring to be a writer” who uses others’ words to “create something different”.

What really changed things, Mr Kreuz argues, was less a new literary category than a legal one. With the creation of copyright in the 18th century, copying rights could be more precisely articulated—and copying wrongs more clearly prosecuted. Authorship, says Robert Douglas-Fairhurst, a professor of English at Oxford, “is a profession” so “you have to guard your property”. Charles Dickens sued printers who churned out knock-offs partly from authorial umbrage but also for money.

Technology changed things too: printing meant that more people could read and buy books—and check what was stolen. It is changing things again. Universities are increasingly turning to AI to spot AI-written work (even as students use services like Dumb it Down to make their AI-fuelled work sound more believable). It can be detected. Chris Caren, the boss of Turnitin, a popular plagiarism detector, describes plagiarised prose as “beige”: “well-written, but not very dynamic”. It has verbal tics: it is keen on dreary words like “holistic” and notably keen on “notably”.

The dance is changing again. And now it is not just authors who have to think about it, but all of us. Mr Kreuz notes that mentions of plagiarism in the *New York Times* have increased eight-fold since the 1950s. Perhaps because there is more. But also, surely, because it is fun. Plagiarism stories follow a perfect tragic arc: a flawed hero suffers a whopping comeuppance. It is a wonderful spectacle. And for what do we live, but to make sport for our neighbours, and laugh at them in our turn? Or did someone else say that? ■

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Painting the world red

Valentino was a fashion designer who rose above fashion trends

The “last emperor” of haute couture died on January 19th, aged 93

Jan 22, 2026 02:29 PM



Dresses that impress

IT ALL STARTED, Valentino Garavani remembered, with “Ziegfeld Girl” (1941). He went to see the film when he was young. The beauty of its stars, including Lana Turner and [Judy Garland](#), had been enhanced by their costumes: fringed gowns, feathers and billowing overskirts.

“From that moment,” he later recalled, “I decided I wanted to create clothes for ladies.” Over the course of an almost 70-year career, he did just that—and more. Mr Garavani (pictured), who died on January 19th, aged 93, founded a fashion empire that is worth around \$6bn. He earned a reputation as one of the 20th century’s greatest designers: the “last emperor” of haute couture, as a documentary in 2008 called him.

Valentino—it did not take long for him to become a mononym—studied in Milan, then Paris, learning from masters such as [Cristóbal Balenciaga](#) and Guy Laroche. In 1959 he launched his own fashion house in Rome with some help from his father.

His design sensibilities were evident from the start. He worked with graceful silhouettes and luxurious fabrics. His gowns were always sophisticated—and very often sexy—but never stuffy. Later Valentino stamped his authority on shoes, too. The Rockstud, a pointed slingback heel adorned with triangular studs, became a cult item. (Alessandro Michele, Valentino's creative director, has launched a new design for the 2026 collection.)



Another constant was his trademark colour, red, resembling a poppy's bright petals. It was inspired by the world of performance. The couturier's strongest memory of seeing "Carmen" in Barcelona was the opera house's sumptuous costumes and velvet interiors. Valentino included a red dress in almost every collection.

It was fitting, then, that actresses brought him fame, starting with [Elizabeth Taylor](#), who wore one of his designs to mark the release of "Spartacus" (1960). She soon returned to Valentino's atelier to claim seven outfits in return for the publicity. Hollywood stars often chose Valentino for awards ceremonies.

Valentino's aesthetic won him other important clients. After John F. Kennedy's murder, [Jackie Kennedy](#) asked Valentino to make her mourning clothes; she later wore a short dress from his "white collection" to marry Aristotle Onassis. Royal brides in Greece, the Netherlands and Sweden turned to Valentino for their wedding dresses, too, believing he could conjure up the majesty required for the occasion.

To be sure, Valentino was never much interested in the logistics of running a business. In 1960, when he was on the verge of bankruptcy, he met Giancarlo Giammetti, who would become his business partner (and for 12 years his lover). The company has since changed hands more often than most garments on the racks at vintage stores: it is now jointly owned by Qatari investors and Kering, a luxury conglomerate.



But Valentino endured because he kept his vision of old-world romanticism. His collections did not hew to trends, whether grunge or power dressing. (The 1980s, with their exaggerated shoulder pads, were an "extremely vulgar" time, he thought.) When you look at designs by Dior or Yves Saint Laurent, it is easy to situate yourself in a particular time period, says Olivier Gabet, director of the [Louvre's](#) decorative-arts department, which recently hosted a couture show. "When you go through the archives of Valentino, it's

very, very difficult to say: ‘There’s the 1970s’ or ‘There’s the ’80s.’” Valentino’s work has a certain “timeless elegance”.

His relationship with the silver screen came full circle. Valentino made a cameo in “The Devil Wears Prada” (2006), the greatest film about the fashion industry; the movie dramatised one of his catwalk shows. In a nod to his stature, Miranda Priestly (Meryl Streep), the fearsome tastemaker at the helm of *Runway* magazine, greets him warmly backstage as “maestro”. In the teaser trailer for “The Devil Wears Prada 2”, which will be released in May, Miranda is pictured strutting into the elevator of the *Runway* offices in—what else?—a pair of red Valentino Rockstud heels. ■

<https://www.economist.com/culture/2026/01/20/valentino-was-a-fashion-designer-who-rose-above-fashion-trends>

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Who's afraid of Tucker Carlson?

The provocateur's story is also the story of America, says a new biography

Jan 22, 2026 02:08 PM



HE FLOPPED ON CNN and MSNBC. A hit on Fox, he was sacked again in 2023, only to rise up as powerful as before, interviewing world leaders on his own-brand network. Tucker Carlson's career—like Donald Trump's, with which it is entwined—has bounced between disaster and triumph. In his biliary radicalisation and plunge into new media, his personal saga is also the recent “story of the United States”.

Or so Jason Zengerle, now of the *New Yorker*, claims in his lucid new biography of Mr Carlson, “Hated by All the Right People”. This is a tale of hypocrisy and derangement, and the gushing of power from its traditional bastions to upstarts. Yet with the homage that even critical biographers often pay their subjects, the author may overstate his case.

Mr Carlson's progress can be traced in two main ways. One is technological. In the late 1990s he was a snarky writer at the

Weekly Standard (without the press, he argued, America “would devolve into a totalitarian police state within about 20 minutes”). Then he was enticed by the bright lights and lucre of cable TV. Things might have been different had he not bombed as a contestant on “Dancing with the Stars”, or if the game show he hoped to host had taken off. As it was, after successive misfires, he landed a prime-time slot on Fox News in 2016. Latterly he has broadcast on X and his own streaming network.

The drama’s other axis is intellectual. Mr Carlson is an inveterate contrarian, but otherwise his views have drastically evolved. Once a genial fan of John McCain and Israel, his ideological bona fides doubted by some Republicans, he rode the right’s high-speed escalator to a dark conspiracism. Now he hobnobs with neo-Nazis and foreign strongmen. The book’s title comes from a compliment he paid to Hungary’s Viktor Orban.

From another angle Mr Carlson’s story, like Mr Trump’s, is of a man who longed to join America’s elite and wound up decrying it. A gilded youngster by most standards (like Mr Trump), he reportedly aimed for the [Ivy League](#) but settled for Trinity College, Connecticut; later came those painful TV snubs. In a way he has been on a familiar journey, embracing increasingly eccentric ideas with age.

Was he—or any individual—to blame for the incendiary path of American media? In 2009 he maintained that the primary objective of any news outlet must be “to deliver accurate news”. The online *Daily Caller*, which he co-founded in 2010, was meant to bring civility to political discourse. Instead it sank into a grim contest for clicks with *Breitbart News*. The ultimate culprits, apologists might say, were consumer tastes and the algorithms that served and reinforced them.

As to why Mr Carlson thrived in this swamp, Mr Zengerle cites his “unswerving ambition” and “unbending will”. Plainly there is a

market for his mix of preppy attire, puzzled expressions, smackdowns and nice hair. Crucially, despite in private scorning Mr Trump, whom in 2021 he called “a demonic force”, he grasped the president’s appeal early. He was prescient about rising news formats. And the arc of his career intersected fortuitously with those of streaming and social media when, out on his ear, he turned to X, just acquired by [Elon Musk](#).

His own clout rests on the audience he built at Fox—and his audience of one, namely the TV-addled president, apparently an avid viewer. Mr Zengerle, like others, discerns Mr Carlson’s influence in the choice of J.D. Vance as vice-president and on other policies, such as concern for white South Africans. “He has descended into madness,” Mr Zengerle warns, “but he is speaking to millions.”

True, up to a point. America’s media market is so vast that its silos and echo chambers can be capacious. But they are still silos, as Mr Carlson shows. He has scoffed at the idea of a presidential run, which is just as well, as polls give him almost no support. Tellingly, in his [interview with Vladimir Putin](#) in 2024, he raised fixations of the online right, seemingly thinking Mr Putin would clock them (he didn’t). That is the problem with big echo chambers: from the middle of them, you can’t feel the walls.

Mr Carlson has bounded free of old media, one of the juggernauts that drove his success. But he is still riding the other, Mr Trump’s MAGA movement. Welcomed at the White House, he is a player in MAGA rows over foreign interventions (he opposes them) and antisemitism (he indulges it). How far he can retain his following and influence in a post-Trump era remains to be seen. In that, too, his story resembles America’s.■

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The way we were

The credits are rolling on Sundance Film Festival in Park City

What its relocation reveals about the film industry

Jan 22, 2026 02:08 PM | Park City



IN THE DAYS leading up to the Sundance Film Festival, Park City, Utah, is quiet with anticipation. Festival banners adorn lamp-posts and lights zigzag across Main Street. In the 41 years since it began, the festival has transformed Park City and offered a vital showcase to independent film-makers. However, in typical Hollywood fashion, everyone is already awaiting the sequel. On January 22nd Sundance kicked off its final festival in Utah before moving to Boulder, Colorado, in 2027.

No one is sure how the next era for Sundance will play out, but the festival is needed more than ever. Years of upheaval in Hollywood—the rise of [streaming](#), the pandemic, labour strikes and corporate consolidation—mean there are fewer buyers for indie movies than there were at the advent of streaming. Distributors of feature films and documentaries are more risk-averse. “We’re coming out of the so-called ‘golden age’ when the streamers started to pay a gazillion dollars to buy content from Sundance,” says Violet Du Feng, a

documentary-maker with close ties to the festival. “Those times are gone.”

This year also marks the first festival without [Robert Redford](#), who died aged 89 in September. Redford founded the Sundance Institute in 1981 to help incubate independent film-makers and serve as an antidote to Hollywood’s frippery. (He named the non-profit after the mustachioed outlaw he played in “Butch Cassidy and the Sundance Kid”, a Western.)

The plan worked. For decades the festival has provided a launching pad for newbie screenwriters and directors, some of whom became the industry’s leading auteurs, from Richard Linklater to Wes Anderson. This awards season offers further evidence. Three directors vying for trophies—Chloé Zhao (“Hamnet”), Ryan Coogler (“Sinners”) and Paul Thomas Anderson (“One Battle After Another”)—got their start with Sundance. The festival has also helped enliven whole genres. [“The Blair Witch Project”](#) was made for less than \$1m, opened at Sundance in 1999 and sold for \$1.1m. Then it revolutionised horror, grossing \$486m in today’s money, nearly as much as the [“Wicked”](#) sequel.



Sundance’s move to Boulder illustrates two things about the film industry. One is how the geography of Hollywood’s film business

is shifting. Tax incentives are king. Film production began to flee California for Europe and Canada in the late 1990s, when the dollar was strong, and continued to shift away in the aughts once more states and countries offered incentives. According to Filmla, which tracks filming in Los Angeles, the region saw fewer shoot days in 2025 than in any year except 2020, when the pandemic halted filming. Sundance's move is also partly dictated by dollars. Colorado offered the festival nearly \$70m in tax incentives to go there.

The festival's move is a savvy one. Boulder is still a mountain town, an indelible part of Sundance's character, but it is bigger and easier to travel to. Park City is basically a collection of resorts. A hotel stay during the festival can cost a small fortune; film-makers complain that they cannot afford to attend. The top of Main Street offers a panoramic view of ski chalets, and Sotheby's advertises townhouses starting at \$9m. "There's no question that they have outgrown Park City," says Steve Fenberg, a former president of Colorado's state Senate, who helped woo Sundance to Boulder.

Second, film-makers frame the move as an opportunity to double down on the importance of indie film when studios are offering audiences mainly sequels and remakes. But success will require new financing models. **Brands** may begin to play a bigger role. Last year Sundance partnered with Rolex, a watch firm, to help fund its screenwriters' "lab". Michelle Satter, who helped found and run Sundance's artists' programmes, says they are open to "corporate support, individual support, foundational support", even "selling sweatshirts" to fund film-makers.

Amid all this change, the next crop of promising screenwriters may be wondering where to start. Redford had some advice for that, too: "Humour. Skill. Wit. Sex appeal. That order." ■

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Whistle an (un)happy tune

Popular music is getting sadder and angstier

The rise of blues music

Jan 22, 2026 02:30 PM



“DIE WITH a smile” by Lady Gaga and Bruno Mars was the anthem of 2025. The soppy ballad climbed charts in more than 30 countries and became the longest-running daily number-one song on [Spotify](#), a streaming platform. Its appeal owes something to its mood: pop music has grown gloomier. Sad sells.

Sad songs (say so much)

Billboard Hot 100 songs, average sentiment of lyrics, 1=most positive, -1=most negative



Source: "Societal crises disrupt long-term increases in stress, negativity, and simplicity in US Billboard song lyrics from 1973 to 2023", by M. Foramitti et al., *Scientific Reports*, 2025

In an analysis for *The Economist*, MusixMatch, an analytics company, gathered lyrics from the *Billboard* top 100 songs for each week of the past few decades. Using AI tools, the company assigned moods to each track. The share of hits with lyrics invoking “angst” increased by 13 percentage points in the past two decades. This puts it neck and neck with “heartbreak”, long a pop staple, which has been on the rise of late, too. “Despair” also began to increase sharply after 2020. Now around a quarter of songs in the top 100 have lyrics that hint at misery—think of moody hits by Sam Smith or [Billie Eilish](#).

Analysing *Billboard* charts since 1973, authors of a recent analysis published in *Scientific Reports* also show that lyrical “stress” has risen steadily, while positivity has declined. Both data sets measure *Billboard* hits, not every song released. It is possible there are lots of cheerful tunes not measured because angsty young people are instead streaming songs that match their moods. If pop sounds

bluer than it used to, the issue may lie not with the artists but with listless listeners.■

<https://www.economist.com/culture/2026/01/22/popular-music-is-getting-sadder-and-angstier>

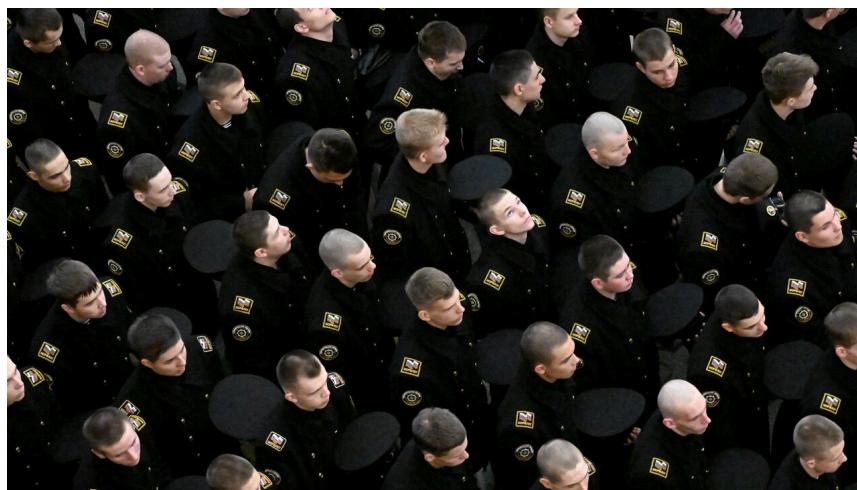
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War games

A chilling, yet plausible scenario: What if Putin wins?

Imagining how the West might lose in Ukraine is a first step to avoiding disaster

Jan 22, 2026 02:08 PM



If Russia Wins. By Carlo Masala. Translated by Olena Ebel and Ruth Ahmedzai Kemp. *Atlantic Monthly Press; 120 pages; \$20 and £14.99*

THE JOB of military scenario planner has never been harder. Just this month Donald Trump has kidnapped Venezuela's despot, threatened armed action against Colombia, Cuba, Iran and Mexico, started a stand-off with NATO allies over Greenland and finally got his hands on a Nobel peace medal (without winning it). Who could have foreseen all that?

To an alarming degree, war and peace now depend on the whims of a handful of vain [old men](#). Vladimir Putin is determined to add square miles to Russia, no matter how many Russians die or are impoverished in the process. Whether or not China invades [Taiwan](#) hinges on Xi Jinping, who craves a chapter in the history books and

a chance to honour his [late father](#), who was once the official in charge of reclaiming the island. Mr Trump is the least predictable of all, wielding American firepower willy-nilly to give short-lasting dopamine shots to his own ego.

Yet it is precisely when scenario planning is hard that it matters most. Carlo Masala of the University of the Bundeswehr offers a blistering example. In a short book, recently translated from German, he draws on two years of data, research and chats with officials and military planners to offer a scenario for a Russian victory in [Ukraine](#). Many in the West are weary of the war there. Some are tempted by the idea that giving Mr Putin what he wants might bring peace. Mr Masala lays out where such wishful thinking might lead.

In his imagining, America forces Ukraine into a grim ceasefire, with Russia occupying a fifth of Ukraine's territory. Mr Putin declares victory. Populists in Europe, including a future French president, chide liberal "warmongers" for backing Ukraine so lavishly, thereby needlessly prolonging the fighting and draining national coffers in Europe. America sharply reduces the number of troops it has stationed in Europe and redeployes them to Asia.

Unexpectedly, Mr Putin resigns and installs a young technocrat as his successor. The new president talks of a thaw in relations with the West. However, Mr Putin does not quite disappear from the scene. He still serves as head of a mysterious body called the New Russia Foundation.

In the occupied parts of Ukraine, the "new" Russia behaves much like the old one. Hordes of Russian settlers are bused in. Ukrainians who refuse to bow to Moscow are sent to re-education camps. More than a million refugees flee. Pro-Ukrainian guerrillas regularly attack police stations, prompting hideous retaliation by the occupiers against civilians. In the parts of Ukraine that remain free, trouble brews. Trainloads of young, well-educated Ukrainians

emigrate. The economy flounders. Politics turns dirtier. President Volodymyr Zelensky calls an election and loses.

Russia rearms. At a secret council that includes a close aide of the “retired” Mr Putin, plans are hatched to undermine NATO without actually sparking a confrontation that Russia could lose. Any attack would have to be a surprise, giving NATO no time to prepare, Mr Putin’s aide suggests. At the same time, NATO leaders would need to be convinced that Russia’s aims were limited, thus reducing their incentive to respond forcefully. If, contrary to expectations, NATO responded forcefully, Russian forces would swiftly retreat. If not, they could hang onto their gains.

In Mr Masala’s scenario, the Kremlin starts by creating some distractions far away. [Russian mercenaries](#) in Mali round up villagers at gunpoint and put them on boats to Europe. Terrified that another refugee crisis will boost the far right, European leaders send naval ships to the Mediterranean, weakening NATO’s Baltic defences. China obligingly grabs a disputed reef in the South China Sea, and with it the full attention of America’s military chiefs.

Then Russia strikes. Two brigades of masked soldiers seize the small Estonian city of Narva. They quickly overwhelm Estonian border guards and meet little resistance from the townspeople, who are mostly Russian-speakers and have for years been fed a torrent of pro-Kremlin disinformation. This is a direct attack on NATO soil, and ought to trigger Article 5, the guarantee that an attack on one NATO member is an attack on all.

But there are obstacles. Russian troops disguised as tourists have seized a sparsely populated Estonian island, making it harder for NATO to reinforce its small garrison on the Estonian mainland by sea. America’s president has to decide whether to muster overwhelming force to repel the invaders in Narva, thus in his mind risking “world war three”, or let Russia continue to occupy NATO territory, thus making a mockery of Article 5.

In contacts with the White House, Russian emissaries vastly exaggerate the degree to which Russian-speakers were ill-treated in Estonia, and darkly hint that the Kremlin would use nuclear weapons if NATO attacks its troops in Narva—which is a bluff. America's president swallows both stories. He refuses to risk a big war over a small Estonian city. Kremlin insiders quietly celebrate their accurate assessment of the West's political weakness.

Flush with cheap victory, the regime announces another patriotic bombshell. Russia will merge with Belarus by 2030, under one president. No prizes for guessing who that might be. European leaders, with some populist-right exceptions, are horrified to discover that the old security architecture protecting them from Russia has collapsed. Xi Jinping is delighted at the demonstration that America will not stand by its allies. The global sheriff has retired. Less law-abiding types are now free to carve up the world.

It is an engrossing and chilling tale. But one risk of writing a book of dire warnings is that, by the time it is published, people may already be expecting worse. If Mr Trump follows through on his recent threats to seize Danish territory, NATO would be sabotaged from within, sparing Mr Putin the bother.

Nonetheless, Mr Masala's scenario illuminates why Europe needs to take its own defence more seriously. Russia is still a long way from winning on the battlefield, despite devoting half its budget to the war. Alliances such as NATO may yet survive. If the West chooses to let its enemies win, history will not judge its leaders kindly. ■

<https://www.economist.com/culture/2026/01/22/a-chilling-yet-plausible-scenario-what-if-putin-wins>

Economic & financial indicators

- [**Economic data, commodities and markets**](#)

Indicators ::

Indicators

Economic data, commodities and markets

Jan 22, 2026 02:08 PM

Economic data

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| | Gross domestic product | | | Consumer prices | | | Unemployment rate | |
|----------------|---------------------------------|----------|-------|---------------------------------|-------|-----|-------------------|------------|
| | % change on year ago: latest | quarter* | 2025† | % change on year ago: latest | 2025† | % | | |
| United States | 2.3 | Q3 | 4.3 | 2.1 | 2.7 | Dec | 2.7 | 4.4 Dec |
| China | 4.5 | Q4 | 4.9 | 5.0 | 0.8 | Dec | -0.1 | 5.1 Dec‡§ |
| Japan | 0.6 | Q3 | -2.3 | 1.2 | 2.9 | Nov | 3.2 | 2.6 Nov |
| Britain | 1.3 | Q3 | 0.4 | 1.4 | 3.4 | Dec | 3.9 | 5.1 Oct†† |
| Canada | 1.4 | Q3 | 2.6 | 1.7 | 2.4 | Dec | 2.0 | 6.8 Dec |
| Euro area | 1.4 | Q3 | 1.1 | 1.4 | 1.9 | Dec | 2.1 | 6.3 Nov |
| Austria | 0.9 | Q3 | 1.7‡ | 0.6 | 3.8 | Dec | 3.5 | 5.8 Nov |
| Belgium | 1.0 | Q3 | 1.0 | 1.1 | 2.2 | Dec | 3.0 | 6.4 Nov |
| France | 0.9 | Q3 | 2.2 | 0.9 | 0.7 | Dec | 0.9 | 7.7 Nov |
| Germany | 0.3 | Q3 | nil | 0.2 | 2.0 | Dec | 2.3 | 3.8 Nov |
| Greece | 2.0 | Q3 | 2.4 | 2.2 | 2.9 | Dec | 3.0 | 8.2 Nov |
| Italy | 0.6 | Q3 | 0.5 | 0.6 | 1.2 | Dec | 1.7 | 5.7 Nov |
| Netherlands | 1.8 | Q3 | 2.0 | 1.5 | 2.5 | Dec | 3.0 | 4.0 Dec |
| Spain | 2.8 | Q3 | 2.5 | 2.8 | 3.0 | Dec | 2.5 | 10.4 Nov |
| Czech Republic | 3.0 | Q3 | 3.2 | 2.5 | 2.1 | Dec | 2.5 | 2.8 Q3‡ |
| Denmark | 4.0 | Q3 | 9.2 | 2.8 | 1.9 | Dec | 1.9 | 2.9 Nov |
| Norway | 2.1 | Q3 | 4.6 | 1.2 | 3.2 | Dec | 3.1 | 4.4 Nov‡‡ |
| Poland | 3.8 | Q3 | 3.6 | 3.3 | 2.4 | Dec | 3.8 | 5.7 Dec§ |
| Russia | 0.6 | Q3 | 0.4 | 0.6 | 5.6 | Dec | 8.8 | 2.1 Nov§ |
| Sweden | 2.5 | Q3 | 4.3 | 1.8 | 0.3 | Dec | 2.7 | 8.2 Nov§ |
| Switzerland | 0.5 | Q3 | -2.1 | 1.2 | 0.1 | Dec | 0.2 | 3.0 Dec |
| Turkey | 3.7 | Q3 | 4.4 | 3.5 | 30.9 | Dec | 34.9 | 8.6 Nov§ |
| Australia | 2.1 | Q3 | 1.6 | 1.9 | 3.4 | Nov | 2.7 | 4.1 Dec |
| Hong Kong | 3.8 | Q3 | 2.8 | 3.1 | 1.2 | Nov | 1.5 | 3.8 Dec‡‡ |
| India | 8.2 | Q3 | 8.4 | 7.4 | 1.3 | Dec | 2.2 | 6.9 Dec |
| Indonesia | 5.0 | Q3 | 4.1 | 5.0 | 2.9 | Dec | 1.9 | 4.9 Aug§ |
| Malaysia | 5.7 | Q4 | 2.6 | 4.9 | 1.6 | Dec | 1.4 | 2.9 Nov§ |
| Pakistan | 3.7 | 2025** | na | 3.7 | 5.6 | Dec | 3.5 | 6.3 2021 |
| Philippines | 4.0 | Q3 | 1.6 | 5.0 | 1.8 | Dec | 1.6 | 5.0 Q4§ |
| Singapore | 5.7 | Q4 | 7.8 | 4.6 | 1.2 | Nov | 0.8 | 2.0 Q3 |
| South Korea | 1.5 | Q4 | -1.1 | 1.3 | 2.3 | Dec | 2.1 | 4.1 Dec§ |
| Taiwan | 8.2 | Q3 | 7.0 | 7.6 | 1.3 | Dec | 1.7 | 3.4 Nov |
| Thailand | 1.2 | Q3 | -2.2 | 2.0 | -0.3 | Dec | -0.1 | 0.7 Dec§ |
| Argentina | 3.3 | Q3 | 1.1 | 4.5 | 31.5 | Dec | 41.7 | 6.6 Q3§ |
| Brazil | 1.8 | Q3 | 0.4 | 2.4 | 4.3 | Dec | 5.0 | 5.2 Nov§‡‡ |
| Chile | 1.6 | Q3 | -0.6 | 2.4 | 3.4 | Dec | 4.2 | 8.4 Nov§‡‡ |
| Colombia | 3.4 | Q3 | 5.0 | 2.8 | 5.1 | Dec | 5.2 | 7.0 Nov§ |
| Mexico | -0.1 | Q3 | -1.1 | 0.5 | 3.7 | Dec | 3.8 | 2.7 Nov |
| Peru | 3.4 | Q3 | 5.7 | 3.3 | 1.5 | Dec | 1.4 | 4.0 Dec§ |
| Egypt | 5.3 | Q3 | 39.4 | 4.3 | 12.3 | Dec | 14.1 | 6.4 Q3§ |
| Israel | 3.1 | Q3 | 11.1 | 3.3 | 2.6 | Dec | 3.0 | 3.1 Dec |
| Saudi Arabia | 2.6 | 2024 | na | 4.4 | 2.1 | Dec | 2.1 | 3.4 Q3 |
| South Africa | 2.1 | Q3 | 2.0 | 1.4 | 3.6 | Dec | 3.2 | 31.9 Q3§ |

Source: Haver Analytics *% change on previous quarter, annual rate †The Economist Intelligence Unit estimate/forecast §Not seasonally adjusted

‡New series **Year ending June ‡‡Latest 3 months ‡‡3-month moving average Note: Euro-area consumer prices are harmonised

Economic data

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| | Current-account balance % of GDP, 2025 [†] | Budget balance % of GDP, 2025 [†] | Interest rates 10-yr govt bonds latest, % | change on year ago, bp | Currency units per \$ Jan 22nd | % change on year ago |
|----------------|--|---|---|---------------------------|--------------------------------------|-------------------------|
| United States | -3.7 | -5.9 | 4.3 | -31.0 | - | |
| China | 2.7 | -5.6 | 1.6 | \$\$ | 18.0 | 6.96 |
| Japan | 5.0 | -0.5 | 2.3 | 109 | 158 | -1.8 |
| Britain | -2.8 | -5.5 | 4.4 | -24.0 | 0.74 | 8.1 |
| Canada | -1.5 | -1.9 | 3.4 | 16.0 | 1.38 | 3.6 |
| Euro area | 3.0 | -3.2 | 2.9 | 41.0 | 0.86 | 11.7 |
| Austria | 1.4 | -4.5 | 3.1 | 22.0 | 0.86 | 11.7 |
| Belgium | -1.5 | -4.7 | 3.4 | 29.0 | 0.86 | 11.7 |
| France | -0.3 | -5.7 | 3.5 | 27.0 | 0.86 | 11.7 |
| Germany | 5.2 | -2.7 | 2.9 | 41.0 | 0.86 | 11.7 |
| Greece | -5.2 | 0.6 | 3.5 | 15.0 | 0.86 | 11.7 |
| Italy | 1.2 | -3.1 | 3.5 | -11.0 | 0.86 | 11.7 |
| Netherlands | 7.8 | -2.4 | 3.0 | 26.0 | 0.86 | 11.7 |
| Spain | 2.7 | -2.8 | 3.3 | 10.0 | 0.86 | 11.7 |
| Czech Republic | 1.2 | -2.1 | 4.4 | 35.0 | 20.8 | 15.9 |
| Denmark | 12.5 | 2.2 | 2.8 | 56.0 | 6.39 | 11.9 |
| Norway | 14.3 | 9.6 | 4.2 | 25.0 | 9.96 | 13.3 |
| Poland | -0.6 | -7.0 | 5.2 | -79.0 | 3.61 | 13.0 |
| Russia | 1.8 | -2.7 | 14.7 | -129 | 77.5 | 28.9 |
| Sweden | 6.5 | -1.3 | 2.8 | 50.0 | 9.11 | 20.6 |
| Switzerland | 4.0 | 0.5 | 0.3 | -7.0 | 0.80 | 13.8 |
| Turkey | -1.2 | -3.0 | 27.7 | 208 | 43.3 | -17.7 |
| Australia | -2.1 | -1.8 | 4.7 | 8.0 | 1.48 | 8.1 |
| Hong Kong | 11.9 | -4.8 | 3.3 | -55.0 | 7.80 | -0.1 |
| India | -1.1 | -4.4 | 6.7 | -8.0 | 91.5 | -5.6 |
| Indonesia | -0.3 | -2.9 | 6.3 | -80.0 | 16,903 | -3.5 |
| Malaysia | 2.4 | -3.9 | 3.6 | -25.0 | 4.05 | 10.6 |
| Pakistan | -1.4 | -4.8 | 10.9 | +++ | -125 | 280 |
| Philippines | -4.3 | -5.7 | 6.1 | -20.0 | 59.2 | -1.4 |
| Singapore | 17.2 | 0.5 | 2.1 | -79.0 | 1.28 | 5.5 |
| South Korea | 5.9 | -2.4 | 3.6 | 78.0 | 1,465 | -2.2 |
| Taiwan | 18.2 | 1.8 | 1.4 | -17.0 | 31.6 | 3.2 |
| Thailand | 2.6 | -5.3 | 2.1 | na | 31.2 | 8.8 |
| Argentina | -2.1 | 0.3 | na | na | 1,430 | -26.8 |
| Brazil | -3.2 | -6.5 | 13.9 | -125 | 5.32 | 13.2 |
| Chile | -1.8 | -2.3 | 5.3 | -66.0 | 875 | 14.8 |
| Colombia | -2.4 | -7.5 | 12.3 | 115 | 3,669 | 17.4 |
| Mexico | -0.4 | -3.9 | 9.2 | -110 | 17.5 | 18.0 |
| Peru | 1.9 | -2.4 | 5.9 | -73.0 | 3.36 | 11.3 |
| Egypt | -2.4 | -7.7 | na | na | 47.4 | 6.2 |
| Israel | 1.3 | -4.5 | 3.9 | -55.0 | 3.15 | 12.7 |
| Saudi Arabia | -2.3 | -5.3 | na | na | 3.75 | nil |
| South Africa | -0.6 | -4.4 | 8.3 | -77.0 | 16.3 | 13.8 |

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

Markets

| | Index | % change on: | |
|----------------------------------|-------------|--------------|----------|
| In local currency | Jan 21st | one week | Dec 31st |
| United States S&P 500 | 6,875.6 | -0.7 | 16.9 |
| United States NAS Comp | 23,224.8 | -1.1 | 20.3 |
| China Shanghai Comp | 4,116.9 | -0.2 | 22.8 |
| China Shenzhen Comp | 2,694.9 | 0.1 | 37.7 |
| Japan Nikkei 225 | 52,774.6 | -2.9 | 32.3 |
| Japan Topix | 3,589.7 | -1.5 | 28.9 |
| Britain FTSE 100 | 10,138.1 | -0.5 | 24.0 |
| Canada S&P TSX | 32,851.5 | -0.2 | 32.9 |
| Euro area EURO STOXX 50 | 5,882.9 | -2.0 | 20.2 |
| France CAC 40 | 8,069.2 | -3.1 | 9.3 |
| Germany DAX* | 24,561.0 | -2.9 | 23.4 |
| Italy FTSE/MIB | 44,488.4 | -2.5 | 30.1 |
| Netherlands AEX | 993.9 | -0.3 | 13.1 |
| Spain IBEX 35 | 17,439.5 | -1.4 | 50.4 |
| Poland WIG | 120,869.1 | -0.4 | 51.9 |
| Russia RTS, \$ terms | 1,125.9 | 3.9 | 26.1 |
| Switzerland SMI | 13,156.8 | -2.3 | 13.4 |
| Turkey BIST | 12,728.2 | 2.9 | 29.5 |
| Australia All Ord. | 9,108.6 | -0.5 | 8.2 |
| Hong Kong Hang Seng | 26,585.1 | -1.5 | 32.5 |
| India BSE | 81,909.6 | -1.8 | 4.8 |
| Indonesia IDX | 9,010.3 | -0.2 | 27.3 |
| Malaysia KLSE | 1,705.8 | -0.3 | 3.9 |
| Pakistan KSE | 187,033.3 | 2.4 | 62.5 |
| Singapore STI | 4,809.9 | -0.1 | 27.0 |
| South Korea KOSPI | 4,909.9 | 4.0 | 104.6 |
| Taiwan TWI | 31,246.4 | 1.0 | 35.6 |
| Thailand SET | 1,317.6 | 5.9 | -5.9 |
| Argentina MERV | 3,047,553.0 | 3.3 | 20.3 |
| Brazil BVSP* | 171,816.7 | 4.0 | 42.8 |
| Mexico IPC | 68,036.1 | 0.9 | 37.4 |
| Egypt EGX 30 | 46,048.7 | 6.9 | 54.8 |
| Israel TA-125 | 3,941.3 | -0.6 | 62.4 |
| Saudi Arabia Tadawul | 10,948.3 | nil | -9.0 |
| South Africa JSE AS | 120,781.0 | -0.1 | 43.6 |
| World, dev'd MSCI | 4,469.6 | -0.9 | 20.5 |
| Emerging markets MSCI | 1,480.3 | 0.1 | 37.6 |

US corporate bonds, spread over Treasuries

| Basis points | latest | Dec 31st |
|-------------------------|--------|----------|
| Investment grade | 88 | 95 |
| High-yield | 340 | 324 |

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

Commodities

| The Economist commodity-price index | | | | % change on | |
|-------------------------------------|----------|-----------|------|-------------|------|
| 2020=100 | Jan 13th | Jan 20th* | | month | year |
| Dollar Index | | | | | |
| All items | 147.6 | 147.3 | 3.2 | 6.8 | |
| Food | 138.5 | 138.2 | -2.6 | -11.0 | |
| Industrials | | | | | |
| All | 155.1 | 154.9 | 8.0 | 25.2 | |
| Non-food agriculturals | 129.7 | 131.8 | 3.6 | -2.0 | |
| Metals | 161.6 | 160.8 | 8.9 | 33.0 | |
| Sterling Index | | | | | |
| All items | 141.1 | 140.7 | 3.4 | -2.4 | |
| Euro Index | | | | | |
| All items | 144.7 | 143.5 | 3.6 | -5.3 | |
| Gold | | | | | |
| \$ per oz | 4,612.5 | 4,741.6 | 6.3 | 73.0 | |
| Brent | | | | | |
| \$ per barrel | 65.5 | 64.9 | 4.0 | -18.4 | |

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

<https://www.economist.com/economic-and-financial-indicators/2026/01/22/economic-data-commodities-and-markets>

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Obituary

- **Cecilia Giménez only meant to be helpful**

Monstrosity or miracle? :: The creator of the “Monkey Jesus” died on December 29th, aged 94

Monstrosity or miracle?

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The creator of the “Monkey Jesus” died on December 29th, aged 94

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AS THE GRIFFON vulture flies, there is no great distance between the arid plains of La Mancha and the semi-arid slopes of Aragon, in northern Spain. There was no great distance either between the life-tracks of the hidalgo Don Quixote de la Mancha and Cecilia Giménez, widow of the town of Borja, for all their superficial difference. Both kept up appearances as best they could, on modest incomes. And both were dreamers—he immersed in books of chivalry and she, beyond housework, in flower painting—who decided on their own initiative to sally out and right wrongs. He, though withered and almost 50, went forth with his rusty lance to win the love of the beauteous but unseen Dulcinea del Toboso. She, though 81 and getting stiff in the legs, went out with her brushes to please the Virgin of Mercy, the patron of her parish church, who had pointed out a job that needed doing.

Cecilia’s life was a struggle. Her two sons, Jesús and José, had both been born crippled: Jesus with muscular dystrophy, José with

cerebral palsy. Jesús had died at 20, but José, in his 60s, still needed her full care. To bring in money, she worked in a bar. To comfort herself she volunteered in her local church, the beautiful Santuario de la Misericordia, which sat at the top of a hill reached through vineyards. She loved this church; she had been married there, and her sons had received their First Communion. But it had no funds, so parishioners helped out with the smaller jobs. As a painter, she would dab on a little where necessary.

The task the Virgin pointed out to her was the sorry state of the “Ecce Homo”, Christ in his crown of thorns, that was painted on a pillar in the nave. It had been done in 1930 by Elias García Martínez, who spent his summers in Borja and left it behind as a gift. But he had not primed the stone, so time, and salt, and damp from the aquifer that underlay the church had made the oil paint flake away. Much of Christ’s tunic and shoulder had gone, and his sad lovely face was disappearing. So in August 2012 Cecilia set to work. She had not exactly been authorised, but she had often touched it up a bit before; the priest knew, and nobody stopped her. Applying all the love she could, she now meant to transform the painting into her own work of art.

It proved harder than she thought. Once she had repainted the tunic, easy enough, she wet the whole thing with big strokes of her brush. Having hardly ever painted portraits, she needed to think how best to do it. Then, disaster, she went off for a two-week holiday. When she returned, the Borja Studies Centre had seen her unfinished work and, with the artist’s family, had raised the roof.

Much worse, the whole world, through the internet, had heard about it. Her half-done picture was everywhere, with its slit eyes, greenish flat face and a shaggy hood of hair. People were calling it “Monkey Jesus” and “Ecce Mono” (Behold the Monkey). Memes were flying by the thousand. Her Jesus-face replaced the Mona Lisa’s and the man’s in Munch’s “The Scream”; it morphed into Homer Simpson’s and Mr Bean’s. Just as Don Quixote was

universally dubbed a madman, she was called a crazy old woman who couldn't paint. And just as his misplaced do-gooding was followed, as often as not, by a hail of stones or a vigorous beating up, Cecilia was thrashed in the modern style, online. That world she barely knew hurt her dreadfully. She, a widow, found herself running away from the press in her own street. For days, utterly humiliated, she wept and refused to eat. She lost six kilos. Then, felled by panic and anxiety, she took to her bed.

Yet not so long afterwards, a wonder occurred. It was not, at first, as potent as Don Quixote's precious Balsam of Fierabras, which could set him almost instantly to rights, no matter how his ribs were pulverised. It was simply some flowers, and a card with a nice message. More came. Then visitors began to stream into Borja, not to torment her but to see her painting for themselves. In the first year 40,000 came, and in the years following the figure still settled at 15,000-20,000. (In earlier years 5,000 had been the norm.) The church charged one euro for entry at the start, soon raising it to three, and set up a shop selling "Ecce Homo" t-shirts, mugs, pencils, fridge magnets, flash drives and wine. The revenue helped both the Santuario and the Sancti Spiritus Hospital for impoverished elderly folk. Although the immediate talk in 2012 had been of restoration or plain painting over, even the artist's family came at last to accept that Cecilia's version should stay. It was such a boon to Borja that it could not possibly disappear.

She benefited herself, of course. Half the profits from the shop went to her, and whatever money she did not need she gave to muscular-dystrophy charities. There was talk of naming a square after her. But that was not the most satisfying part. The greatest hurt from the global firestorm had been the jibe that she was no painter, but now that perception changed. The shop at the church was also an Interpretation Centre that took her "Ecce Homo" seriously. Art critics, too, began to change their tune. Some found the painting's very simplicity moving, the work of a devoted believer. Others compared her to Goya, Modigliani and the German

Expressionists. Her name was known. She had shows, and prices for her paintings rose into thousands of euros.

An artist's imagination had to be the final judge. Don Quixote knew of a painter in Úbeda who, when asked what he was painting, would reply "Whatever emerges". What emerged was sometimes so bizarre that he would put a notice beside it explaining "This is a cockerel", or "This is a fox". The intrepid knight himself freely imagined in his wanderings that inns were turreted castles, that dissolute wenches were fair princesses and that a dented barber's basin was the golden helmet of Mambrino. In the same way, Cecilia Giménez imagined her portrait was suffering Jesus, so it was; and the miracles it wrought in Borja were surely firm evidence of that. ■

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