

# The Economist

Iran's regime trembles

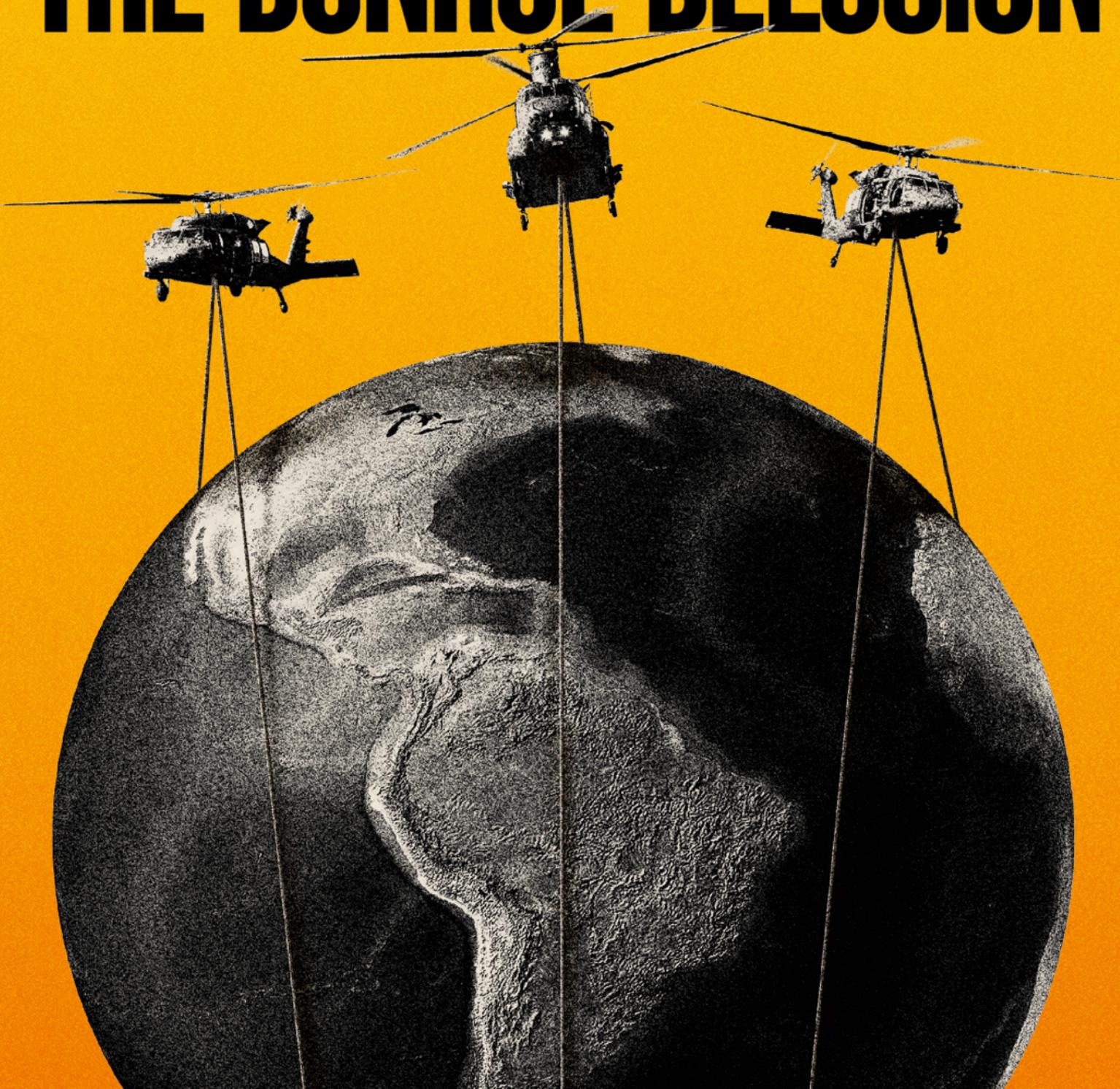
Factories of the future

AI for better drugs

The economics of Pluribus

JANUARY 10TH-16TH 2024

# THE DONROE DELUSION



# The Economist

[Jan 10th 2026]

- [\*\*The world this week\*\*](#)
- [\*\*Leaders\*\*](#)
- [\*\*Letters\*\*](#)
- [\*\*By Invitation\*\*](#)
- [\*\*Briefing\*\*](#)
- [\*\*United States\*\*](#)
- [\*\*The Americas\*\*](#)
- [\*\*Asia\*\*](#)
- [\*\*China\*\*](#)
- [\*\*Middle East & Africa\*\*](#)
- [\*\*Europe\*\*](#)
- [\*\*Britain\*\*](#)
- [\*\*International\*\*](#)
- [\*\*Business\*\*](#)
- [\*\*Finance & economics\*\*](#)
- [\*\*Science & technology\*\*](#)
- [\*\*Culture\*\*](#)
- [\*\*Economic & financial indicators\*\*](#)
- [\*\*Obituary\*\*](#)

# The world this week

- [Politics](#)
- [Business](#)
- [The weekly cartoon](#)

**The world this week**

## Politics

Jan 08, 2026 01:48 PM



Donald Trump said that America would rebuild **Venezuela** “in a very profitable way” following the [removal of Nicolás Maduro](#) as the country’s president. Chris Wright, Mr Trump’s energy secretary, suggested that America would control [Venezuela’s oil market](#) “indefinitely”. Mr Maduro was snatched by American special forces and taken to New York, where he pleaded not guilty to charges related to narco-terrorism. The American raid also involved the bombing of military installations across Venezuela. [Delcy Rodríguez](#), Mr Maduro’s vice-president, was sworn in as interim president. Mr Trump warned that further strikes were possible if the government didn’t co-operate.

The American coastguard seized a [Russian-flagged oil tanker](#) that had slipped through a blockade of Venezuela. America had pursued the ship for two weeks, eventually boarding it between Iceland and Scotland. American forces also took control of a Russian shadow-fleet vessel in the Caribbean. Venezuela is an ally of Russia. The ease with which America removed Mr Maduro from power is an embarrassment for the Kremlin.

The autocratic socialist regime in Venezuela, now led by Ms Rodríguez, declared a **state of emergency** and cracked down on any show of support for America's deposition of Mr Maduro. At least a dozen journalists were briefly arrested in Caracas and paramilitary forces deployed on the streets. María Corina Machado, the exiled opposition leader, said she wanted to return to Venezuela.

**Mexico's** president, Claudia Sheinbaum, criticised America's intervention in Venezuela, but also reiterated her country's co-operation in security and fighting drug gangs. Mexico's oil exports to **Cuba** have become a focal point in Mexico's relations with Washington. Mexico sent 80,000 barrels to the island in late December. In 2025 Mexico overtook Venezuela as Cuba's main oil supplier, according to a news report.

### ***Northern exposure***

Flexing America's muscles in the western hemisphere, the White House said it was exploring options to **acquire Greenland**, which could include "utilising" the military. Stephen Miller, a senior aide to Mr Trump, suggested the Danish territory was rightfully America's, and that "nobody's going to fight the United States" over it. The comments set off alarm bells in Europe. Mette Frederiksen, Denmark's prime minister, warned that seizing Greenland would mean the end of **NATO**. A statement signed by the leaders of Britain, France, Germany and other countries expressed support for Greenland and Denmark.

Steve Witkoff and Jared Kushner, Mr Trump's top international envoys, attended a meeting in Paris of **Ukraine's** allies, where they backed a plan to provide the country with security guarantees as part of a proposed peace deal with **Russia**. Mr Witkoff said the guarantees would deter Russia from making further attacks after a ceasefire, which would be monitored by America, probably using

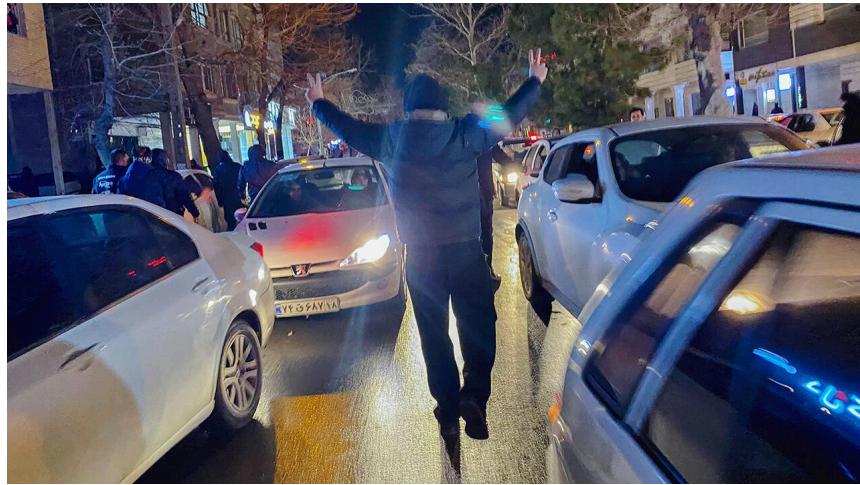
satellite imagery and drones. Britain and France pledged to send troops to Ukraine if a deal is signed.

The death toll from a fire at a bar in the **Swiss ski resort** of Crans-Montana rose to 40. At least 116 people were also injured. Investigators think celebratory sparklers may have started the blaze by setting alight the foam soundproofing that covered the bar's ceiling.

The president of **South Korea**, Lee Jae Myung, paid a four-day visit to **China** where he held meetings with the country's leader, Xi Jinping, and other senior politicians. Mr Lee is seeking a reset in relations with China, which soured under his predecessor, Yoon Suk Yeol. For his part, Mr Xi is keen to bring South Korea closer to his side on matters of regional security, amid renewed tension between China and Japan.

Mr Lee also hoped to persuade China to become a mediator with **North Korea** amid rising tensions on the Korean peninsula. As he headed to Beijing, North Korea conducted a series of weapons tests, which included, it claimed, a test flight of a hypersonic missile.

Escalating its feud with **Japan**, China banned exports of "dual-use" products, which can be used for military as well as civilian purposes. Japan described the ban as "unacceptable and deeply regrettable".



At least 38 people have been killed in demonstrations in **Iran**. The protests began with a strike by traders in Tehran but have spread more widely, spurred on by Iran's economic crisis. Mr Trump said that he would intervene if security forces killed peaceful protesters, pledging that "America will come to their rescue." Ayatollah Ali Khamenei, Iran's supreme leader, vowed not to "yield to the enemy".

Aiderus al-Zubaidi, the head of the United Arab Emirates-backed Southern Transitional Council in **Yemen**, was accused of high treason. The Presidential Leadership Council, which is supported by Saudi Arabia, expelled Mr Zubaidi after he failed to fly to Riyadh for talks to prevent further conflict. Saudi Arabia said he ended up in Abu Dhabi. Saudi-backed air and ground forces then moved to attack STC positions.

Gideon Saar, the Israeli foreign minister, held talks with the president of **Somaliland** on his first visit to the region since **Israel** became the first country in the world to recognise **Somaliland's independence**. Somalia, which views Somaliland as part of its territory, condemned Mr Saar's visit as an "unacceptable interference" in its affairs.

Faustin-Archange Touadéra won a third term as president of the **Central African Republic**, according to the official results of an

election that was held in late December. The main opposition parties boycotted the poll.

### ***Walz off into the sunset***

Tim Walz decided not to seek re-election as **Minnesota's** governor, amid a welfare-fraud scandal. Dozens of people, mostly from the Somali community, have been charged with stealing \$1bn by creating fake companies to charge the state for non-existent services. In one case children were falsely said to be autistic and claims made on their behalf. Mr Walz was Kamala Harris's running-mate in 2024. With tensions high over immigration, a federal agent fatally [shot a woman in Minneapolis](#). Federal officials said she had tried to hit agents with a car, which was disputed by local officials.

Meanwhile, the federal Department of Health and Human Services froze \$10bn in **child-care and family-assistance** funding to California, Colorado, Illinois, Minnesota and New York over what it said were concerns about “widespread fraud”. The five states are all led by Democrats.

---

<https://www.economist.com/the-world-this-week/2026/01/08/politics>

**The world this week**

## Business

Jan 08, 2026 01:48 PM



**Oil prices** rose slightly after America's intervention in Venezuela, but soon settled back, with Brent crude trading at around \$60 a barrel. The Trump administration [planned meetings with executives from America's oil companies](#) to discuss how they might return to the country; reports suggest the companies remain wary about investing there. Venezuela sits on 300bn barrels of oil, a fifth of the world's reserves, though the amount of capital expenditure required for extraction and production would be huge.

### ***Back in the game***

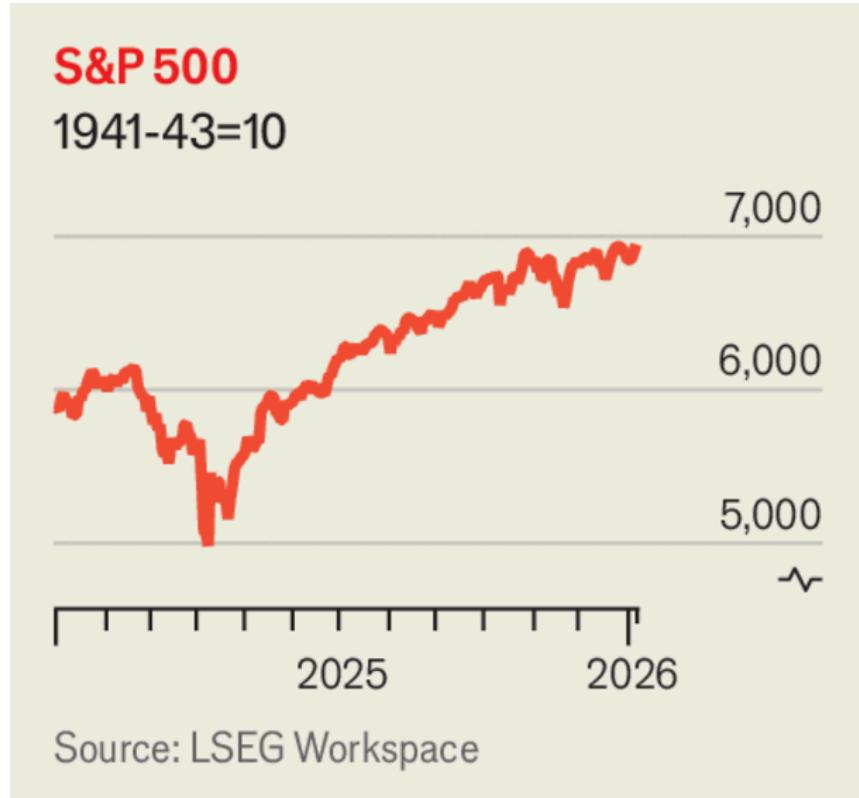
Chevron, a big player in Venezuela, was reportedly teaming up with Quantum Capital, a private-equity group, to buy the international assets of **Lukoil**. The Russian oil company was forced to sell after it was subjected to American sanctions, along with Rosneft, last October. Lukoil says the assets are worth up to \$22bn.

After months of talks the OECD finalised changes to the accord on a global 15% **minimum corporate tax** that will exempt American multinationals. The global accord was agreed to in 2021, but the

Trump administration renegotiated it last year. The amended version, in effect, recognises that American multinationals are subject instead to America's minimum tax of 12.6% on foreign profits. Scott Bessent, the US treasury secretary, described it as a "historic victory" in protecting American businesses from "extraterritorial overreach".

**Tesla** is no longer the world's biggest seller of electric vehicles. The carmaker delivered 1.6m EVs in 2025, down by 9% from 2024, while **BYD** sold 2.3m EVs, up by 28%. The Chinese company is expanding rapidly overseas, especially in Europe, which has fallen out of love with Elon Musk's Tesla. In Britain sales of **BYD** and other Chinese EVs doubled in 2025. In total nearly 25% of new-car sales in Britain were electric.

**Ford**, meanwhile, chalked up its best year for annual sales in the United States since 2019. The Detroit giant sold 2.2m vehicles in America in 2025. Like others in the industry it recorded a steep decline in sales of pure electric vehicles with the ending of the government's EV tax credit, but sales of part-electric part-petrol hybrids surged by 22%.



**Stockmarkets** had a fine start to 2026, continuing their good run in 2025. Despite some wobbles towards the end of the year the S&P 500 rose by 16% over the 12 months, the NASDAQ Composite by 20% and the Dow Jones Industrial Average by 13%. Indices in Hong Kong, Japan and Germany all outpaced the S&P 500. Britain's FTSE 100 increased by 22% over the year, and continued its rally in early 2026 by rising above the 10,000 mark for the first time. Emerging markets were the top-performing equity markets in 2025, according to analysis from asset managers at JPMorgan Chase, returning 34% in dollar terms.

**Nvidia**, which saw its share price rise by almost 40% in 2025, said it would start delivering its latest chip to customers later this year. The Rubin chip (named for Vera Rubin, an American astronomer) can perform AI tasks more quickly, with less power and at a lower cost than Nvidia's previous chips. The company described it as "the next generation of AI".

The board of **Warner Bros** formally rejected Paramount's \$108bn hostile takeover bid and recommended that shareholders accept

Netflix's \$83bn offer for most of the company. The board said the large amount of debt underpinning Paramount's proposal would make it, in effect, "the largest leveraged buy-out in history", entailing too much risk. At least one Warner investor said it had made an error.

Novo Nordisk started selling its Wegovy **weight-loss treatment pill** in America, weeks after its approval by the Food and Drug Administration. Until now the treatments have been sold as an injection. The company is trying to claw back some of the market share it has lost to Eli Lilly, and has slashed the cost of the pill to entice people who cannot get the jabs through their health insurance. Eli Lilly expects to begin selling its own pill later this year.

Underscoring the change in its leadership, **Berkshire Hathaway** decided to pay Greg Abel, its new chief executive, a salary of \$25m. Mr Abel recently took over the job from Warren Buffett, who famously drew a salary of just \$100,000 (though his net worth is estimated at almost \$150bn).

### ***Making a splash***

A new record was set for the price of a single **bluefin tuna** at Tokyo's fish market. The first tuna sale of the year is said to bring good luck to the buyer, prompting high bids at the auction. Kimura Kiyoshi, owner of a sushi chain and nicknamed the Tuna King, paid ¥510m (\$3.2m) for the 243kg (535lb) fish. Mr Kimura said he had hoped he could "buy a little cheaper", before slicing up the tasty tunny for his diners.

---

<https://www.economist.com/the-world-this-week/2026/01/08/business>

**The world this week**

## The weekly cartoon

Jan 08, 2026 02:39 PM



**Dig deeper into the stories behind this week's cartoon:**

[The White House weighs how to acquire Greenland](#)

[Donald Trump asserts control over Venezuela, and all the Americas](#)

[In Donald Trump's world, the strong take what they can](#)

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

---

<https://www.economist.com/the-world-this-week/2026/01/08/the-weekly-cartoon>

# Leaders

- **In Donald Trump’s world, the strong take what they can**  
The Donroe delusion :: That will be bad for America—and everyone else
- **Do not mistake a resilient global economy for populist success**  
The factory funk :: Protectionism is failing to revive manufacturing
- **Does Japan have a “foreigner problem”?**  
Blaming outsiders :: Yes—but it is not what populist politicians say it is
- **AI is transforming the pharma industry for the better**  
Pipeline dreams :: It is changing the way drugs are discovered and tested
- **France is paralysed, and everyone is to blame**  
An utter merde-show :: The budgetary impasse is just one symptom of collective political uselessness

**The Donroe delusion**

# In Donald Trump's world, the strong take what they can

*That will be bad for America—and everyone else*

Jan 08, 2026 03:16 PM



FOR 12 YEARS Nicolás Maduro terrorised Venezuela. He stole elections and, when people objected, his goons killed, raped or tortured them by suffocation with plastic bags. His comrades looted and mismanaged the economy so wantonly that GDP fell by 69%. A quarter of the population fled abroad. Both the economic collapse and the exodus have been worse than is typical during the bloodiest of civil wars.

Mr Maduro was also an international menace: colluding with drug gangs, threatening oil-rich Guyana and propping up Cuba's communist tyranny with cheap fuel. He supported Hezbollah, helped Iran evade sanctions and gave Russia and China a foothold across the water from Florida. And then he was gone—snatched by US special forces on January 3rd.

This raid matters far beyond Venezuela. One reason is how it happened. It was a stunning display of hard power—and its limits. Another is why it happened. Rather than citing democracy or human rights, as American presidents once did, Donald Trump said he aimed to grab Venezuela's oil and assert dominance over the western hemisphere. And a third is when it happened. Mr Trump is hastening the demise of the old order of UN resolutions, international law and universal values. The unfolding drama will help determine what takes its place.

First, consider the how. No other military force could have swooped in and seized a despot (and his wife) so surgically. It took less than three hours. Not a single American died, though a reported 32 Cuban spooks guarding the Maduros did. By January 5th [the odious couple were in court in New York](#), facing drug charges and possibly life sentences. America's adversaries have been warned.

Yet the story also illustrates the limits to military power. This was a raid, not an invasion. Scarred by failures in Afghanistan and Iraq, America is attempting, from afar, something much less than regime change. [Mr Maduro is gone but his machinery of plunder and repression remains](#). His vice-president, Delcy Rodríguez, seems to have taken charge. The regime's motorbike militias, the *colectivos*, are on the streets reasserting terror. With many gun-toting groups in Venezuela, an army with 2,400 generals and much paranoia at the top, a descent into conflict is also possible.

Mr Trump says he now “runs” Venezuela, by which he means that Ms Rodríguez has to do what he says—or else. Yet he will struggle to enforce his will. True, the US Navy still blocks the oil exports on which Venezuela depends. On January 7th American forces seized two tankers used to ship Venezuelan oil, one near Iceland and one in the Caribbean. But Mr Trump’s threats to station troops in Venezuela or to launch repeated raids, each months in the planning, are not credible.

The second lesson from Venezuela is the why. The snatching of Mr Maduro is a worked example of the “Donroe doctrine”—Mr Trump’s vision of how America should assert itself in its region. “American dominance in the western hemisphere will never be questioned again,” he crowed. “Won’t happen.”

The doctrine is about power and natural resources, not values. Venezuela’s most popular politician is a democrat: the Nobel-prizewinning María Corina Machado. Mr Trump dismissed her as lacking “support”. Yet she is so popular that Mr Maduro barred her from the presidential election he stole in 2024. Mr Trump means she does not control the army. He prefers to back the people with guns instead. They have no interest in fair elections, which would mean losing power and risking jail. Venezuelans still hope Mr Trump can broker a transition to democracy, but he shows little inclination to try.

His national-security strategy, published in late 2025, spoke of enlisting friends and expanding alliances in the Americas. It is now clear that this invitation comes at the barrel of a gun. Within hours of announcing Mr Maduro’s capture, Mr Trump had also threatened Colombia, Cuba, Greenland and Mexico.

He makes clear he craves natural resources—mostly for America. Mr Trump has laid claim to Venezuela’s underexploited oil reserves—the world’s largest—and says that the United States will receive 30m-50m barrels straight away. Venezuela’s oil industry has been

so badly managed that, with American help, raising output by a little should be possible. Yet Mr Trump's boast that he can rapidly and profitably restore production to previous levels is deluded. Demand is weak and the country is short of skills and capital. And oil companies are wary<sup>•</sup> of taking costly, decades-long, multi-billion-dollar bets that Venezuela will be safe.

Third is what this means for the Americas and the world. Smaller countries close to the United States may feel they have no choice but to submit to Mr Trump's bullying. Yet in the years to come, many leaders will seek to reclaim their sovereignty. And many countries will quietly seek closer ties with other powers, including China. Unless coercion is balanced by attraction, Mr Trump's hemispheric doctrine will eventually fail and, in doing so, weaken the United States.

In stating so brazenly that might makes right, Mr Trump has already undermined America's alliances. Greenland is a self-governing part of Denmark, which is a member of NATO. Seizing it would destroy the alliance<sup>•</sup>. America's Pacific allies will also conclude that to depend on Mr Trump is to be vulnerable to his predations.

By contrast, China and Russia are experts in navigating a world where the strong impose their will on the weak. Mr Trump may believe that each will stick to its own sphere of influence, but where do those spheres begin and end? As countries everywhere feel emboldened to encroach on their neighbours, the dismal prospect is of an aggressive, border-shifting 19th-century world, but armed with 21st-century weapons.

America was a successful superpower because its self-interest and realpolitik were turbocharged by an avowed faith in universal values of democracy and human rights. Mr Trump believes that, far from being a unique strength in foreign affairs, that was a foolish

indulgence. His raid on Venezuela is likely to show how wrong he is. ■

---

<https://www.economist.com/leaders/2026/01/08/in-donald-trumps-world-the-strong-take-what-they-can>

| [Section menu](#) | [Main menu](#) |

The factory funk

## Do not mistake a resilient global economy for populist success

*Protectionism is failing to revive manufacturing*

Jan 14, 2026 02:05 PM

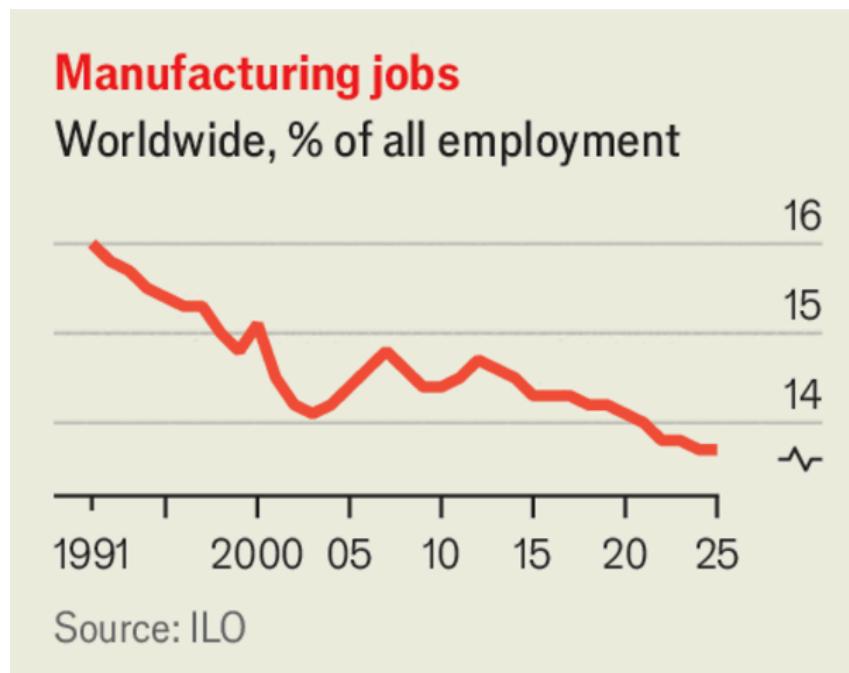


PESSIMISTS ABOUT the world economy have had a poor run. Global growth was probably about 3% in 2025, far higher than gloomy forecasts made in the spring and summer. That matches the pattern of the decade. Every year so far in the 2020s, the “Teflon economy” has beaten the World Bank forecast made in June. In 2025 America especially defied expectations. It slowed under Donald Trump, after accounting for the mechanical impact of lower immigration, but only a little. Now global interest rates have fallen and, in America, China and Germany, fiscal stimulus is supporting growth.

The resilience of the world economy may flummox market liberals, because it has coincided with protectionist policies. So far this decade industrial policy has proliferated, supply chains have fragmented and Mr Trump has levied the highest tariffs in America since the 1930s. Yet it is hard, at first glance, to spot the damage. Populists crow that, as usual, the experts were wrong.

They are only half-right. It is true that protectionism has not yet derailed growth. But industrial policies and tariffs have also failed in their central aim: arresting the decline of manufacturing jobs. That suggests the world economy is merely coping with populism, rather than flourishing under it.

As we report this week, [American manufacturing is in a rut](#). The sector has contracted every month since March 2025, according to surveys, which also show firms complaining about the high cost of imported parts. Over the past year manufacturers' construction spending has shrunk, as have their payrolls.



It is not just in America that the industry is suffering. Globally, manufacturing has lagged behind growth for the past three years, calculates JPMorgan Chase, a bank. From 2019 to 2025 manufacturing jobs fell as a share of the workforce on every continent except Africa, reckons the International Labour Organisation. Bidenomics, Trumponomics, “Make in India” and the like have barely dented the long-run trend.

Do not bet on that changing. For all the uncertainty hanging over white-collar jobs because of AI, it is factory hands who continue to

be the world's most disrupted workers. The pace of the decline in manufacturing jobs, as a share of the global workforce, has been slightly faster in the 2020s than in the preceding three decades. Recently job openings have dried up quicker at America's factories than in its offices. And although manufacturing work is not threatened directly by chatbots, [AI models trained with data from sensors and cameras are making factory robots better](#). On January 5th Nvidia's boss, Jensen Huang, declared that "the ChatGPT moment for robotics is here." That might help output, but will probably make the jobs that politicians strive to create still scarcer.

There is one place where manufacturing is thriving and factory jobs are fairly steady: China, whose share of global manufacturing value-added, at nearly one-third, is almost twice America's. China's industrial might threatens the national security of the West by giving it chokeholds over important industries, but it is hardly proving to be an economic boon. Its leaders' willingness to back manufacturers with state money has distorted the economy. The resulting overcapacity in Chinese factories has contributed to its deflation problem.

Ironically, it is the adaptive power of markets that accounts for the world economy's resilience to trade barriers. For years supply chains have snaked around whatever obstacles have been thrown up. And it is America's private sector, not industrial planners in Washington, which is chiefly responsible for the AI boom. The ongoing success of free markets is obscuring the damage protectionism is doing. Do not mistake global economic resilience for a triumph by the likes of Mr Trump. ■

---

<https://www.economist.com/leaders/2026/01/08/do-not-mistake-a-resilient-global-economy-for-populist-success>

**Blaming outsiders**

## Does Japan have a “foreigner problem”?

*Yes—but it is not what populist politicians say it is*

Jan 09, 2026 04:36 PM



JAPAN IS CONSUMED by talk of a “foreigner problem”. The story goes that the country has been overrun by ill-mannered migrant workers, misbehaving tourists and opportunistic foreign investors. But Japan’s real problem is not that it hosts too many foreigners. It is that it has too few.

Foreigners moved to the centre of political debate after the upstart Do It Yourself (Sanseito) party rode a “Japanese first” platform to big gains in last year’s upper-house election. In October the panicked ruling Liberal Democratic Party (LDP) chose as its new leader Takaichi Sanae, who launched her campaign for the job by lambasting foreign tourists· who, she said without evidence, had been “kicking” sacred deer in Nara, an ancient capital. In Japan’s polite political culture, this was nearly as provocative as Donald Trump’s false claim that Haitian immigrants were eating American pets.

Since becoming prime minister, Ms Takaichi has proposed tightening the screws on foreigners in the hope of winning voters back to the LDP. Her administration has talked of crackdowns on people who overstay visas, taxes on tourists, restrictions on property purchases and caps on foreign labour. A package of measures may be put forward later this month.

Vilifying outsiders may make for good politics. But in the long run it is misguided. The true causes of voters' frustrations are economic struggles. Cracking down on foreigners will not heal the underlying malaise. If anything, it will make it worse.

The backdrop is demographic change. Japan's population is expected to decrease by 30% to 87m in 2070. Ms Takaichi's mentor, the late Abe Shinzo, recognised that Japan needed to open up if it was to keep thriving. When he served as prime minister he let in more migrant workers and encouraged tourism. The number of foreign residents in Japan has doubled since 2010 to 3.7m. The number of foreign visitors has quadrupled over the same period, reaching some 40m last year.

Many foreigners live in Japan on temporary work visas. Such programmes are better than no immigration at all. But in Japan, where migrants are often treated as expendable cogs, not people who might settle and have families, such schemes hold back integration, which in turn causes tension. And as the foreign population in Japan has risen, mainstream politicians have often been reluctant to talk about it. That has helped populists paint the arrivals as a "silent invasion".

Some popular worries reflect real problems that can be fixed. Stricter oversight of foreign investors who buy land next to sensitive sites such as military bases is wise. Imposing Japanese-language requirements for permanent residence is reasonable, too. Over-tourism has turned Kyoto's best-known temples into mosh pits during cherry-blossom season.

But broader fears about social breakdown and loss of traditions are overstated. Japan is an island country with strong borders. It faces no surge of refugees from war or poverty. Its neighbours are either prosperous or North Korea, which locks its people in. Foreigners are only about 3% of Japan's population; the average across the OECD, a club of mostly rich countries, is 15%. And there is plenty of room for tourism to grow.

Japan already relies on foreigners in industries including hospitality, farming and nursing. Migrants help sustain many of the traditions that nativists fear losing: they catch and harvest the raw ingredients for Japanese cuisine; in some ageing rural communities they help carry portable shrines during festivals. Japan will need far more workers in the coming decades to maintain even modest growth. That is why business leaders and governors tend to favour admitting more foreigners, not fewer. As for curbing tourism, that would mean stifling Japan's second-largest export, after cars.

Instead of discouraging tourists, Japan could lure more of them to the many beautiful places that are currently off the beaten track. (Even Kyoto has plenty of spectacular yet barely visited sites.) Instead of cracking down on foreign workers, it should design an immigration system that attracts and selects newcomers with useful skills, integrates them into society and ensures that they pay their fair share of health-care and welfare costs. The real problem is not foreigners. It is the failure to take advantage of one of Japan's greatest strengths—that it is a wonderful place to live and work. ■

---

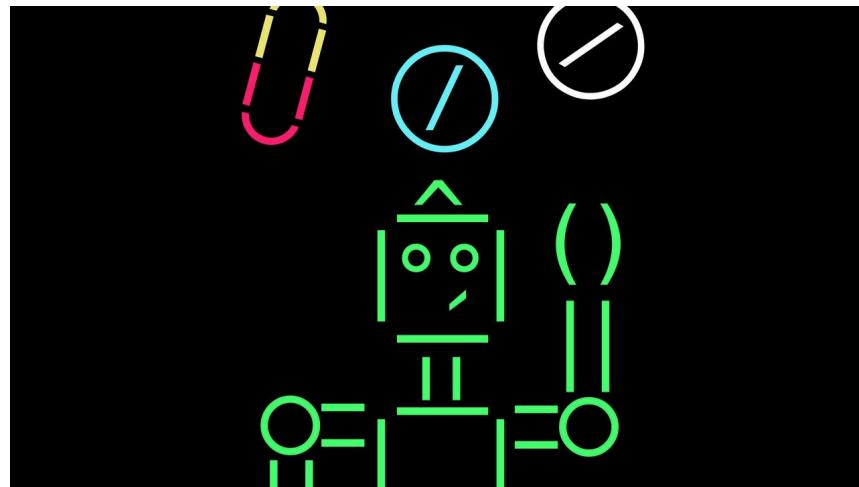
<https://www.economist.com/leaders/2026/01/08/does-japan-have-a-foreigner-problem>

Pipeline dreams

# AI is transforming the pharma industry for the better

*It is changing the way drugs are discovered and tested*

Jan 09, 2026 12:38 PM



**D**RUG DEVELOPMENT is notoriously failure-prone. Only one in every ten drug candidates that enter human trials eventually goes onto the market. Turning a promising molecule into a useful medicine typically takes ten to 15 years after its discovery. These challenging economics mean that the cost of developing each successful drug is roughly \$2.8bn. And because medicines ultimately come off-patent, the drive to find the next blockbuster is relentless.

Enter generative AI, which the pharma industry is adopting at a terrific rate. By ingesting and analysing vast biological data sets, AI tools can identify promising target proteins and then suggest novel molecules that could latch onto those drug targets. They can sift through libraries of data to predict the potency and toxicity of candidates, before a single test tube is touched. AI can also help with trials, analysing health records to find the patients most likely to respond to novel treatments. Though it is still early days, the signs

are promising. AI could lead to more efficient drug discovery, better medicines and more competition in the industry.

AI-designed molecules show an 80-90% success rate in early-stage safety trials, compared with a historical average of just 40-65%. It will be years before it becomes clear whether success rates rise in later-stage trials, too. But even if they do not, one model suggests that early-stage improvements alone could increase the success rate across the entire pipeline from 5-10% to 9-18%. The industry is also wringing efficiencies out of its business using AI, in areas from clinical documentation to HR. McKinsey reckons that if AI is fully utilised by the pharma industry—no doubt with its consultants' assistance—it could provide a boost worth \$60bn-110bn annually.

The hope is that improvements in the technology will push up the success rate even further. Sophisticated new models for understanding tricky bits of biology are emerging at a rapid pace. A few years ago an AI model called AlphaFold solved the problem of figuring out the structure of proteins. More complex puzzles, such as how cell membranes function, are likely to be cracked at some point.

The technology is already changing how the pharma industry works. A new generation of AI-native biotech startups—particularly in America and China—is emerging. Pharma companies are increasingly forming alliances with AI-biotech firms, as well as with technology giants including Amazon, Google, Microsoft and Nvidia. And those big tech firms have their own ambitions in health. Isomorphic Labs, a spin-out from Google DeepMind, is trying to design entirely new therapeutic molecules from scratch inside a computer. Nvidia, too, has a generative-AI platform for drug discovery. Both firms are signing deals to offer design services to pharma companies. And in October Nvidia teamed up with Eli Lilly, the world's most valuable drugmaker, to build the pharma industry's most powerful supercomputer.

All this means that some of the value of drug discovery may be captured by tech giants. For now, pharma firms have many clear advantages, including heaps of data, scientists who know the field and long experience of shepherding new drugs through a maze of regulation. Over time, though, as parts of biology become more of a computational problem that can be solved with technology, such advantages could be eroded. Pharma firms may need to buy in AI expertise in the same way that they buy early-stage assets from biotech firms today.

As drug discovery becomes more efficient, governments will need to turn their attention to other potential bottlenecks in the system, such as regulation and trials. America's Food and Drug Administration and the European Medicines Agency are themselves starting to use AI to screen the mountains of data they receive. As the number of drug candidates rises, faster regulatory reviews will be needed to avoid a logjam. Governments could also do more to encourage the sharing of patient data with AI companies in privacy-preserving ways so that AI models—and drug discovery—can improve.

### ***Time to get AI-pilled***

Patents, too, will need rethinking. Today, long patent lives let pharma firms recoup the investments they make, encouraging them to undertake the risky business of drug discovery. Yet if the costs and riskiness of innovation fall dramatically, then patent terms (which typically provide 10-15 years of market exclusivity) may need to become shorter. AI brings good news for drug innovation. But to ensure that it benefits both the makers and takers of new drugs, the industry and its regulators will need to adjust to this new reality. ■

| [Section menu](#) | [Main menu](#) |

An utter merde-show

## France is paralysed, and everyone is to blame

*The budgetary impasse is just one symptom of collective political uselessness*

Jan 09, 2026 04:37 PM



OVER THE past five years Europe's once-profligate south has sorted out its public finances. Italy, Greece and Spain have brought down their budget deficits to levels commensurate with EU rules. The exception is France, which for three years has run a huge deficit of over 5% of GDP. You might think that being economically upstaged by countries that it helped rescue during the euro-zone crisis would focus political minds. Instead France has failed even to pass a budget for 2026. It now faces the latest in a [series of parliamentary battles](#) to adopt one by the end of the month.

The budgetary impasse is one symptom of a deeper malady: a severe case of collective political uselessness. Emmanuel Macron is entering the last 15 months of his presidency. He can still act internationally but is a lame duck at home, viewed favourably by less than 20% of the French. His centrist coalition holds 161 of the 577 seats in the splintered National Assembly, making it virtually impossible to get anything done. The populist right and left delight

in Mr Macron's paralysis. It is a dismal spectacle at a critical time, and everyone shares some of the blame.

France's descent into ungovernability began in 2023, when the opposition and the unions whipped up anger over Mr Macron's sensible pension reform, which raised the minimum retirement age from 62 to 64. With the populist-left Unsubmissive France (LFI) party and the populist-right National Rally (RN) egging them on, protesters took to the streets to rail against demographic reality. After the RN won the European Parliament elections in 2024, Mr Macron foolishly called early legislative elections. Those left him with a smaller centrist minority. A new prime minister, Michel Barnier, lasted barely three months before the RN and LFI teamed up to kick him out.

Mr Barnier's successor, François Bayrou, gamely proposed a budget last July that would have trimmed the deficit to 4.6% of GDP. Parliament balked and toppled him in September. The next prime minister, Sébastien Lecornu, managed to pass part of the budget by caving in to the Socialists' demand to freeze the pension reform. To get the rest through, he swallowed a long list of new or increased taxes from the Socialists, the tiny Greens and even the RN. But it was not enough. In December the government rolled over the 2025 budget into 2026.

Every major actor in French politics should be ashamed. The extremes seem happy to let France twist in the wind. Jean-Luc Mélenchon, the LFI's leader, has his feet planted firmly on the barricades. Marine Le Pen and Jordan Bardella, who lead the RN, hope Mr Macron goes down in flames so they can swoop to victory at the presidential election in 2027. The Socialists and Greens have no vision for solving France's budget crisis beyond raising taxes. The Republicans, supposedly fiscal conservatives, allowed a suspension of the pension reform that will cost €100m (\$117m) in 2026 alone.

Perhaps nobody could have managed this fractious crew. But Mr Macron's haughty, distant approach has not helped. Finally, one should not spare from blame the voters, who failed to appreciate Mr Macron's successful economic policies, refuse to accept that the welfare system needs reform and keep voting for the most irresponsible politicians.

This is a bad time for France to be in such a mess. Like the rest of Europe, it is staring down Vladimir Putin while dodging blows from Donald Trump. It needs to find money for a lot more defence spending and to revive an economy menaced by Chinese competition. Yet its debt stock (117% of GDP) is too high already, so any extra spending must be matched by cuts or higher taxes—and its taxes are already the highest in the G7.

France cannot afford to be stuck. If Mr Lecornu cannot fix the budget by the end of January, he must go, and fresh elections should be called. Though the centrists might improve their position, an RN-led government seems more likely. Being obliged to take responsibility for governing might force the wrecking populists to grow up. But it may fall to the markets, rather than voters, to chastise France's useless politicians. ■

---

<https://www.economist.com/leaders/2026/01/08/france-is-paralysed-and-everyone-is-to-blame>

# Letters

- **[Was our review of the “Wealth of Nations” at 250 uncharitable?](#)**

A selection of correspondence :: Also this week, populism, translating the Bible, cats, business hotels, Brigitte Bardot

**A selection of correspondence**

## Was our review of the “Wealth of Nations” at 250 uncharitable?

*Also this week, populism, translating the Bible, cats, business hotels, Brigitte Bardot*

Jan 08, 2026 01:48 PM



*Letters are welcome via email to [letters@economist.com](mailto:letters@economist.com)  
Find out more about how we process your letter*

---

### ***In defence of Adam Smith***

Your Christmas special review of Adam Smith and the “Wealth of Nations” at 250 seemed unseasonably uncharitable (“Adam Smith is misunderstood”, December 20th). Look hard enough and you can find antecedents of any revolutionary ideas: Newton’s physics, Copernicus’s solar system, Darwin’s evolution, Smith’s economics. The important thing is what these great thinkers made of them. Yes, Smith picked up observations from everywhere. But his genius was to show how those seemingly disparate observations meshed into a comprehensive, and surprisingly modern, understanding of economic life.

Certainly, he made mistakes, as pioneers do. Is the labour theory of value one of them? Smith mentions it only in the context of a primitive world without capital. It had been accepted wisdom for two millennia. But he clearly wasn't happy with it, and the rest of the book goes on to explore the “higgling and bargaining of the market” as a better guide.

And who cares if Smith had never seen a pin factory? He made it a brilliant teaching to illustrate the thousandfold productivity gained from specialisation. Also, let's not dismiss the “invisible hand” as a throwaway remark about a limited case. The whole of the “Wealth of Nations”, and his “Theory of Moral Sentiments” too, is an investigation of the complex relationship between individual actions and the overall social order, something Friedrich Hayek (it was he, not Smith, that was in Margaret Thatcher's handbag) would go on to elaborate.

The “Wealth of Nations” deservedly had huge influence, especially in opening up world trade, and thereby boosting the welfare of humankind. So I shall wholeheartedly toast its 250th year, with a glass of claret (from France, of course, not Scotland).

EAMONN BUTLER  
Adam Smith Institute  
*London*

Even the title, “Wealth of Nations”, was an important conceptual breakthrough. Before Smith, the standard belief was that a nation's wealth consisted of gold and silver. After an admittedly lengthy lead-in, he seeks to demolish this notion. For example, he points out that the Spanish viewed national wealth in terms of gold and silver, while the Tatars of Genghis Khan saw national wealth in terms of cattle. Smith writes: “Of the two, the Tatar notion, perhaps, was the nearest to the truth.” Smith's notion that the wealth of a nation should be measured by the consumption of its

people, not by its trade surpluses nor the wealth of its government, remains incompletely learned.

TIMOTHY TAYLOR  
*St Paul, Minnesota*

The 250th anniversary of the “Wealth of Nations” is an excellent opportunity to reacquaint ourselves with what Smith had to say in that book and his other great work, the “Theory of Moral Sentiments” (1759). They should be viewed as complementary.

Smith argued that a healthy society should result from a vibrant economy. Yet we live in a world where the health of the economy and that of society have become disconnected. In many countries, the market economy no longer reflects the ideals of capitalism championed by Smith. Instead, capitalism has been hijacked by capitalists in pursuit of economic rents, sometimes supported by government favours. In many markets, the visible hand of government crowds out the invisible hand of entrepreneurship through the burden of excessive regulation.

Smith warned of the need to regulate banks to avoid systemic risks and of the principal-agent problem inherent in corporate governance. He also influenced the work of Georg Wilhelm Friedrich Hegel, who in turn had an impact on Karl Marx. In “The Formation of the Economic Thought of Karl Marx”, Ernest Mandel noted that Hegel was “profoundly affected in his youth by economic studies, in particular by the work of Adam Smith.”

John Maynard Keynes said that as economic theorists strive for their unique contribution to the evolution of the science, none should compare themselves to Adam Smith. Hayek argued that Smith’s work surpasses all modern insights into the influences that shape human behaviour and society.

JOSEPH HEALY

*Melbourne*

---

### ***Electoral systems and populism***

Many people will agree with [your concern about British democracy caused by the rise of populist and extreme parties](#) ("Britain's slot-machine politics", December 6th). It is a fallacy that this is caused by Britain's representative voting system, (somewhat misleadingly termed "first past the post"). Almost all European countries use some form of proportional representation, and suffer at least as much from the rise of populism.

Those proposing proportional representation should be careful what they wish for. Candidates on party lists do not have to appeal to the voter, and being elected by the party machine, tend to be apparatchiks who are more extreme in their views than the average voter. The rewards offered to a plethora of small and single issue parties gives unwarranted power to extreme views.

The British system ensures that individual voters have a personal representative in the country's government, something the party list system fails to do, and tends to reward parties with wide support. In 2011 British voters decisively rejected (by 68% to 32%) the Liberal Democrats' more moderate Alternative Vote system.

PETER GILMOUR

*London*

Mark Leonard's [By Invitation](#) urging Europe to get to grips with the [MAGA challenge](#) (December 13th) offered [a few superficial solutions to stop the decline of centrism](#). It predictably avoided tackling the ever-growing elephant in the room. Under centrist governments, average real wages in much of the West have been stagnant for more than four decades. When the vast majority of the proceeds of economic growth go to a tiny, lucky group of

individuals, the likes of whom the average citizen is unlikely to meet in their lifetime, the dwindling of enthusiasm for centrism is easy to understand.

TOM JANSON

*Berlin*

---

### ***LLMs and the end of the world***

The attempt by Christian missionaries to [use AI to translate the Bible into every one of the 7,000 languages spoken on the planet](#) (“Climbing the Tower of Babel”, December 13th) calls to mind Arthur C. Clarke’s science-fiction short story, “The Nine Billion Names of God”. In the story Tibetan monks hire experts to write a computer program that spits out every possible permutation of a sequence of random letters. The monks believe that when all of the nine billion names of God have been discovered and recorded within the sacred books, history will come to an end. The story finishes ominously as the computer completes its task, and “Overhead, without any fuss, the stars were going out.”

Let’s hope the missionaries’ translation efforts don’t end with the same results.

ROBERT CHECCHIO

*Dunellen, New Jersey*

There is a theological complication in using large language models to translate the Bible. LLMS are notoriously unable to resist appending helpful suggestions to their output (ask ChatGPT for the capital of France and you’ll get “Paris”, followed by three creative options for planning your itinerary). Yet the Book of Revelation concludes with an explicit warning against adding to its text: “If any man shall add unto these things, God shall add unto him the plagues that are written in this book.” The last verses of scripture

forbid adding to scripture. The algorithm translating it has no idea how not to. This will not end well.

MARCELO LACANNA

*Buenos Aires*

---



### ***Feline feelings***

I read your piece on why [many Asian megacities are miserable places](#) (“Agglomerate this!”, December 13th) with increasingly narrow eyes. Particularly the claim that Jakarta is governed “as coherently as a clowder of cats”. First, a linguistic quibble. A clowder is a group of cats. So adding the species is redundant, though I recognise your impulse to tautology as a human habit.

More importantly, the comparison is unfair. We cats are not incoherent. We respect territory, understand hierarchy and reach decisions with enviable speed. True, we occasionally push things off tables for no clear reason, but this has nothing to do with Jakarta. If Jakarta were truly run like a clowder, it would suffer less crowding (we like our space), enjoy clearer lines of authority and function rather well, provided there were treats.

Yours, with a flick of my tail.

INCA

Pet cat of Dr Iain Overton

*London*

---

***Enjoy your stay***

Bartleby's guide to every business hotel room (December 13th) overlooked another one of their main attractions. State of the art showers that take 20 minutes to work out how to mix hot and cold water in the correct volume to avoid being burned or frozen, or flooding the bathroom, and in which you have to cower to be able to wash your hair.

JOÃO LUIS HAMBURGER

*São Paulo*

I, for one, am considering the need for advanced studies in both shower design and mechanical engineering to figure out which knobs and levers, only when perfectly synchronised of course, might provide for a predictable wash at a bearable temperature. Sadly and inevitably, I usually suffer through panicked moments of either scalding or frigid water ambushing me from an unsuspecting nozzle.

BRAD PICK

*Barcelona*

Ask staff at reception for good places to eat and they will first recommend their hotel's restaurant, where you can sit alone in a large empty dining room, or at the bar in the company of lonely-looking middle-aged men, and eat a \$100 meal consisting of a bland hamburger, soggy fries, and a lightly portioned glass of industrial Californian wine.

SCOTT SIMMONS

*Denver*

---

## **A star is born**

“And God Created Woman” was the film that, as you say, made [Brigitte Bardot](#) famous (Obituary, January 3rd). I remember watching it in the 1950s when I was 15 years old. I have never forgotten the movie’s publicity tagline: “And God created woman...but the devil invented Brigitte Bardot.”

MANUEL LANDA

*Hawthorne, California*

---

<https://www.economist.com/letters/2026/01/08/was-our-review-of-the-wealth-of-nations-at-250-uncharitable>

| [Section menu](#) | [Main menu](#) |

## By Invitation

- **Peace and prosperity in Venezuela will come from democracy, not oil, writes Ricardo Hausmann**

America to decapitated regime: carry on :: Wishing otherwise, as Donald Trump does, is delusional

**America to decapitated regime: carry on**

## **Peace and prosperity in Venezuela will come from democracy, not oil, writes Ricardo Hausmann**

*Wishing otherwise, as Donald Trump does, is delusional*

Jan 08, 2026 01:48 PM



“**T**RISTEZA NÃO tem fim, felicidade sim.” Sadness has no end, though happiness does. The line, immortalised in a bossa nova song made famous by the film “Black Orpheus”, captures how joy can be fragile, fleeting and precious.

For a few extraordinary hours on January 3rd, Venezuelans tasted it as the news spread like wildfire that Nicolás Maduro, who has ruled Venezuela through repression and ruin, had been removed in a dramatic American military operation. The shock was not just political but emotional. In Caracas and Maracaibo, in Miami and Madrid, Venezuelans allowed themselves to imagine a future full of hope, dignity and a return to normal life.

But then, concern: just hours after the raid President Donald Trump declared that he [would now “run” Venezuela](#). He talked much about oil but not at all about democracy other than to dismiss María Corina Machado, Nobel peace laureate and leader of the

democratic opposition. (Ms Machado, he said, does not command the “respect” to run the country—despite Venezuelans having voted overwhelmingly for her alliance in an election in 2024 that Mr Maduro stole.) Instead, Mr Trump made clear, America will work with the dictator’s own vice-president. He spoke as if he owned the country and its assets. Venezuelans will be recipients of his benevolence, not agents of their destiny.

[Removing a dictator](#)—especially if leaving his henchmen and - women in charge—is not the same as rebuilding a country. And there is much to rebuild. When Mr Maduro came to power in 2013, Venezuelans were four times richer than they are today. A disaster followed: the largest economic contraction ever recorded in peacetime, triggering the departure of 8m Venezuelans. Brutality, repression and corruption accompanied the catastrophe.

At its heart was a systematic dismantling of rights: property rights, independent courts and free elections. Speaking out became a crime. As rights vanished, so did security, investment, trust and the power to imagine. People stopped planning for the future because the future no longer belonged to them.

The lesson is simple: prosperity does not come from oil, decrees or even benevolent rulers, but from rights. Rights create private property and security. They allow people to invest, innovate and dream. Restore rights, and society can recover.

Venezuelans now need neither revenge nor Trumpian improvisation, but a return to freedom and peace. The technology for that has already been invented: democracy, which is not just about voting but is a system for aggregating preferences while protecting liberties. Democracy aligns political authority with social consent and is the formula for sustained prosperity. Venezuela enjoyed it for much of the latter part of the 20th century.

Gradually but relentlessly, the *chavista* project, which began in 1999, chipped away at checks and balances, individual freedoms and democracy itself. We must follow the process in reverse. There is no shortcut to restoring rights and the rule of law.

Crucially, Venezuelans have already done the hardest bit, with courage and patience. In 2023 they rallied overwhelmingly behind [Ms Machado](#), only to see her arbitrarily barred from running for president. In 2024 they delivered a landslide win for her colleague, Edmundo González Urrutia, voting against dictatorship in nearly every corner of the country. Venezuelans' will could not have been clearer, though its translation into power was thwarted. It now needs to be honoured. Venezuela needs a civilian government constrained by law, respectful of individual freedoms, accountable to voters and capable of rebuilding institutions.

Mr Trump does not understand this. He speaks as if Venezuela's vast oil reserves make democracy unnecessary: foreign investment, above all from American oil companies, can substitute for political normalisation. It is a delusion, even on his terms. Oil is not wealth until output can be monetised, which requires long-term investment. For that, legal certainty—enforceable contracts, clear taxation and predictable rules governing concessions—is a must. Oil companies, which answer to shareholders, regulators and courts, won't deploy capital into a legal vacuum. Without a legitimate legal system, the notion that oil reserves can rescue Venezuela—and earn America profits—collapses under scrutiny.

A deeper risk is geopolitical. Venezuela must not become a colony, an afterthought or a transactional project driven by short-term American interests. America's greatest successes after the second world war came not from extracting resources from Europe or Japan, but from providing public goods: security, institutional rebuilding and a rules-based order allowing societies to prosper. The strategy created enormous benefits for the recipients—and for America itself.

Venezuela needs the same liberal formula of peace, justice, democracy and rights. It needs citizens' intense desire for democracy to be harnessed, not sidelined. Otherwise, the seeds of future conflict will grow, especially if national aspirations collide with American priorities.

Sadness, as the song reminds us, has no end. Venezuela has endured more than its share. But those fleeting hours of happiness revealed something essential: Venezuelans have not given up on democracy, nor on each other. The task now is to create out of that a durable reality: not through force, nor through oil fantasies, but by restoring the will of the people so that they can start the hard, patient work of restoring rights and rebuilding institutions. That is the only path by which happiness, fragile as it is, might finally find a way to endure. ■

*Professor Ricardo Hausmann is director of the Harvard Growth Lab at the Harvard Kennedy School and a Venezuelan former minister of planning.*

---

<https://www.economist.com/by-invitation/2026/01/05/peace-and-prosperity-in-venezuela-will-come-from-democracy-not-oil-writes-ricardo-hausmann>

# Briefing

- **Donald Trump asserts control over Venezuela —and all the Americas**

America unbridled :: But the president's claim of dominance over the western hemisphere may backfire

- **America chases down the shadow fleet serving Venezuela**

The hunt for red Marinera :: Donald Trump is determined to enforce its oil blockade

**America unbridled**

## Donald Trump asserts control over Venezuela—and all the Americas

*But the president's claim of dominance over the western hemisphere may backfire*

Jan 09, 2026 04:38 PM | CARACAS and WASHINGTON, DC



THE ACTION, in the form of American forces' lightning raid to capture Nicolás Maduro, Venezuela's strongman president, was over days ago. Yet Caracas, the capital, remains braced for upheaval. Tanks and armoured vehicles guard the road from the main airport to the city. Soldiers in ski masks sit atop them, waiting for further incursions that will probably never take place. Gangs of *colectivos*, armed pro-regime vigilantes on motorbikes, roam the streets or set up roadblocks, searching cars and hassling drivers. The rumour is that they were dispatched by Diosdado Cabello, the menacing interior minister, as a message to the population that there is no power vacuum, the regime's decapitation notwithstanding.

There is no question that Mr Maduro's henchmen are digging in. Just two days after the raid, on January 5th, Delcy Rodríguez, the vice-president, was sworn in as acting president. The next day she

declared seven days of mourning for the 60-odd people American forces killed in the raid, during which many shops and offices will remain closed. That, cynics assume, is to help her consolidate control and ward off potential unrest.

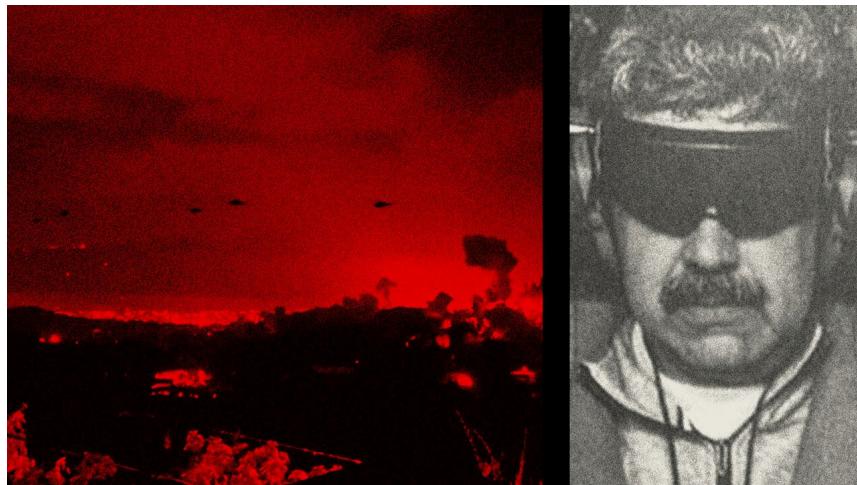
America's government, meanwhile, is signalling that events are unfolding exactly as planned. President Donald Trump has said he is now running Venezuela, in that Ms Rodríguez and her colleagues will do as they are told or suffer a worse fate than Mr Maduro. He has declared himself ready to order more air strikes or even "boots on the ground" if necessary. Marco Rubio, America's secretary of state, says the current blockade of Venezuela's oil exports will be maintained as an instrument of coercion. This week [America seized two tankers](#) it accused of violating its embargo. Ms Rodríguez still talks defiantly at times of resisting colonialism, but has also issued an emollient call for America and Venezuela to work together on "a co-operation agenda".

### ***Bolivarian ambiguity***

What this peculiar stasis portends for Venezuela and the world, however, is far from clear. Mr Trump says he has updated the Monroe Doctrine, the effort by the United States in the 19th century to exclude European powers from the Americas, into the "Donroe doctrine", by which he appears to mean that America has a right to intervene in the countries of the western hemisphere however it sees fit. He has put multiple countries in the region on notice that they can expect similar treatment to Venezuela if they do not mend their ways. Yet it is not clear that Mr Trump will really be able to bend Venezuela to his will, much less the Americas as a whole.

Many in Caracas say they are still in shock after a night that felt like a war film. In the early hours of January 3rd more than 150 American aircraft from 20 different bases swooped over the city, including low-flying helicopters carrying a raiding party of special

forces. These battled and killed dozens of Mr Maduro's Cuban bodyguards before nabbing the man himself as he tried to enter an armoured safe room. In less than three hours the president and his wife, Cilia Flores, were captured and whisked to an American warship waiting offshore. Mr Trump, who ordered the raid and watched it by video link from Mar-a-Lago, his country club in Florida, marvelled at "the speed, the violence". The abducted couple are now in New York, [awaiting trial on drug-trafficking charges](#).



Venezuelans have long dreamed of the moment when Mr Maduro, president since 2013, would finally leave the country he has done so much to impoverish. He presided, after all, over a repressive kleptocracy held in place by arbitrary arrest, torture and extra-judicial killing. Under his watch GDP contracted by a horrifying 70%. Oil production, the mainstay of the economy, fell almost as far. Fully a quarter of the population had left the country in despair, in search of a better life elsewhere.

Mocked-up images of Mr Maduro in handcuffs, bundled about by American agents, had circulated online for years. That fantasy has become reality, yet without the expected jubilation. "We have this burning urge to celebrate that Maduro's gone, but now that's been put on hold," laments Arturo, a taxi-driver. As if to underline the disappointment, shelves are empty in many supermarkets, the result

in part of panic-buying. The local currency, the bolívar, has lost 20% of its already minimal value since the raid.

Some locals hope that Mr Trump will finish the job and topple the remnants of the regime. “Now there is not just a threat; there’s a precedent,” enthuses Carla, as she shops for essentials. Others are resigned to a more dismal fate. “There are some things we, as individuals, can control. But the politics of this country, I’ve decided, is not one of them,” sighs Ernesto, who is queuing for bread.

### ***Chavista chutzpah***

On the face of things, Ms Rodríguez appears relatively secure. Mr Trump seems happy with her ascension, at any rate, declaring her relationship with Mr Rubio “very strong”. She also appears to have the support of both Mr Cabello and Vladimir Padrino, the powerful defence minister. Despite rumours that she may have betrayed Mr Maduro in some way, even Mr Maduro’s son, a congressman, has proclaimed, “Delcy, you have my support...the nation is in good hands.”

Yet unity among factions is much easier to feign than to sustain. A potentially violent power struggle could yet consume the regime. Venezuela’s oil and other resources are a tempting prize for any would-be leader. Mr Cabello, Mr Padrino or an ambitious general might try to persuade Mr Trump to change horses or might simply gamble on a coup. The air of fragility around the government was underscored late on January 5th when shots rang out around Miraflores, the presidential palace in Caracas, prompting speculation that a putsch was under way. In fact the shooting seems to have come from a jumpy security unit firing at one of its own drones.

For now, at least, one faction that seems to present Ms Rodríguez little threat is the democratic opposition. Mr Trump has dismissed

an enormously popular critic of the regime, María Corina Machado, who won the Nobel peace prize last year, as “a very nice woman” who does not command sufficient respect within Venezuela to run the country. He has not even bothered to mention Edmundo González, a surrogate of hers who is widely believed to have been the true victor of the most recent presidential election, in 2024, which Mr Maduro brazenly stole.

The decision to sideline the opposition and embrace the old regime may stem from a desire to avoid the sort of chaos that engulfed Iraq after America toppled its government in 2003, disbanding the army and the ruling Baath Party. It may also reflect the failure of a previous Venezuelan opposition leader, Juan Guaidó, to capitalise on Mr Trump’s support during his first administration. (Another theory holds that Mr Trump is motivated by pique that Ms Machado beat him to the Nobel prize.) A recent CIA briefing is said to have concluded that Ms Rodríguez or other figures from the regime were best placed to run an interim government.

Ms Rodríguez’s hold on power will presumably depend in part on how difficult Mr Trump makes life for her. His chief focus appears to be Venezuela’s oil industry. On January 7th he announced a deal with the Venezuelan authorities whereby America would market all Venezuelan oil “indefinitely”. The proceeds “will be disbursed for the benefit of the American people and the Venezuelan people at the discretion of the US government”, the White House stated. Mr Trump added that all the goods purchased for Venezuela in this way would be American. PDVSA, Venezuela’s state-owned oil firm, confirmed that it was in talks with America on oil sales.

Mr Trump says he wants Venezuela’s oil production to expand dramatically. He has promised big investments by American oil companies to unlock more of Venezuela’s reserves, which are the world’s biggest if vast, viscous and largely untapped tarry deposits are taken into account. Yet persuading American firms to invest lavishly in so unstable a country will be difficult, and Venezuela’s

[rickety infrastructure](#) will not be easy to repair. Elliott Abrams, Mr Trump's former envoy to Venezuela, argues that only a transition to democracy can provide the stability required to attract the necessary investment. At any rate, Ms Rodríguez will be upsetting powerful factions within the regime and running roughshod over nationalist sentiment if she does indeed put Venezuela's oil industry in Mr Trump's hands.

Meanwhile, devoting too much time and attention to faraway Venezuela could be politically perilous for Mr Trump. Republicans have applauded the raid but many seem nervous. The president famously campaigned against "forever wars" in Iraq and Afghanistan—the origin of his "America First" slogan. Yet Republicans must now defend Mr Trump's neo-imperial adventures. Democrats are gleefully warning of the danger of foreign quagmires and asking whether running a second country might distract Mr Trump from his day job.

Mr Trump brushes off such criticism: "MAGA loves what I'm doing. MAGA loves everything I do." Yet public opinion is divided. Roughly equal proportions—between 30% and 40% of respondents, depending on the poll—say they support or oppose the raid on Caracas, depending on partisan affiliation. A majority is worried that America could get drawn in too deeply, according to a survey for Reuters/IPSOS. That suggests that voters could turn hostile if America begins to look bogged down or if troops are deployed.

The dauntless Mr Trump is nonetheless itching to embark on more foreign escapades, not fewer (see map). When asked about whether the United States should carry out a military operation in Colombia, he responded, "Sounds good to me." He asserted that "the cartels are running Mexico" and "we're going to have to do something". [Cuba](#) appears "ready to fall" and "We do need [Greenland](#), absolutely."

## Hectorized hemisphere

Other countries threatened by Trump



In the aftermath of the raid, Latin America is divided. America's allies in Argentina, Bolivia, El Salvador, Panama and Paraguay celebrated news of Mr Maduro's ousting. Yet the three biggest countries in the region, Brazil, Colombia and Mexico, all run by left-wing leaders, condemned Mr Trump's actions. Brazil's president, Luiz Inácio Lula da Silva, known as Lula, said the events

“cross an unacceptable line”. “Unilateral action and invasion”, said Mexico’s president, Claudia Sheinbaum, “don’t lead to peace or development.”

Many of these governments must be wondering if they could be next. “The vision now is that Latin America is a shooting-gallery and the United States can target whomever it pleases,” says Benjamin Gedan, formerly the director for South America in the Obama administration’s National Security Council.

Colombia has long been in Mr Trump’s sights. Although it has been the United States’s closest ally in the region for decades, Mr Trump and its president, Gustavo Petro, frequently clash. The two men have sparred on social media over Israel’s war in Gaza, Mr Trump’s migration policy and attacks on allegedly drug-trafficking boats in the Caribbean, which have killed Colombians. After Mr Maduro’s removal Mr Petro reacted with indignation. He compared the raid in Caracas to the Nazi bombing of Guernica during the Spanish civil war, warned that the United States had “pissed blood on the sacred sovereignty” of Latin America and called on the Venezuelan people to “take to the streets”. Mr Trump shot back that Mr Petro better “watch his ass”.

### ***Trump thump***

One possibility is that Mr Trump may launch air strikes on gang-run drug laboratories inside Colombia. Last year he revoked Mr Petro’s visa for the United States and slapped sanctions on him on drug-related grounds. On January 4th he said that Colombia was run by “a sick man who likes making cocaine and selling it to the United States”. In Mr Petro’s circle “there is a lot of paranoia” about what Mr Trump might do, says a Colombian official. Perhaps for this reason on January 7th Mr Petro called him “to explain the situation of drugs and other disagreements that we have had”, as Mr Trump put it in a post on social media. “I appreciated his call and tone,” he declared.

Mr Trump's conciliatory shift may reflect a concern that, if he were to conduct air strikes on Colombian drug gangs, he might increase the chance that a leftist wins the presidential election in May (the constitution limits Mr Petro to a single term, which ends in August). Yet the relationship between the two leaders could easily veer into hostility once more. And even if there is no military intervention in Colombia, the country will be hit by the fallout from its neighbour. It already hosts almost 3m Venezuelan migrants, far more than anywhere else. If Venezuela spirals into chaos, hundreds of thousands more people, and possibly violence, could spill over the border.

In Mexico City officials appear relaxed about the extent to which Mr Trump's new posture changes the risks of a strike on their own territory. Ms Sheinbaum has fostered close relations with Mr Trump and has granted just about his every wish. She has ramped up action against drug gangs, tightened border enforcement, extradited kingpins to the United States and slapped tariffs on China. The cost of unilaterally striking Mexico, America's largest trading partner, would be much higher than that of attacking Colombia. The two countries share a gigantic land border and co-operate across multiple areas besides security. This year they are due to co-host the football World Cup, along with Canada; the United States-Mexico-Canada Agreement (USMCA), their free-trade pact, is also up for review. As long as Ms Sheinbaum continues to do almost everything Mr Trump asks of her, thinks Jorge Castañeda, a former Mexican foreign minister, unilateral action remains unlikely. The big question is whether that might include allowing the Americans to operate more freely within Mexico. It is already allowing surveillance drones to fly over its territory.

Mr Trump may push Ms Sheinbaum harder to go after Mexican politicians suspected of colluding with drug traffickers, especially those within her own party, Morena. "Sheinbaum is between a rock and a hard place," says Martha Bárcena, a former Mexican ambassador to the United States. "If she goes after corrupt

politicians, she can increase her legitimacy and bargaining power with the US. But it would probably mean the end of Morena.” Ms Sheinbaum must also pacify the hard core of party cadres who are diehard leftists and admired Mr Maduro. A rare foray back into public life by Andrés Manuel López Obrador, Ms Sheinbaum’s predecessor and mentor, to condemn the operation, shows how delicate that task will be.

America may also beset Mexico about its relationship with Cuba. In recent years it has helped to prop up the Cuban regime by sending it subsidised petrol (as Venezuela has also done). Between May and August 2025, reckons MCCI, an NGO, Mexico sent more than \$3bn-worth of cheap fuel to Cuba, triple the amount sent under the administration of Mr López Obrador, despite the deteriorating finances of Pemex, Mexico’s state-owned oil firm. In 2024 Mexico’s government also hired more than 3,000 Cuban doctors.

Cuba is the most fragile of the states Mr Trump has threatened since the attack on Caracas. If the United States induces both Mexico and Venezuela to cut off aid, Cuba will be in a truly dire predicament. Its economy is already struggling, partly owing to a gradual reduction in oil shipments from Venezuela that began long before Mr Maduro’s ousting. Fuel shortages and power cuts have undermined all manner of industries, from agriculture to tourism. Mr Trump and Mr Rubio (who is a second-generation Cuban immigrant) have implied that the regime is so weak it is likely to collapse without any intervention from America. If so, Mr Trump could claim a huge foreign-policy success stemming from his actions in Venezuela.

It is possible that the attack on Caracas sets off a cascade of positive developments throughout the Americas. A stable, democratic, prosperous Venezuela (or Cuba, for that matter) would be a great boon, improving the lives of ordinary Venezuelans, curbing destabilising flows of migrants or perhaps even luring

some home and spurring regional economic growth. A botched intervention, in contrast, could have negative reverberations. Mr Trump's overt turn towards a coercive and violent foreign policy could push more of his neighbours towards China (even if China itself now feels more cautious about engaging in Latin America). America's close allies, meanwhile, are reeling from Mr Trump's sudden renewal of his talk about annexing Greenland, a partially autonomous territory of a fellow NATO member, Denmark, where America already has a military base.

Mr Trump's cheerleaders consider the raid on Caracas, and the subsequent hectoring of other countries in the region, as a welcome moment when America finally gained the courage to stand up for its own interests. "We're a superpower. And under President Trump, we are going to conduct ourselves as a superpower," Stephen Miller, Mr Trump's deputy chief of staff, told CNN, a news network, this week. Yet the raid may equally be remembered as an attempt to assert American authority in the region and the world that soon lost momentum, undermining America's credibility. America's best interests, in other words, may be subtler than Mr Trump thinks. ■

---

<https://www.economist.com/briefing/2026/01/08/donald-trump-asserts-control-over-venezuela-and-all-the-americas>

The hunt for red Marinera

# America chases down the shadow fleet serving Venezuela

*Donald Trump is determined to enforce its oil blockade*

Jan 09, 2026 04:38 PM



IT WAS A slow-motion naval chase. Last month in the Caribbean the US Coast Guard attempted to board the *Bella 1*, an oil tanker used to smuggle oil in defiance of American sanctions. The attempt failed. Weeks later the *Bella 1* turned up in the Atlantic with a new name (the *Marinera*) and a new flag (Russian). A Russian submarine was en route to protect it. But on January 7th American forces pounced before the Russians could arrive, rappelling onto the ship near Iceland and seizing it by force. The same day, thousands of miles away, American forces also seized another tanker, the *m Sophia*, in Caribbean waters. The raids are the latest assertion of American power to follow the [abduction of Nicolás Maduro](#), Venezuela's president, on January 3rd.

The *Bella 1* has a long and complicated history. It is owned by a newly formed Russian company. In 2024 America placed it under sanctions for its involvement in a company alleged to be a front for Hizbulah, a Lebanese militant group. The ship has moved more

than 20m barrels of Iranian oil and 5m of Venezuelan oil to China since late 2020, believes Kpler, a data firm, with the profits funding Hizbullah and Iran's elite Quds Force, both of which America regards as terrorist groups. Marco Rubio, America's secretary of state, has said that America is maintaining an oil embargo on Venezuela to force the post-Maduro regime to submit to its will.

## Route of oil tanker Marinera (Bella 1)

Aug 1st 2025-Jan 7th 2026



Source: MarineTraffic

The *Bella 1* is not thought to have been carrying any oil. In August last year it was spotted in Iran, where it is thought to have loaded Iranian oil at Kharg island, though it broadcast false location data to suggest it was further south. It unloaded that oil in the Gulf of Oman, perhaps onto another ship, and headed to the Caribbean, turned around after America seized another tanker in December, and then tentatively moved back towards Venezuela again,

presumably to pick up oil. After America's coastguard confronted it, it made a run for it—the Americans lacked the specialist crews to board a tanker—and vanished again from tracking sites. When it showed up in the mid-Atlantic, it veered north, probably to get to Murmansk, a northern Russian port.

Plane-tracking hobbyists watched, meanwhile, as a surge of American military flights headed to Britain, presumably ferrying the forces and equipment needed for a heli-borne seizure. America is thought to have used P8 sub-hunting planes to track the tanker, as well as AC-130 gunships to provide muscle in the area. Russian state television showed images of a helicopter approaching the tanker. The Pentagon's European Command said that the operation had been carried out by units from the Department of Homeland Security, which oversees the coastguard, with the Department of Defence in support.

In legal terms the *Bella 1* is probably fair game. It claimed to be flying the flag of Guyana, but this appeared to be a ruse. Under the UN Convention on the Law of the Sea (UNCLOS), the corpus of law that applies to maritime affairs, a “stateless” ship can be boarded in international waters. Some time in late December the ship’s crew painted a Russian flag on the side of the ship and it was entered into Russia’s maritime registry. Article 92 of UNCLOS frowns on this sort of chicanery: “A ship may not change its flag during a voyage or while in a port of call, save in the case of a real transfer of ownership or change of registry.” Even so, Russia’s government protested to America about the seizure.

The raid bodes badly for several other chameleon-like ships. Over the past six months more than a dozen tankers, most of them under American sanctions, and some of them stateless, have switched their affiliation to Russia, presumably in order to deter a seizure, according to Windward, a company that analyses maritime data. That trend picked up in December, as America tightened its quarantine on Venezuela, prior to the raid that captured Mr Maduro.

The raids have had little impact on global oil markets. The price of Brent crude, a global benchmark, was down by 0.5% on the previous day's close on January 7th. Venezuela supply is minuscule in the global context and few observers believe that America will go after Russia's shadow fleet more broadly. But it suggests that America is serious about keeping up the pressure on the new rulers in Caracas. "They tried to seize the tanker and it evaded them," says Matthew Wright of Kpler. "They did not want to set a precedent." In recent days 16 tankers carrying Venezuelan oil have attempted to break out of the American blockade by sailing out en masse. One of those, the *M Sophia*, was the other ship nabbed by America on January 7th.

Donald Trump, America's president, has said that his aim in Venezuela is to ensure that America has access to the country's oil in order to push prices down. On January 6th he declared that the country, which is now run by Mr Maduro's deputy, would be "turning over" up to 50m barrels of oil, worth around \$2.8bn, to America. That oil would be sold, he said, with the proceeds "controlled by me...to ensure it is used to benefit the people of Venezuela and the United States!" On January 7th Chris Wright, America's energy secretary, went even further. "[I]ndefinitely, going forward," he said, "we will sell the production that comes out of Venezuela into the marketplace." And, perhaps, every drop grabbed on the high seas. ■

---

<https://www.economist.com/briefing/2026/01/07/america-chases-down-the-shadow-fleet-serving-venezuela>

# United States

- **Nicolás Maduro is unlikely to beat his rap**

Rough justice :: He has credible legal defences but diplomacy may be his best shot

- **Venezuelan immigrants in America are trapped in policy purgatory**

MAGAZuela :: In Florida Nicolás Maduro's arrest brings cheers and chills

- **America's most novel train project is too deadly**

Blood on the tracks :: The government may be more responsible than the operator

- **Why overdose deaths are falling in America**

Threading the needle :: Researchers point to a grocers' favourite

- **What John Thune is for**

Last of the Reaganites :: The Republican majority leader in the Senate is under pressure

- **The radical honesty of Donald Trump**

Lexington :: Why the world will miss hypocrisy in American foreign policy

**Rough justice**

## Nicolás Maduro is unlikely to beat his rap

*He has credible legal defences but diplomacy may be his best shot*

Jan 09, 2026 04:45 PM | New York



WHEN AMERICAN prosecutors indict someone, they tend to keep it secret until an arrest is made lest the defendant skips town. But sometimes the charges are publicised first, especially when the target lives beyond the reach of the law. The point is symbolic: to name and shame. Think Russian hackers, Iranian sanctions-busters or even Venezuelan dictators. Indeed few thought much of it when prosecutors unveiled drug-trafficking charges against Nicolás Maduro in 2020.

Nearly six years and one abduction later, the prospects of Mr Maduro and his wife, Cilia Flores, look rather different. The two await trial in the Metropolitan Detention Centre, a grisly jail in Brooklyn that sits near a Costco and a self-storage site, and whose other recent residents have included [Sam Bankman-Fried](#), Sean “Diddy” Combs and [Luigi Mangione](#). Both Mr Maduro and his wife have pleaded not guilty. Barring a deal, they will probably spend the next year or more trying to persuade courts to toss the case, before their trial eventually opens in Manhattan.

The indictment alleges that the Maduros enriched themselves by helping traffickers smuggle cocaine to America over a 25-year period. Also charged are their son, two other government officials and the leader of Tren de Aragua, a Venezuelan gang. Prosecutors say Mr Maduro gave drug-runners diplomatic cover and logistical support in return for a cut; he allegedly ordered the murder of one drug boss who crossed him. Since the State Department considers some of the gangs to be foreign terrorist organisations, one of the four charges against Mr Maduro is an allegation that he supported “narco-terrorism”.

Prosecutors in New York have plenty of experience with sprawling, high-profile narco cases. In 2016 they convicted two of Ms Flores’s nephews who had been recorded brokering a cocaine sale. They have also secured guilty verdicts against “El Chapo”, a Mexican drug lord; Mexico’s former head of public security; and Juan Orlando Hernández, an ex-president of Honduras (whom Donald Trump pardoned).

Mr Maduro’s case is thornier, with more grounds for him to challenge it. One concerns [the manner of his capture](#), which flew in the face of international law. Officials in the Trump administration described it, absurdly, as a routine law-enforcement operation. Marco Rubio, the secretary of state, called Mr Maduro a “fugitive of American justice”. Even so, that is not licence to kidnap someone abroad. Yet this may not offer Mr Maduro relief: American courts recognise a principle called *male captus, bene detentus* (wrongly captured, properly detained). A dodgy apprehension doesn’t preclude a trial.

Mr Maduro will also say that he has immunity as a head of state. Manuel Noriega, the Panamanian dictator apprehended by American troops and convicted on drug charges, unsuccessfully tried this defence nearly 40 years ago. Unlike Noriega, who was never considered legitimate by the State Department, Mr Maduro

was for a time recognised as Venezuela's leader. But that ended in 2019 and courts tend to defer to the government's determination.

Toing and froing with pre-trial motions will slow things down, but Mr Maduro's bid to dismiss the charges will almost certainly fail. When the trial does get under way, it will look like any other narco case, meaning it will rest on the strength of the evidence. Prosecutors will need to tie Mr Maduro personally to the production or shipment of cocaine which he knew was bound for America. They will rely on co-operating insiders with credibility. As it happens two Venezuelan generals mentioned in the indictment have already pleaded guilty. Perhaps they will testify.

Prosecutors sometimes winnow charges before trial but they hardly ever lose mega-narco cases. That is because under the law the bar to show participation in a criminal conspiracy is low. It will not be hard for jurors to grasp that Venezuela is a waystation for Colombian cocaine and that its most senior officials knowingly enabled its transit, predicts Brendan Quigley, who prosecuted Ms Flores's nephews. To believe this they will not need to see photos of Mr Maduro holding bricks of cocaine. There will probably be secret recordings, incriminating witness testimony and other evidence gathered over years. American prosecutors have been on this case since 2011, when the first set of charges was filed under seal.

Mr Maduro's best chances, then, have less to do with the underlying facts of the case and more to do with its politics. His lawyers will try to paint the prosecution as one motivated by foreign-policy disagreement and Mr Trump's own grievances. They will seek to exploit New Yorkers' antipathy towards the president. For months Americans have watched him misuse the law against his enemies; many resent it. Only one holdout is required for a hung jury. That is not an acquittal, but Mr Maduro could still count it a success.

Or there could be a diplomatic off-ramp. High-profile indictments of foreigners have been dropped and defendants repatriated in the past few years, including Meng Wangzhou, a Chinese executive at Huawei, and Salvador Cienfuegos, a Mexican former defence minister. Viktor Bout, a convicted Russian arms dealer, was freed in a prisoner swap. Mr Maduro's case will take years to resolve. As long as he is in America, he offers diplomatic leverage. And the one thing that Mr Trump enjoys more than a flash-bang Delta strike-force raid is leverage. ■

---

<https://www.economist.com/united-states/2026/01/07/nicolas-maduro-is-unlikely-to-beat-his-rap>

| [Section menu](#) | [Main menu](#) |

**MAGAZuela**

# Venezuelan immigrants in America are trapped in policy purgatory

*In Florida Nicolás Maduro's arrest brings cheers and chills*

Jan 09, 2026 04:47 PM | DORAL



THEY EXPECTED euphoria. Venezuelan-born residents of Doral, a city just north of Miami, had been waiting for the fall of Nicolás Maduro since Donald Trump foreshadowed American strikes this summer. Perusing the aisles of a petrol-station's market stocked with masa flour and tinned sardines in December, María, who fled Caracas with her husband after government officials sent him death threats, imagined what regime change might mean. First, she would spend a "whole day without sleep" celebrating. Then she would return to the white-sand beaches she grew up on.

Yet after American forces captured Mr Maduro in [an audacious raid](#) on January 3rd many Venezuelan exiles living in America felt both excitement and trepidation. Mr Trump deposed the Venezuelan president while also pursuing a hardline immigration agenda that threatens exiled Venezuelans in Florida. Doral is home to more Venezuelans than anywhere else in the country, and its residents voted overwhelmingly for Mr Trump in 2024, in part because of his

pledges to challenge Mr Maduro. Yet while citizens born in Venezuela make up the city's biggest voting bloc, at least half of the population speaks no English, local officials say. Mr Trump recently stripped many of them of the right to work and live in the United States.

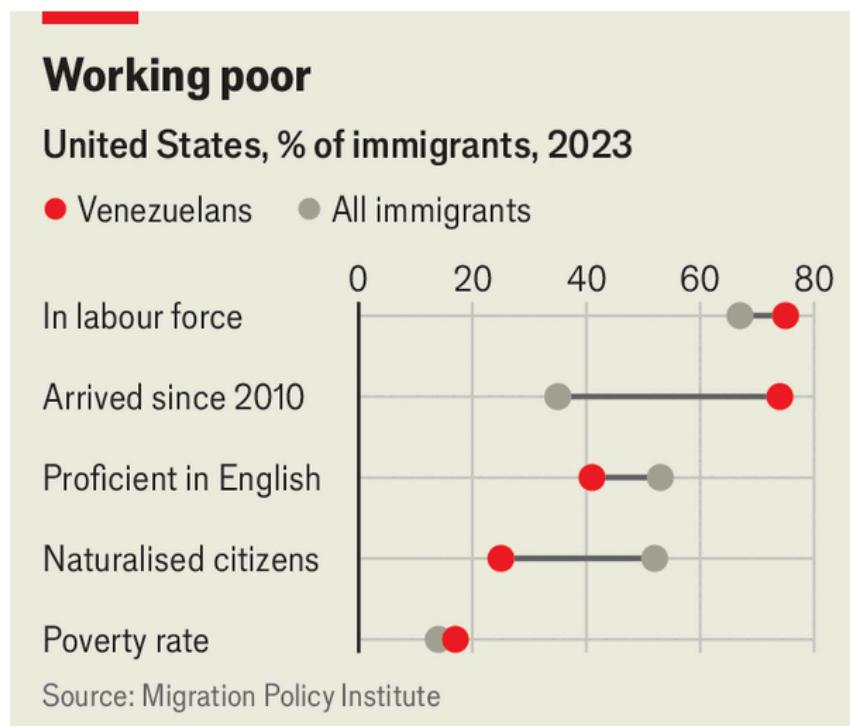
Before Mr Trump was inaugurated María Corina Machado, the leader of Venezuela's opposition, wooed his top advisers. In meetings in Washington her team reportedly told the incoming administration that Mr Maduro controlled a narco-trafficking ring, whose gangsters Mr Trump had railed against for bringing crime to American cities. The Venezuelan opposition's logic was straightforward: if they could convince the president that Mr Maduro was invading America with drugs and criminals, perhaps they could coax him into taking military action. Their strategy seems to have succeeded—but it also stoked the president's disdain for immigrants.

Last year the Department of Homeland Security revoked Temporary Protected Status (TPS) for all Venezuelans, a designation that allows national populations stranded in America because of natural or political disasters back home to work and reside legally for a finite period. Because of Mr Trump's decision, 600,000 Venezuelans became subject to deportation in October and November. Many Venezuelans lost access to health care; some dropped out of college or stopped sending their children to school, for fear of being detained. In December restaurants in downtown Doral were emptier and doing more take-away orders than usual. Thousands of people have reportedly left—the richer ones for Spain, the less well-off for places like Mexico and Colombia.

If Mr Maduro's toppling leads to democracy being restored, Venezuelans will no longer need American asylum because they will be able to go back, says Daniel Di Martino, a Venezuelan Republican operative. For now, however, their position is as precarious as ever. After the raid Mr Trump announced that his

administration would “run the country” temporarily and acknowledged Delcy Rodríguez, Mr Maduro’s second-in-command, as the interim president. What sort of political transition Mr Trump is planning for Venezuela is unclear and whether the country may become even more unstable is anyone’s guess.

Adelys Ferro, a Democratic activist, fears Mr Trump intends to normalise relations with what remains of the authoritarian regime. That could clear the way for deportations to ramp up at a moment when it is perhaps even more dangerous for Venezuelans to return home. “If you were persecuted by a Chavista military general, that person is still there and still in power,” she says. “One head of Medusa is gone, but Medusa has many heads.” Standing behind Mr Trump at the press conference was his usual cadre of senior military advisers. But there, too, was Stephen Miller, the architect of mass deportation.



Compared with other immigrant groups Venezuelans work more, but they are poorer, contain a higher share of newer arrivals, and are less likely to speak English or have citizenship (see chart). Yet not all of them face the same risks. The diaspora is made up of two

broad cohorts: a well-educated group that arrived before Mr Maduro took power, and a more vulnerable, working-class one that crossed the southern border on foot in recent years.

Many in the first group settled around Miami, where they blended into anti-communist Cuban-exile communities, got American passports and became politically active. Those in the second group moved into the same areas but also went to cities such as Atlanta, Chicago and New York to work. Mr Maduro's ousting has created a rare moment of unity. But the two groups see the trade-offs between Mr Trump's foreign and domestic policies differently.

"The delivery driver is grappling much more with the contradictions," says John Polga-Hecimovich, a scholar of Latin American politics at the Naval Academy.

Rafael Pineyro, a Republican city councillor in Doral, expected the celebrations after Mr Maduro fell to be even bigger than those in Little Havana when Fidel Castro died nearly a decade ago. But the crowds this time were more muted: a group of people sang, danced and cried outside the community's favourite arepas shop all day but the numbers were in the hundreds, not thousands. "A lot of people didn't come to the demonstration we had because they were afraid ICE would show up," he says. He is cautiously optimistic that what comes next will be good for Venezuelans, but thinks that rescinding TPS so early was "a big mistake". Many Venezuelans in Florida feel Mr Trump brought them one step closer to returning home. But few are naive enough to think he is fully on their side. ■

---

<https://www.economist.com/united-states/2026/01/05/venezuelan-immigrants-in-america-are-trapped-in-policy-purgatory>

**Blood on the tracks**

# America's most novel train project is too deadly

*The government may be more responsible than the operator*

Jan 09, 2026 05:40 PM | MIAMI



Proceed with caution

TO RIDE ON Brightline, a private passenger train in Florida, is a luxurious experience. A “premium” journey begins in a lounge with four kinds of beer on tap; the train itself has smart leather seats and a bar service with champagne. It is a lot better than driving on the state’s famously congested roads, and faster too. Often it is cheaper than flying. In 2023 the firm opened the first new private passenger train track in America in over a century, expanding service from Miami to Orlando (see map). Brightline’s growth offers hope that private enterprise could bring to America a new golden age of rail. There is just one rather unfortunate problem. People keep getting hit by its trains.

In 2024 Brightline transported 2.8m people in Florida. But 41 people also died in accidents involving its trains, according to the Federal Railroad Administration (FRA). Its data excludes suicides. Since launching in 2018 over 180 people have been killed, including suicide cases, according to data collated by the *Miami*

*Herald*. “When we first started running from Orlando, it was pretty much once a week,” says a worker on the train. Employee turnover is high, the worker says, especially among conductors who sit at the front. “Some of them have seen people get hit and seen bodies fly past the windows and that kind of messes them up.”



America’s trains in general are surprisingly dangerous. In 2024 over 900 people were killed in accidents across the entire system, including by freight trains. Yet Brightline is deadlier than most. On Amtrak, the national passenger railway, there were 148 deaths, for

33m passenger journeys (again, excluding suicides). That makes Brightline over three times deadlier per passenger than Amtrak. By international standards, the death toll is astonishing. In the year to March 2025 Britain's railways transported 1.7bn people and around a dozen people were killed on train tracks.

Why so deadly? The proximate cause is that Americans cannot seem to help themselves from walking or driving on railway tracks when they should not. The FRA data show that all of the accidental fatalities on Brightline tracks last year involved trespassers. "If you're pointing the finger at the train, you're looking at the wrong source of the problem," says Alfred Sanchez, head of the Greater Miami Chamber of Commerce. On his daily commute home he used to cross a Brightline track and would see people trying to manoeuvre past the guardrails—in cars, on foot and on bikes. "I don't know why people don't take it more seriously here, but they do not take it more seriously," he says.

Another cause of the death toll is that it is unusually easy to get onto the tracks. Roughly 3m cars cross the Brightline tracks each day at over 300 street crossings. Of those, almost a third do not have "quad gates" designed to make it harder to drive around. Nor is there much fencing to keep pedestrians off the tracks. America's railways have barely been upgraded in over a century. With the exception of its new leg to Orlando, Brightline travels on tracks built in the late 1800s that previously were used almost exclusively by freight trains. Its passenger trains go faster than trundling freight trains—at 125mph in sections—and some drivers may not realise how little time they have to get across.

Brightline has worked with local police to set up "scarecrow" patrol cars by the crossings and got Waze, a navigation system, to alert drivers when they are about to cross the tracks. The firm has invested \$230m to upgrade crossings since 2018. They say that incidents where a train hit a person, car, bike or scooter fell by 13% last year. But people living and running businesses by the railway

have advocated for even the deadliest crossings to stay open because they are convenient—and local politicians too often placate them. The state of Florida, which controls the intersections, has taken a backseat in all this. “The tragic fact is that these incidents are preventable,” says a Brightline spokesperson. “We all need to do our part.”

If Brightline had to elevate the tracks or fence the railway, it would not be viable as a business. Indeed, it may not be anyway. Last year the firm, which is owned by an international private-equity group, had to pay 14% interest to refinance almost \$1bn in debt. Ridership and revenue are growing fast, but at nowhere near the especially rosy rates projected to investors. Brightline is a far more pleasant experience than driving or flying, but competing with road transport is tricky, especially in a sprawling place like Florida. However much better the train experience is, people often need their cars when they arrive.

Elsewhere governments tend to subsidise railway capital projects more. Britain has replaced hundreds of level crossings in recent years. In Florida, by contrast, safety tends not to take priority over keeping costs down. Six years ago Ron DeSantis, the governor, started looking into the problem. Too little has been done since. ■

---

<https://www.economist.com/united-states/2026/01/08/americas-most-novel-train-project-is-too-deadly>

**Threading the needle**

# Why overdose deaths are falling in America

*Researchers point to a grocers' favourite*

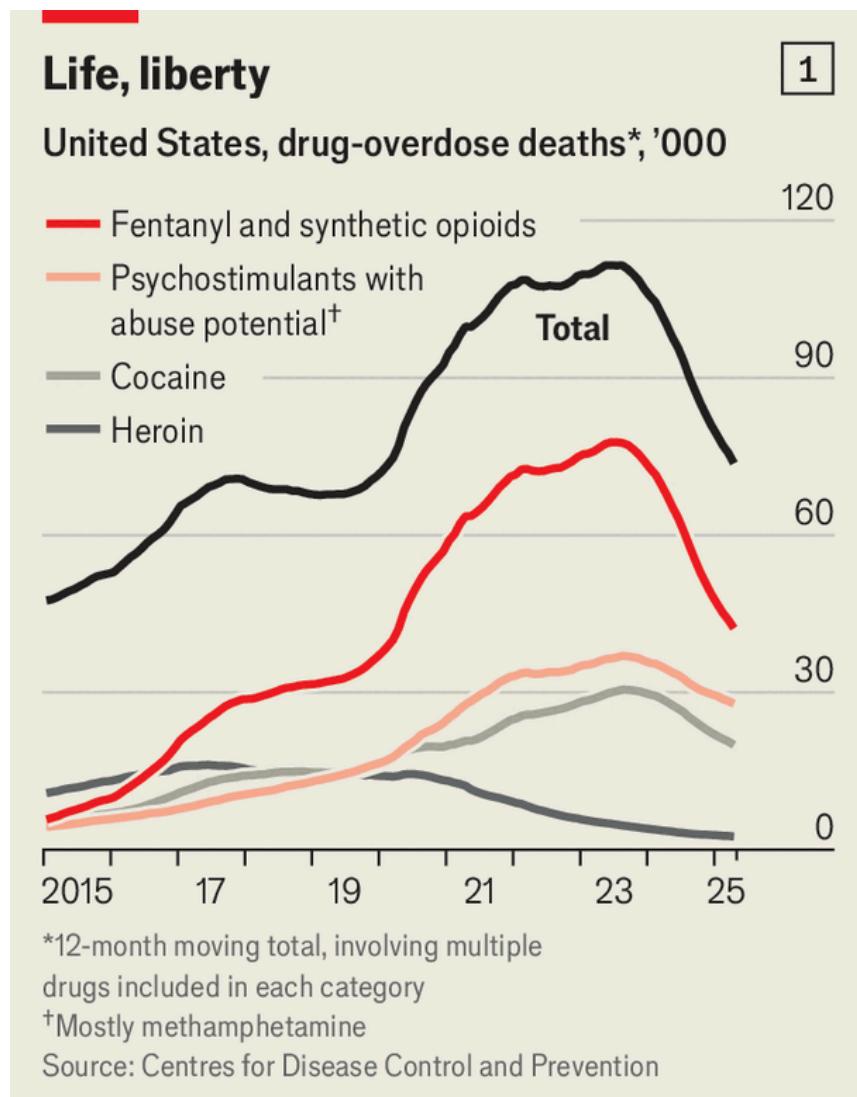
Jan 14, 2026 11:39 AM | NEW YORK



A JAR OF peanut butter is not what it used to be. Look at the bottom and, for some jars, the “dimple” has grown deeper over time—the amount of peanut butter has reduced, while appearing the same size. “Shrinkflation”, as this downsizing is known, is common enough as manufacturers try to keep prices the same when production costs rise. New research posits that this same strategy might be behind America’s dramatic recent fall in the overdose death rate.

Deaths from opioid overdoses have decreased from almost 85,000 in the year to June 2023 to 48,000 in the year to April 2025 (the most recent data available, see chart 1). Researchers have pondered what could have caused this sudden turnaround, pointing to the end of the covid-19 pandemic or a rise in drug treatment. A new article, published in *Science* on January 8th, suggests, instead, that a supply shock drove the decrease. Written by a collaboration of top-tier opioid researchers from the University of Maryland, Stanford and beyond, the paper uses data from drug seizures to show that

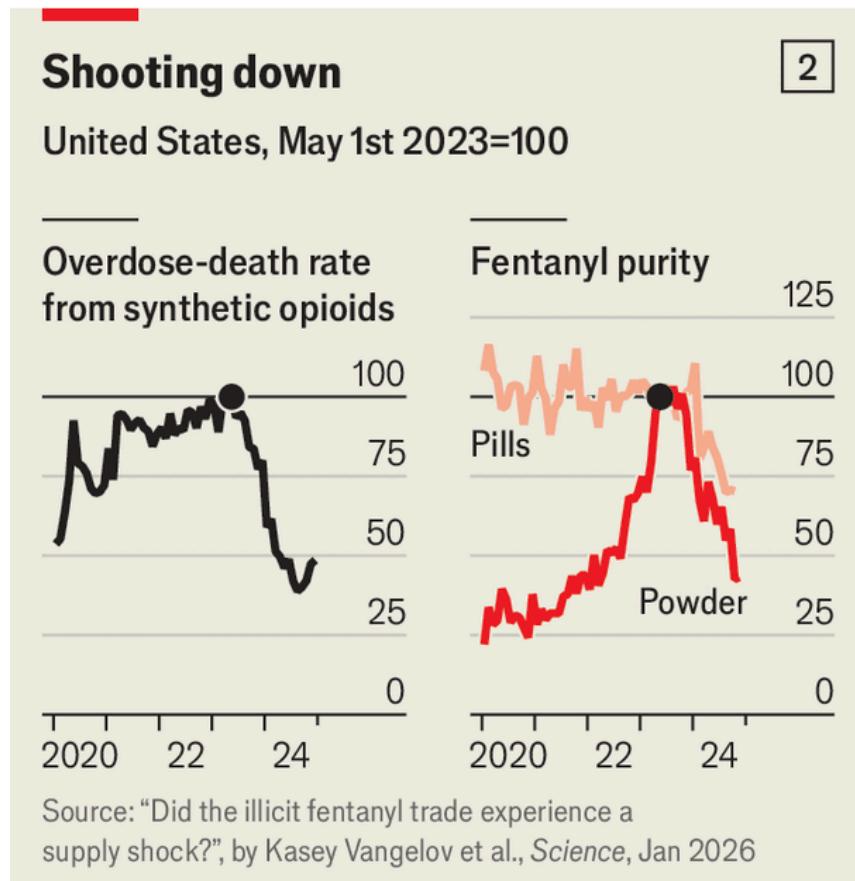
fentanyl powder and pills were losing potency just as overdose deaths were falling (see chart 2).



This indicates that drug dealers were finding it harder to source fentanyl and were turning to shrinkflation. “Lots of things can reduce overdoses, but there’s only one thing that can reduce overdoses massively, suddenly, across whole nations,” says Keith Humphreys, one of the paper’s authors. “And that’s supply control.”

About 70% of American overdose deaths are caused by fentanyl, a synthetic opioid. Networks shift, but currently most American street fentanyl starts as building-block chemicals produced in China. Those are shipped to Mexico, where drug gangs formulate

them into fentanyl and smuggle it across the border. Analysing data from the Drug Enforcement Administration, the researchers show that the purity of fentanyl powder peaked in July 2023, before falling by more than half to the end of 2024. This follows a similar pattern as the overdose death rate. Even as quality worsens, prices in drug markets are sticky, so the decreasing potency probably meant people were taking less fentanyl.



This did not go unnoticed by users. In a novel turn, the *Science* article also analyses posts on Reddit, a message-board platform. There, mentions of a fentanyl “drought” spiked throughout late 2023, until January 2024 when moderators cracked down on such chatter. Canada has a similar opioid epidemic but a different supply chain, largely skipping over Mexico. Because Canada saw similar falls in fentanyl strength, the researchers hypothesise that the supply shock was caused by something changing in China.

Other researchers are sceptical. “There was simply no collaboration with China and no Chinese actions taken before November 2023,” says Vanda Felbab-Brown of the Brookings Institution, a think-tank, pointing out that the death rate started to fall well before. Although she finds the case for a supply shock “persuasive”, her research shows that prior to late-2024 there was no precursor shortage in Mexico.

Similarly, Daniel Ciccarone, an opioid researcher at the University of California, San Francisco, reckons a supply shock is not “the complete answer”. Looking at the breakdown of overdose deaths by state, he sees an epidemic naturally ending. “There aren’t that many people who want to do serious opioids,” Mr Ciccarone argues. He sees the 2023 death rate as “unsustainable”. “Epidemics burn out,” he says, “whether it’s covid or Ebola or drug overdoses.” He argues that a supply shock happened at the same time and “probably accelerated [the fall] a little bit”.

However large the role of the supply shock was, it will have implications for the next stage of the epidemic. China and America [have been increasing co-operation on drug policy](#) as part of a cooling-down of the trade war. But China’s government could ease up on enforcement of chemical-export restraints should relations worsen again. Or perhaps chemical manufacturers in another country, such as India, will expand to meet remaining demand. Yet even if the supply shock proves temporary “this would still be the most spectacular achievement we’ve had in terms of saving lives” in the opioid epidemic, says Mr Humphreys. “So I will celebrate that.” Rightly so. ■

---

<https://www.economist.com/united-states/2026/01/08/why-overdose-deaths-are-falling-in-america>

**Last of the Reaganites**

## What John Thune is for

*The Republican majority leader in the Senate is under pressure*

Jan 09, 2026 04:46 PM | WASHINGTON, DC



Tall orders

WASHINGTON IS AN unlikely place to go looking for endangered species. Yet in addition to imperilled spotted turtles and wedgemussels, the capital is home to another vanishing type: Reagan Republicans. Some can still be found lounging about the Senate. Their threatened extinction is a study in ecosystem takeover.

Nearly a decade ago, led by Senate majority leader Mitch McConnell, Republicans struck a shaky accommodation with Donald Trump, an invasive species. Mr McConnell infused Mr Trump's MAGA agenda with Reaganism: cutting taxes, making federal courts more conservative and boosting military spending. But Mr Trump proved impossible to contain and had little regard for the institutions Mr McConnell and his allies revered. By the end of the president's first term, their pact had all but broken down. The two men no longer speak. Now, Mr Trump is back on top of a

Republican Party fashioned even more emphatically in his own image.

It has fallen to John Thune, Mr McConnell's successor and ideological ally, to hold the traditionalist line. Elected Senate majority leader last November against the wishes of the MAGA base, the four-term senator from South Dakota is an awkward fit in the president's transformed party. He represents continuity with Mr McConnell's brand of conservatism, under whom he climbed the ranks of leadership. He has largely used the same playbook: making Mr Trump's legislative agenda more appealing to Reagan conservatives, while staying mum over the president's more extreme policies, even those that undermine Congress. His balancing act is working, at least for now. But will Mr Thune, a longtime defender of the Senate's prerogatives, ever stand up to the president as Mr McConnell occasionally did?

One theory is that Mr Thune is building up credit with the president to be spent later. He has deftly navigated a restive caucus and the mercurial Mr Trump. That was best illustrated in his marshalling of the One Big Beautiful Bill Act, a gargantuan tax-and-spending plan. He also pushed hard for the president's nominees, tweaking Senate rules to get 417 of them confirmed, more than in any president's first year since Barack Obama in 2009. That has earned Mr Thune respect among the MAGA faithful. "He has done an incredible job," says Katie Britt, a Trump loyalist and senator for Alabama. "He found a way to get us to where we need to be...and has kept the conference together."

The coming weeks will pose another test for Mr Thune. Congress must still pass nine appropriations bills to keep much of the federal government open beyond January 30th. The vexed issue of health-care subsidies, which were at the heart of last year's record-long shutdown, will return. Mr Thune opposes extending the expired credits, but the measure looks set to pass the Republican-controlled House, which may put him in a bind. And last, he has to contend

with indignant lawmakers, many of whom are riled up over Mr Trump's decision to [snatch Nicolás Maduro without notifying Congress](#) first. Mr Thune praised the operation.

### **Cooling power**

Mr Thune's critics argue that he has turned the Senate into a rubber stamp for the executive. That is unfair. He has acted independently on some issues, including the filibuster, which sets a 60-vote threshold for most legislation. During last year's shutdown, Mr Trump repeatedly pressured Senate Republicans to scrap it. Mr Thune, citing its importance as a tool of compromise (not to mention a safeguard against Democrats), refused to yield. The filibuster represented a "bulwark against really bad things happening to the country", he explained in November. He somehow escaped a verbal pummelling on the president's Truth Social account.

Even Democrats describe Mr Thune as decent and honest, attributes that are important to his balancing act. He maintains a good relationship with the president. "Trump likes him because he's six foot four and he's good-looking," says one of Mr Thune's close acquaintances. (The president calls him "Big John".) Mr Thune has also won over some of the more fractious members of his caucus by simply giving them more to do: he has delegated more responsibility to lawmakers and committees to propose legislation, instead of hoarding power in his leadership office, as his predecessor did.

None of that, however, is likely to solve Mr Thune's biggest challenge, which is to halt the Senate's waning influence when the president is determined to govern without it. Mr Thune faces criticism in some parts of his party for not pushing back hard enough against the president. A close aide says that Mr Thune's biggest concern heading into the year is managing the unpredictable Mr Trump. The risk of losing the Senate in the

midterms, by contrast, is only about 30% in betting markets. So far, Mr Thune has not publicly challenged the president's brazen power grabs, leaving that to the courts. But Mr Trump has kept up his attacks on the filibuster, and some Republican senators are increasingly amenable to the idea.

Those close to Mr Thune say he is playing the long game, keeping his powder dry for the day when it will matter most. That was also Mr McConnell's strategy—and it didn't work. Besides, anyone looking to the Senate majority leader to lead some kind of resistance to the president probably needs to recalibrate their expectations. ■

---

<https://www.economist.com/united-states/2026/01/08/what-john-thune-is-for>

| [Section menu](#) | [Main menu](#) |

**Lexington**

# The radical honesty of Donald Trump

*Why the world will miss hypocrisy in American foreign policy*

Jan 09, 2026 10:34 PM



ALTHOUGH DONALD TRUMP lies a lot, even by the standards of American presidents, a bleak, transgressive honesty about how the world really works has always been core to his peculiar political appeal: politicians are corrupted by big donations; only stupid people pay higher taxes than they can get away with; he could shoot someone on Fifth Avenue and not lose a vote. “You think our country’s so innocent?” he once replied when asked about the murderous record of Vladimir Putin.

Mr Trump’s forthrightness about his interest in [Venezuela](#) is of a piece with this politics and worldview. He is not intent on regime change, let alone on spreading democracy. In fact, he seems content with regime stabilisation, as long as the regime recognises America is “in charge”, because what he wants most is the [oil](#). “We’re going to be taking out a tremendous amount of wealth out of the ground,” Mr Trump said after American forces [snatched](#) the country’s despotic leader, Nicolás Maduro.

Because gaps between a politician's stated principles and his actions supply the easiest targets for his critics, Mr Trump's unabashed cynicism lends him a shield. Some may whinge that Mr Trump is violating his "America First" standards, but on this point he is no hypocrite. To him, the slogan does not imply isolationism. It licenses American aggression in pursuit of naked self-interest.

Other objections to Mr Trump's lightning strike seem even less likely to gain purchase. Democrats may keep complaining he violated the constitution by assuming Congress's authority to declare war, but so what? Presidents have been doing that for well over a century. A Congress that could not bestir itself to restrain Mr Trump from executing anonymous suspected drug-runners, without producing any evidence, is not likely to impeach him for going to such lengths to bring an indicted cocaine lord to justice (however at odds those tactics may be—and even though Mr Trump had previously pardoned a convicted drug lord, the former president of Honduras, for smuggling cocaine from Venezuela).

Appeals to international law seem even more pathetic. Yes, the United Nations charter rules out violating another nation's sovereignty by force, unless approved by the Security Council. But there's a carve-out for actions in self-defence—the very argument, as it happens, the Trump administration is making, absurdly. More important, who can hope to enforce such law against America?

At home and abroad, longtime critics of American foreign policy may even take some satisfaction from Mr Trump's bluntness. America has not been "so innocent" in dozens of interventions in Latin America during the cold war, waiving concern for human rights or democracy when American commerce and control were actually, or also, at stake. Such critics may console themselves—as so many of this president's supporters have for so long—that Mr Trump, though coarse, is telling it as it is.

While the administration of Barack Obama declared the Monroe Doctrine defunct, Mr Trump has not merely revived it but, in his 2025 National Security Strategy, appended a “Trump corollary”, since rebranded, clumsily, the “Donroe doctrine”. Beyond the old doctrine’s prohibition against European colonisation in the hemisphere, the corollary asserts an American imperative for commercial pre-eminence. As ever with Mr Trump, those countries that have come to rely most on America are his low-hanging fruit: “especially with those countries that depend on us most and therefore over which we have the most leverage”, America must insist on “sole-source contracts for our companies”.

Promoting democracy or human rights does not rate a mention. “We must not overlook governments with different outlooks with whom we nonetheless share interests,” the strategy cautions, in a line that may have foretold the new Venezuela. One noun best captures Mr Trump’s vision of America’s proper role in the Americas, and he used it freely on January 3rd, during his press conference describing Mr Maduro’s capture: “America’s dominance in the western hemisphere will never be questioned again,” he said.

### ***Predator versus aliens***

Maybe this will all work out well. More likely, in years to come, everyone, including America, will come to miss the old hypocrisy. International law has rarely operated via enforcement, but rather via voluntary compliance, with America, for all its failings, carrying the standard. What happens when vice no longer feels any compulsion to pay homage to virtue? It is troubling enough to consider how not just Russia and China but smaller nations might behave, let alone America, as it forthrightly—honestly—owns the role of apex predator. Not just Colombia and Cuba but Mexico and Denmark have every reason to take Mr Trump’s threats seriously. He may not always use military force but he will use every other

means of leverage an American president has, without regard for consequences after his own term in office.

These days, defending the principles of international law seems so futile that doing so seems uncool. Mr Trump demonstrates daily that what matters, in the real world, is power—at least, that is all that matters when the American president believes that's all that matters. Yet the claim that this will make America safer and more prosperous in the long haul is his biggest delusion. The Americans who led the world to put those rules in place after the second world war were not misty-eyed romantics. They were hardened realists such as Arthur Vandenberg, a Republican senator from Michigan and former isolationist who recognised that in a globalising age “our oceans have ceased to be moats” and only a new “enlightened self-interest” could avert mayhem. These leaders were distilling the lessons from horrors that subsequent generations of Americans, and much of the world, have been spared, and probably not by coincidence. ■

---

<https://www.economist.com/united-states/2026/01/07/the-radical-honesty-of-donald-trump>

| [Section menu](#) | [Main menu](#) |

# The Americas

- **The White House weighs how to acquire Greenland**

Who's next? :: Leaders in Greenland and Denmark are in shock. Is the president serious?

- **Canada's armed forces are planning for threats from America**

Look nervously south :: They started rebuilding in 2025, before Donald Trump's most recent bid for hemispheric dominance

**Who's next?**

## The White House weighs how to acquire Greenland

*Leaders in Greenland and Denmark are in shock. Is the president serious?*

Jan 08, 2026 04:06 PM | Washington, DC



DONALD TRUMP'S appetite in the western hemisphere appears insatiable. Just a day after [snatching Nicolás Maduro](#), Venezuela's strongman leader, Mr Trump set his sights on his next target: [Greenland](#). "We need Greenland from the standpoint of national security," the president told reporters aboard Air Force One on January 4th. His allies were quick to amplify the message. Stephen Miller, an influential adviser, argued that American control of Greenland was necessary in order to secure the Arctic and defend NATO's interests. Forget international law, he growled: "We live in a world...that is governed by strength, that is governed by force, that is governed by power."

Greenland and Denmark, and much of Europe, are in shock. A year ago, Mr Trump's threats against the self-governing Arctic territory of 57,000 people, which is part of [Denmark](#), elicited mostly derision and distaste among European leaders. This time it is

different. “Enough is enough,” responded Jens-Frederik Nielsen, Greenland’s prime minister. “No more pressure. No more innuendo. No more fantasies about annexation.” Mette Frederiksen, Denmark’s prime minister, implored Mr Trump to drop the threats, adding that they “should be taken seriously”. Once a leading candidate to be NATO’s secretary-general, Ms Frederiksen sombrely posited that any American move to seize Greenland would spell the end of the alliance.



In an extraordinary joint statement on January 6th, six European leaders reaffirmed their support for Greenlandic and Danish sovereignty and for the principles of the UN Charter. But behind this display of unity lurked panic. The White House, for its part, paid little heed. Within hours it put out its own statement, saying the president and his advisers were now considering a “range of options” to acquire Greenland, including through military force. Reeling from the spectacle of Mr Trump’s triumph in Venezuela, Danish officials are increasingly fearful that he may simply, on a whim, declare Greenland part of the United States. Europe, lacking much military muscle or will, would struggle to resist.

As ever with Mr Trump, it is hard to determine just how serious his intentions are. For over a year he has offered a hotch-potch of reasons as to why he covets the Arctic territory: [access to its resources](#); achieving [prosperity for Greenlanders](#); enhancing America’s national security. Recent pronouncements have the distinct tenor of America’s 19th-century Monroe Doctrine, which sought to exclude foreign powers from the western hemisphere. “It’s so strategic...Greenland is covered with Russian and Chinese ships all over the place,” he said. More recently Marco Rubio, the secretary of state, has told American lawmakers that Mr Trump hopes to buy Greenland, portraying the president’s bellicose rhetoric as a negotiating tactic.

An outright annexation is still unlikely. But Mr Trump’s interest is serious: he seems intent on bolstering America’s sway over the Arctic island and changing its status before his presidential term is up. For now, his administration’s strategy appears to be two-pronged. First, it aims to cultivate elements within Greenland’s independence movement and to deepen the movement’s divisions with Denmark. Second, it seems to be trying to strike a deal of sorts with the Arctic islanders, perhaps even bypassing Denmark entirely.

Start with independence. Though most Greenlanders favour it, and the abuses by Denmark's past colonial administrations are still a neuralgic issue, they do not want to become Americans either. That has not stopped American officials from fomenting divisions between Greenland and Denmark. During a visit in March 2025 J.D. Vance, the vice-president, criticised Denmark for supposedly failing Greenlanders. He then appeared to back independence, saying that the United States would "have conversations with the people of Greenland from there". In December Mr Trump appointed Jeff Landry, the Republican governor of Louisiana and a foreign-policy novice, as special envoy to Greenland. The move implied, at least to some, that the United States intended to treat Greenland as a separate entity from Denmark.

The CIA and the National Security Agency have reportedly stepped up surveillance of Greenland's independence movement, and have been tasked with identifying locals sympathetic to the United States. The Danish government summoned American diplomats twice last year over reports of spying and running a covert influence campaign in Greenland. Denmark's military-intelligence service raised concerns about the United States in its annual threat assessment last December.

At the same time, there is increasing chatter that the Trump administration is working on a deal to present to Greenland. Mr Trump has repeatedly compared the situation to a large real-estate deal, one he says would bring great riches to Greenlanders. American officials have discussed offering a so-called Compact of Free Association (COFA) to the island, an agreement it has historically extended to small nations in the Pacific. COFAs allow American armed forces to operate freely in signatory countries, with the added sweetener of duty-free trade. American officials have reportedly sought to engage in direct talks with the Greenland government, but have so far been rebuffed.

### ***Deal—or no deal?***

Danish officials retort that Greenland already hosts an American military base, which gives Uncle Sam wide latitude over how it operates there. There are no explicit limits on the number of troops the United States can deploy to Greenland under the terms of its treaty with Denmark, though any significant change would probably require the consent of Denmark, which it might anyway be likely to get. Besides, Mr Trump's claims that Denmark has left Greenland exposed to Russian and Chinese predations ignore America's own underinvestment over recent decades. Its armed forces once stationed around 10,000 soldiers across 17 bases in Greenland during the cold war. Now it has fewer than 200 troops in the country, and a single missile-defence base still there.

In any case, America's repeated threats to take over Greenland are yet more evidence of Trumpland's heartfelt loathing of Europe. In European capitals, the spat has raised questions that verge on the surreal. On January 5th Germany's foreign minister affirmed that, come what may, Greenland would come under NATO's Article 5 security guarantee—only this time it would be against American predations. Last year [France](#) was considering sending troops to Greenland. Though no match against the United States, they could act as a tripwire to raise the political costs of intervention. As otherworldly as those thoughts may sound, European officials are giving them due consideration.

Ever since Mr Trump first mused about grabbing Greenland, Danish officials have been baffled by his logic. All of America's security and economic needs on the island, they insist, could be achieved through existing treaty arrangements and collaboration. But those arguments have made little impression on Mr Trump. Danish officials admit that this leads them to a final, more frightening conclusion: only total American control will be enough to quench the president's appetite. ■

***Editor's note:*** This story has been updated.

---

<https://www.economist.com/the-americas/2026/01/05/the-white-house-weighs-how-to-acquire-greenland>

| [Section menu](#) | [Main menu](#) |

**Look nervously south**

## Canada's armed forces are planning for threats from America

*They started rebuilding in 2025, before Donald Trump's most recent bid for hemispheric dominance*

Jan 08, 2026 01:48 PM | Ottawa



Looking in every direction

CANADA HAS never had an equivalent of Uncle Sam, sternly exhorting its citizens to sign up to fight for their country. That is changing. Jennie Carignan, Canada's top soldier, is looking for Canadians—whether they are 16 or 65—who will come to their country's aid in the event of a military attack or calamitous natural disaster. “We're going to need heavy-equipment operators,” says General Carignan. “We're going to need drone operators. We're going to potentially need cyber operators as well.” Call her Aunt Jennie.

There is no direct line between her plan for a 400,000-strong civilian-defence force and Donald Trump [plucking Venezuela's dictator, Nicolás Maduro](#), from his safe house in Caracas, Venezuela's capital, on January 3rd. But nor is the timing entirely coincidental. In the past year Mr Trump has repeatedly asserted that

it would be in Canada's interest to [become America's 51st state](#). No one in a position of responsibility really believes the United States would ever invade. Even Mr Trump himself, when asked whether he would use military force to annex Canada, has said "no", or that it is "very unlikely".

But all agree that the relationship with the United States has changed irrevocably. Mr Trump's rhetorical and economic assaults saw to that. Canada had no choice but to try to become a country that can handle threats autonomously, with or without its tempestuous neighbour. Mostly it worries about incursions by Russia and China, cyber-attacks and assaults on infrastructure. But America's raid on Caracas, and subsequent talk of acquiring Greenland, if necessary by force, means military action is no longer unthinkable between two countries that have been peaceful since 1815, before Canadian independence.

The Department of National Defence (DND) began discussing the creation of a civil-defence capability around the time Mr Trump suggested he would use "economic force" to persuade Canadians to join the United States. "In this context, it is responsible for the government to assess the full range of scenarios and options, including a voluntary civilian-defence force that could support the Canadian Armed Forces," says Marco Mendicino, former chief of staff to [Mark Carney](#), Canada's prime minister, and previously the minister in charge of public safety.

The DND has gamed out some of those scenarios. Plans are now regularly updated to deal with a surge of migrants who might want to enter Canada from the United States. Mr Trump's predilection for sending troops into states run by Democrats while using his justice department to prosecute his political opponents has compelled Canada to prepare for the event of civil strife next door.

Combat planners have also sketched scenarios in which an adversary such as Russia or China might attack Canada's

infrastructure or shut down sources of energy or water in order to pin down North American military responders, while one of such foes attacks the Baltic states or Taiwan. Canada is constantly fending off cyber-attacks, says General Carignan. “We always prepare for the worst-case scenarios,” she says reassuringly.

But officials are not eager to discuss all of them. Quite reasonably, they do not want to provide their potential adversaries any hints about Canada’s preparations or vulnerabilities. But they are also preoccupied with trying not to provoke Mr Trump. Few are willing to be interviewed on the record, but it is a fact that those worst-case scenarios, however unlikely, now include incursions by America.

General Carignan says the plan to muster a civil-defence force should please the United States. It meets Mr Trump’s demand that America’s allies should look after more of their own defence and rely less on the United States in the event of an attack or natural disaster. In November she dispatched a team to Finland to study that country’s extensive civil defence developed during decades of being menaced by Russia next door.

### ***Tuck yourself up***

Under their Comprehensive Security Concept, Finns are expected to store enough food, water and medical supplies for 72 hours. Lists are kept of civilians trained in medical first-aid, rescue and firefighting, who would lead others to designated bomb shelters dotted across the country. Big enough to hold 85% of Finns, these are not drab, post-apocalyptic bunkers. They include underground playgrounds and, of course, saunas.

The Canadians were impressed. “They have bunkers everywhere and they make them normal places to be. Some of them have swimming pools in them,” says one official. But it was also noted that Canada is 30 times larger than Finland, with vast tracts of

sparsely populated territory where it would be nearly impossible to defend sovereignty without America's help.



Mr Carney wants to change that. He is promising to spend C\$82bn (\$59bn) over the next five years so that Canada is on a path to devoting 5% of its GDP to defence by 2035. Much of that money will be spent in Canada's north. Russian submarines and Chinese "research" ships are making increasing forays into Canada's Arctic waters. "There is a threat coming from the north and we can't just be a liability," says General Carignan.

The Canadian Armed Forces have 67,000 full-time personnel and 27,000 reserves. All of them joined voluntarily. In addition to defending the second-largest country on earth, they are stretched to the limit with far-flung operations. In Latvia they bolster the defence of the Baltic states, while in Asia a naval mission works to keep the Taiwan Strait open to international shipping.

The armed forces are also spread thin over Canada's almost 10m square kilometres. Climate change may have dropped down the list of the country's priorities, but the damage caused by increasingly dangerous weather has not gone away. Troops are regularly called on to help people affected by floods and forest fires. When covid-19 swept through miserably understaffed old-people's homes in the provinces of Ontario and Quebec in 2020, the army was dispatched to care for them. The new civilian-defence force could help with these kinds of emergencies, freeing up the army to concentrate on defending the homeland from military threats.



It may also rouse Canadians from the reverie they have enjoyed since defence spending first drifted below 2% of GDP more than three decades ago. That this meant Canada depended on the United States for much of its territorial defence did not seem to bother anyone. Philippe Lagassé, who studies defence at Carleton University in Ottawa, notes that Canada has never faced threats like those it does today. He says it is "hard for the Canadian mind to wrap itself around" the new reality.

### ***Uncle Sam's jab***

Canadians seem to be waking up. That is almost certainly due to Mr Trump's hemispheric ambitions, now demonstrated with force. General Carignan says she is regularly besieged after public appearances by Canadians ready to serve. Before Christmas a

senior citizen implored her to deploy him, despite his age. “He said, ‘Listen, I can’t carry a rifle and go to war, but I’m out there scanning the internet. I can help. Let me know how I can help you’.” ■

---

<https://www.economist.com/the-americas/2026/01/07/canadas-armed-forces-are-planning-for-threats-from-america>

| [Section menu](#) | [Main menu](#) |

# Asia

- **Why is Japan souring on foreign workers and tourists?**

Oh deer :: It is a dangerous attitude for an ageing country that needs more immigrants

- **Can Thailand rein in its “mafia monks”?**

A holy mess :: Lurid scandals have rocked the country’s powerful Buddhist institutions

- **Ethnic conflict festers on India’s eastern frontier**

A state divided :: Manipur is a warning for the rest of the country

- **The teenage girl who may rule North Korea**

Banyan :: Even her name is a matter of debate

Oh deer

## Why is Japan souring on foreign workers and tourists?

*It is a dangerous attitude for an ageing country that needs more immigrants*

Jan 09, 2026 10:45 AM | NARA and TOKYO



NARA, JAPAN'S ancient capital, is known for its temples and for its deer, which are said to be messengers of the gods. Recently these beloved cervids have become embroiled in a very earthly mess. During her campaign to lead the ruling Liberal Democratic Party (LDP), [Takaichi Sanae](#), a Nara native and now Japan's prime minister, declared that foreign visitors had been kicking the sacred animals. "Don't you think something has gone too far?" she railed.

There is no evidence that tourists have been beating up deer. But Ms Takaichi's speech, in late September, reflected something real: the alleged threat posed by foreigners, ranging from tourists to migrant workers, has moved to the centre of Japanese politics. The [Do It Yourself party \(Sanseito\)](#), a populist outfit that promises to put "Japanese First", increased its number of seats from one to 15 in an upper-house election in July. The LDP, wary of losing support from its conservative base, is scrambling to tighten controls on

foreigners of all kinds in response. Lately a diplomatic spat with China has begun depressing the number of people coming to Japan from that country—but even this does not seem to have much deterred Japan’s leaders from their course.



Three related trends have fuelled what anxious Japanese have come to call the “foreigner problem”. One is a rise in foreign residents: since 2010 their ranks have doubled to 3.7m. A second is a boom in foreign tourists: a record 36.9m visited Japan in 2024, more than four times as many as in 2010. Third comes the fear that foreign investors are exploiting a weak yen to snap up Japanese property on the cheap. The scale of these purported problems remains small by any international standard. But, as elsewhere, foreigners have become a convenient scapegoat for voters frustrated by inflation and economic stagnation.

To examine what is really going on, start with foreign residents. Their number has risen chiefly because of the need to fill labour

shortages. Japan may have to triple its number of foreign workers to nearly 7m by 2040 just to meet a modest target for annual GDP growth of 1.24%, according to JICA, a government agency. Many of the new arrivals have turned up through temporary-worker schemes (Vietnamese, Chinese and Filipinos make up the largest share of workers on these programmes). Other foreigners arrive as students or expat business types. Foreigners can be found working in convenience stores in the cities, and in nursing homes, hotels, shipyards, factories and rice fields in the countryside. One Ukrainian refugee recently became a sumo champion.

## Melting pots

Foreign-born population as % of total, 2024

Selected OECD countries



For the moment foreign residents make up only about 3% of Japan's population. That is a league away from the 15% that is the average among members of the OECD, a club of mostly rich countries. Yet instead of emphasising this, LDP politicians insist that the government has "no immigration policy". That is not convincing, given that it has plainly been expanding its foreign-worker programmes behind the scenes.

Activists for immigrants' rights say this disjointed approach has impeded much-needed discussions about how to protect and integrate the foreigners who are arriving. The poor messaging has also been a gift to Sanseito; it has been able to depict the influx of foreigners as a sinister "silent invasion". Japan's political establishment is now "paying the price for dodging the debate around immigration", says Torii Ippei of the Solidarity Network with Migrants Japan, a non-profit organisation.

### ***Unwelcome guests***

Next, consider foreign tourists. These were nearly absent during the years in which Japan imposed strict covid-19 border controls. Their numbers have bounced back, in part because of big efforts to drive up arrivals: in 2016 Abe Shinzo, then prime minister, set a target of 40m annual visitors. The number is likely to have surpassed that in 2025. Tourism has become Japan's second-largest export, after cars.

The industry still has a long way to grow. France welcomes more than twice as many foreign visitors as Japan, despite having a population only about half as large. Yet the fact that Japan's visitors tend to concentrate in a handful of locations probably makes the influx seem larger than it is. Footage of bad behaviour often goes viral, such as a recent clip that showed a tourist doing pull-ups on the sacred gate of a shrine. Owners of hotels and shops worry that tensions with China will soon deprive them of Chinese customers —but many other Japanese celebrate this.

Some Japanese resent the fact that a [historically weak yen](#) has benefited visitors while cutting their own purchasing power. "When you see rich tourists feasting on 5,000 yen (\$30) lunches while you're making do with a 500-yen *bento*, it's hard not to feel bitter," says Ito Masaaki of Seikei University in Tokyo. And though data are sparse, stories circulate about wealthy foreign investors

snapping up property in Japanese cities, driving up prices for everyone.

Ms Takaichi's administration is mulling a bevy of policies designed to satisfy Japanese who find all of this worrying. It has created a government body that will handle foreigners who behave badly. Her ruling coalition is talking about imposing hard limits on the number of foreign workers who may enter Japan. It is promising to crack down on those who overstay their visas or fail to pay their health-insurance and pension fees. The LDP is also discussing whether to raise taxes on tourists, impose language requirements for permanent residents and perhaps regulate foreigners' purchase of property.



The party is hoping that curbs such as these will appeal to voters who have deserted it—even if they cause some economic damage. It appears to have had some effect. Polls suggest support for Sanseito is falling; backing for the LDP is drifting up. Though various factors explain Ms Takaichi's popularity, her hardline stance towards foreign residents is crucial.

But in the longer run, an anti-foreigner turn risks setting the LDP further at odds with the many Japanese voters who still take a moderate position on immigration. Japan's business leaders tend to favour policies aimed at expanding the number of foreign workers. And the governors of Japan's 47 prefectures, worried by the tone of

debates, recently banded together to issue a statement in support of multiculturalism. “Xenophobia must not be tolerated,” said the leader of their association.

Perhaps surprisingly, Japanese from the countryside tend to be more open to newcomers than urbanites. The reason is that labour shortages have hit rural areas hardest, says Korekawa Yu, a migration specialist at the National Institute of Population and Social Security Research. “We’ll be in deep trouble if the foreigners stop coming here,” says Mizuno Daisuke, the boss of a fishing co-operative on the island of Shikoku. Half of his employees are Indonesian. “We should only be saying thanks.”

In Nara, Nakanishi Yasuhiro, who represents a deer-preservation organisation, says he was baffled by Ms Takaichi’s claims. Talk of tourists kicking the animals, he explains, was spread by a right-wing YouTuber known for posting misleading videos. Mr Nakanishi patrols the park daily and has never seen such behaviour. “Many foreigners come here and discover how special this place is. We’re very happy about that.” ■

---

<https://www.economist.com/asia/2026/01/05/why-is-japan-souring-on-foreign-workers-and-tourists>

A holy mess

## Can Thailand rein in its “mafia monks”?

*Lurid scandals have rocked the country’s powerful Buddhist institutions*

Jan 14, 2026 11:40 AM | Bangkok



A GLEAMING GOLDEN Buddha stands atop an ornate platform in Wat Rai Khing, a temple near Bangkok, Thailand’s capital. Legend holds that the statue arrived supernaturally, upon a bamboo raft; when villagers hauled it ashore, a punishing heatwave was broken by a miraculous shower of rain. Every morning monks in saffron robes gather before it to pray. Ordinary Thais flock to see it, too.

Last year the famed temple found itself at the heart of an embarrassing scandal. Its abbot was accused of diverting over 300m baht (\$9.5m) from the temple’s bank accounts. He surrendered to police just as a warrant for his arrest was being drafted.

As it turned out, that episode was only the first in a large number of cases that rocked Thai Buddhism during 2025. Soon after, the abbot of another prestigious temple fled to neighbouring Laos, having allegedly been blackmailed by a woman known as “Ms

Golf". Police arrested the woman and accused her of extorting cash from senior monks. The cops alleged that she had amassed some 80,000 compromising photos and videos of holy men and that she may have obtained around 385m baht by threatening to release them.

Seeking to flush out wrongdoing of all kinds, in August police raided 200 temples and related sites. They arrested 181 people (mostly monks) on charges ranging from drunk-driving to alleged involvement in organised crime. They said some of the people they had detained were criminals who had sought ordination to evade the police. Yet even after that enormous round-up, more alleged turpitude was found. In November police collared a monk they said had helped a gang commit loan fraud.

Monastic misbehaviour is not new. Monks have been getting into trouble since the time of the Buddha, notes Katewadee Kulabkaew, a former visiting fellow at ISEAS-Yusof Ishak Institute in Singapore. Yet the latest scandals in Thailand stand apart, even by that country's poor record. It was the worst year for the monkhood "since I was born", says Phramaha Napan Thawornbanjob, a 49-year-old assistant abbot who chairs the Institute of Buddhist Management for Happiness and Peace Foundation, an NGO.

The cases are not just embarrassing for Thai Buddhists. They are politically salient, too. Thai monarchs are constitutionally bound to protect Buddhism, the religion of more than 90% of their subjects. In recent years the king has taken a lot of interest in Buddhist affairs (in theory Thailand's monarchy is constitutional; in practice it possesses vast influence as well as wealth). A law change in 2018 strengthened the king's power to appoint abbots and other clerics; he has made much use of that. He has also made it known he is studying Pali, Buddhism's ancient liturgical language, and has been photographed praying and meditating with monks.

Some cynics think this a calculated effort to improve the king's standing in the eyes of the public (his father, who died in 2016 after ruling for 70 years, was viewed as a saint by some Thais; the son is not). Lately the palace is said to have been a driving force in the recent push to round up misbehaving monks; it may think that being seen to act decisively will look good. However, the rash of temple scandals also risks giving Thais the impression that in recent years holy matters have not been handled very well.

### ***Begging bowls***

In October the Sangha Supreme Council, Thai Buddhism's governing body, introduced new rules aimed at shoring up trust. These include stricter financial reporting and a limit on how much money temples may hold in cash. In parallel, politicians in Thailand have proposed tougher penalties for monks who misbehave. They have even suggested making it a crime for laypeople to have sex with monks.

Will any of this bring meaningful change to Thailand's 40,000 or so temples? Existing rules on reporting earnings aren't consistently enforced, notes Khemthong Tonsakulrungruang at Chulalongkorn University in Bangkok. Junior monks find it perilous to report wrongdoing by their seniors: "I'd have to really be sure," says Phra Apichet, a 35-year-old monk. Even now, the inclination among some senior clergy is to blame a few bad eggs for misbehaviour in the monkhood, rather than organisational failings that permit so-called "mafia monks" to thrive.

A really thorough purge would also risk discomforting some of Thailand's movers and shakers. Superstitious bigwigs who fancy better karma sometimes "get a famous monk in their pocket", says Duncan McCargo of Nanyang Technological University in Singapore. In turn, monks who serve as spiritual guides to powerful people get courted by civil servants seeking contacts that might help them advance. Getting the support of a senior monk can

“change your life”, says Prakirati Satasut, a visiting fellow at the Harvard-Yenching Institute in America. Fully cleansing the monkhood would thus risk exposing misdeeds among Bangkok’s lay elite. And Thailand has never been good at that. ■

---

<https://www.economist.com/asia/2026/01/08/can-thailand-rein-in-its-mafia-monks>

| [Section menu](#) | [Main menu](#) |

A state divided

## Ethnic conflict festers on India's eastern frontier

*Manipur is a warning for the rest of the country*

Jan 08, 2026 01:48 PM | CHURACHANDPUR AND IMPHAL



MILITARY CHECKPOINTS clog the main roads in Manipur, a troubled state in India's north-east. Almost three years have passed since a shocking outbreak of ethnic violence killed several hundred people, destroyed thousands of homes and left tens of thousands of people displaced. These days tight security keeps the hostile parties apart; it has brought a measure of calm. Yet, as *The Economist* found on a recent tour through the region, it is also choking development and risks making reconciliation impossible. The situation can seem distant to people elsewhere in India. But it is a warning to the rest of the country.

On the surface, the riots that broke out in Manipur in May 2023 resembled unrest that has at times afflicted many unlucky parts of India. Tensions rose gradually between two groups that mostly lived peacefully—then boiled over. In Manipur's case the warring parties were the mostly Hindu Meitei community, which makes up around half of the state's population, and the Kukis: mainly Christian hill tribes who make up 16%.



The proximate cause of the riots seems familiar, too: a dispute over special rights. A court had recommended that the Meiteis be named among India's "scheduled tribes"—handing them preferential access to government jobs and to tribal land. The Kukis, who already held that designation, argued that the change would make them poorer and that the Meiteis did not need the leg-up. Fighting that broke out at a Kuki protest march turned into a vicious conflict that raged for weeks.

What truly sets the unrest in Manipur apart, however, is the bleakness that has persisted in its aftermath. Nearly three years later, the state remains on edge—and partitioned along ethnic lines. Meiteis stay in Imphal, the capital, and its surrounding areas. Kukis remain in the hills or in the towns that line them. Violence still strikes sporadically. On January 5th two bombs exploded in Bishnupur, a town that lies in the Meitei zone.

Around 50,000 people (from both groups) live in refugee camps because they have been unable to return to homes that lie in the other side's areas of influence. They are typically housed in disused government buildings. Conditions for many are increasingly squalid. Some have secured occasional work as labourers, having been uprooted from their usual employment. But lots are jobless and surviving on government stipends of roughly 84 rupees (\$0.90) a day.

The mood in the camps is sombre. "My children keep asking when we will go home," says Takhelambam Purnima, a Meitei displaced from a Kuki-majority city. "I can't bring myself to tell them that our home no longer exists." At a Kuki camp, one refugee says that he can't imagine ever living among Meiteis again, given the bloodshed he saw. Kukis are demanding that a semi-autonomous territory be carved out of the state for them. But that is fiercely opposed both by the Meiteis and by many in Delhi, India's capital.

### ***Worlds apart***

One thing both Kukis and Meiteis can agree upon is that the ruling Bharatiya Janata Party (BJP) of Narendra Modi should have done—and should now be doing—far more. "The government deserves most of the blame for this conflict," says Ms Purnima. "If they wanted to stop it, they could have." The Kukis accused the state's chief minister at the time of the riots, a BJP man and a Meitei, of stoking resentment against them (Kukis are sometimes labelled illegal immigrants from Myanmar, among other slurs). He denies this. The People's Union for Civil Liberties, a civil-society group, claims the conflict was aggravated by "state failures". It says authorities were slow to recognise that the unrest was greater than a few "clashes" and that they failed to arrest the radical elements who were driving much of the violence.

The BJP has already paid a political price for its failures. In India's general election in 2024 the opposition Congress party won both of

Manipur's seats in the lower house. But the BJP's defeat does not seem to have prompted the decisive action one might expect. Manipur's chief minister hung onto his job until February 2025, when it looked as though he might lose a no-confidence motion. After his resignation the BJP invoked "president's rule" in Manipur —a constitutional provision that suspends state-level democracy and transfers control to officials in Delhi. The BJP's hesitant attempts at restoring normality have reinforced a long-standing belief among locals that authorities in Delhi care little about their problems.

Recent weeks have brought some cause for optimism. A senior government official claims that around 10,000 people have recently been resettled in villages near a buffer zone dividing the Meiteis and the Kukis. On December 14th politicians from both sides were seen sitting together at a meeting in India's capital. Last year Mr Modi visited the state for the first time since the violence broke out; on December 12th Droupadi Murmu, India's president, made a similar trip. But what any of this will end up achieving remains unclear.

Manipur's misfortunes can seem irrelevant to Indians who live in the country's heartlands. Yet the state's fate has national implications. It has been riven by a decades-long insurgency, led largely by Meitei groups who desire independence. That had been quelled in recent years, but as frustration and alienation deepen there is a risk that it will resurface. Above all, the crisis offers a warning about the dangers of identity politics. Across India, parties increasingly campaign on promises of special privileges and protections for ethnic or caste groups. As affairs in Manipur demonstrate, that is as likely to widen rifts as to heal them. ■

| [Section menu](#) | [Main menu](#) |

Banyan

# The teenage girl who may rule North Korea

*Even her name is a matter of debate*

Jan 09, 2026 10:06 AM



ON NEW YEAR'S DAY North Korea's rulers gathered at a grand mausoleum in Pyongyang that houses the embalmed bodies of the country's eternal leaders, Kim Il Sung and Kim Jong Il. Kim Jong Un, North Korea's current god-king and the third member of his family to hold that position, paid tribute to his predecessors. Standing directly to his right was a girl making her first public appearance in the sacred space: the dictator's daughter.

Since acquiring nuclear weapons the North Korean regime has worried less about being toppled by a foreign power. But Mr Kim remains deeply paranoid about threats from within—and, even though he is still in his 40s, he appears to have started thinking about how to ensure the Kim dynasty retains power after he is gone. His daughter's cameo in the mausoleum on January 1st has only fuelled speculation that Mr Kim is grooming her to one day do his job.

Little is known about Mr Kim's daughter, who is believed to be in her early teens. Even her name is a matter of debate. She is often referred to as Kim Ju Ae. That information first came from Dennis Rodman, an American former basketball star, who said that he held the baby girl during a visit to North Korea's capital in 2013. A diplomat who recently defected from North Korea has said that her name is actually Kim Ju Ye. Official broadsheets are no help. They refer to her, enigmatically, as the "respected child" or the "beloved child".

The respected child first turned up at her father's side in November 2022, when North Korea test-launched an intercontinental ballistic missile. Some speculated that her appearance aimed to burnish Mr Kim's reputation with his people—to imply, in one image, that the dear leader is both a nuclear-armed strongman and a loving family man. But the child's walk-ons have since become very frequent. According to an analysis by *Nikkei*, a Japanese newspaper, during the years 2022-24 she appeared on North Korean television more than every other day. Last year she began popping up at important diplomatic meetings, including a ceremony at the Russian embassy in Pyongyang and a high-profile trip with her father to Beijing.

Being pictured beside nuclear weapons, the ultimate symbol of the government's muscle, is meant to lend her authority. Decorated military officers, the apostles of the Kim dynasty, defer to her. During one state-media broadcast of a military parade, viewers were treated to pictures of the beloved daughter's favourite white horse. The significance could not be lost on North Koreans: white horses were powerful symbols in Kim Il Sung's cult of personality. South Korean officials say they now think the daughter is Mr Kim's most likely successor. He could perhaps take steps towards formalising her status at the next party congress, a once-every-five-years gathering expected to be held in the coming months.

And yet: some observers wonder whether a society as patriarchal as North Korea's could accept a female leader. Under Mr Kim, several

women have gained big jobs. The second-most powerful person in the country is Mr Kim's sister, Kim Yo Jong. For the first time in its history North Korea has a female foreign minister: Choe Son Hui.

But having a woman at the pinnacle of power could create a future vulnerability for the Kim dynasty. It is possible that her offspring (whenever that time comes) would find it more difficult to take power if they are unable to show that they are descended from North Korea's founder through the male line. Mr Kim is rumoured to also have a son. Perhaps, some cynics speculate, he is merely deploying his daughter as a decoy until the boy matures.

Should Mr Kim end up deciding he has chosen the wrong course, there is probably plenty of time for him to change his mind. But it should not surprise anyone that he appears to have started his succession planning early. He emerged as his father's clear successor only after Kim Jong Il suffered a sudden stroke in 2008. To consolidate authority after his father's death in 2011, he felt compelled to have his uncle executed and to assassinate his half-brother near the busy check-in desks of a Malaysian airport, using a fiendish plot that involved tricking two patsies into smearing the victim's face with a nerve agent.

The North Korean regime is more resilient than many outsiders assume. But next time around, Mr Kim might be thinking, it would be better to give the new boss a bit more of a head start. ■

---

<https://www.economist.com/asia/2026/01/08/the-teenage-girl-who-may-rule-north-korea>

# China

- **It's not just China's total population that's falling**

Peak urban China :: The number of people in China's towns and cities is in decline

- **China and Taiwan both see lessons in America's raid on Venezuela**

Military matters :: It won't change China's calculus but is a case study for "decapitation" strikes

- **America's raid on Venezuela reveals the limits of China's reach**

Chaguan :: It is not a template for Taiwan but a reality check on China's global power

**Peak urban China**

# It's not just China's total population that's falling

*The number of people in China's towns and cities is in decline*

Jan 08, 2026 03:16 PM | Hong Kong



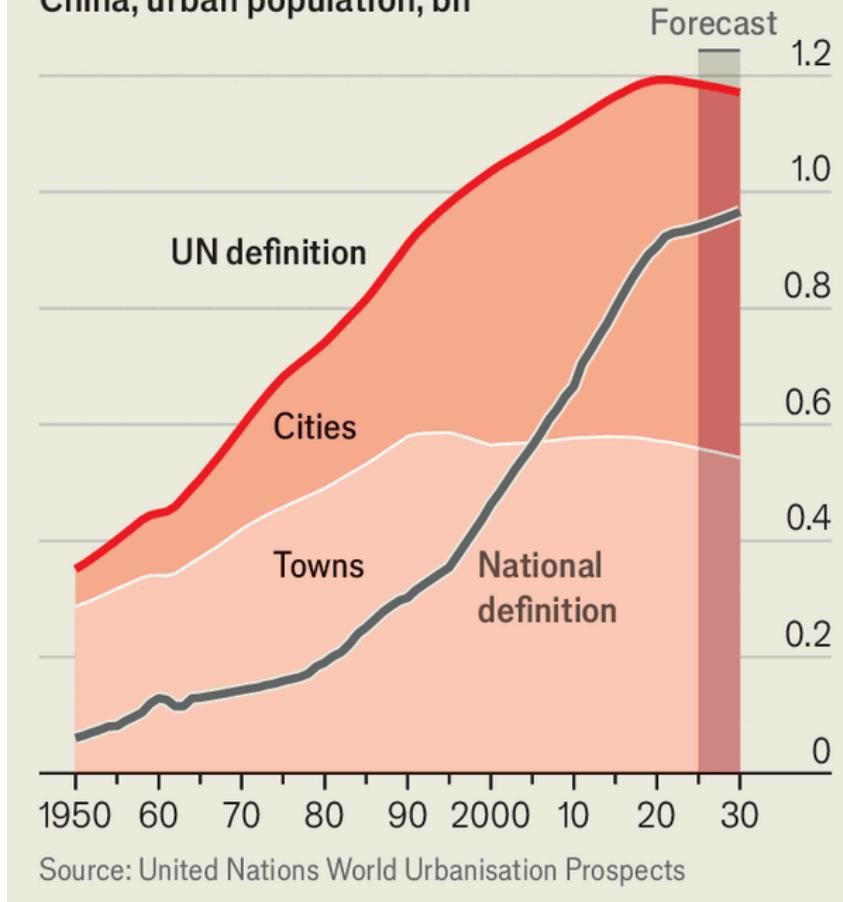
THE FUTURE has already arrived in China, claims Lawrence Lek, an artist, in his influential video-essay “Sinofuturism”. The narration unfolds against a background of cityscapes and factories, combining “gloss with grime”. China’s sprawling metropolises are the source of the country’s economic might and technological progress. When its workforce peaked in 2016 and its population began to shrink six years later, China’s leaders could console themselves with the thought that its towns and cities still had room to grow.

China’s urban population surpassed 943m in 2024, say official statistics, an increase of 100m in just seven years. The government acknowledges that its cities will expand more slowly in the future. But it still expects the urbanisation rate to increase from almost 67% to nearly 70% by 2029. “There is still considerable room for improvement,” said Zheng Bei of China’s planning agency in 2024. If the government’s demographic expectations are met, China can look forward to about 30m extra urbanites before 2030.

## City over a hill

1

China, urban population, bn



Source: United Nations World Urbanisation Prospects

But what counts as urban? The government's official criteria have changed at least six times since its first census in 1953.

Idiosyncrasies continue to “bedevil” cross-country comparisons, says one assessment. An alternative, internationally consistent standard implemented recently by the United Nations reveals an uncomfortable truth. The number of people in China’s towns and cities has already peaked (see chart 1). The urban population is projected to fall by more than 13m from 2024 to 2029. China’s urban future will be a combination of gloss, grime and decline.

Demographers have been struggling to measure the size of China’s cities for over a century. In 1922 a committee of Christian missionaries compiled figures for 358 cities, on the grounds that it is easier to convert souls if you can count them. “Many of the estimates given may be quite wide of the mark,” it confessed. Since

2008 China's government has defined its urban population via a blend of administrative criteria, population counts and visible construction: people living in built-up neighbourhoods adjoining official towns and cities are now included in the urban population, even if they lie outside the city or town's administrative limits.

But this definition still misses many communities that the UN would consider urban. The UN's method, drawing on work by the European Union, divides a country into a grid of boxes, measuring 1km on each side. It then uses official census data, as fine-grained as possible, to sprinkle people across this grid, guided by features of the landscape, like built-up areas, revealed by satellite images.

To qualify as a city by this method, a settlement must meet two criteria. It must have a population of at least 50,000. And these folk must live within adjacent boxes, each with a density of at least 1,500 people per square kilometre. Towns, which also count as urban, require populations of at least 5,000 and a density of 300 people per square kilometre.

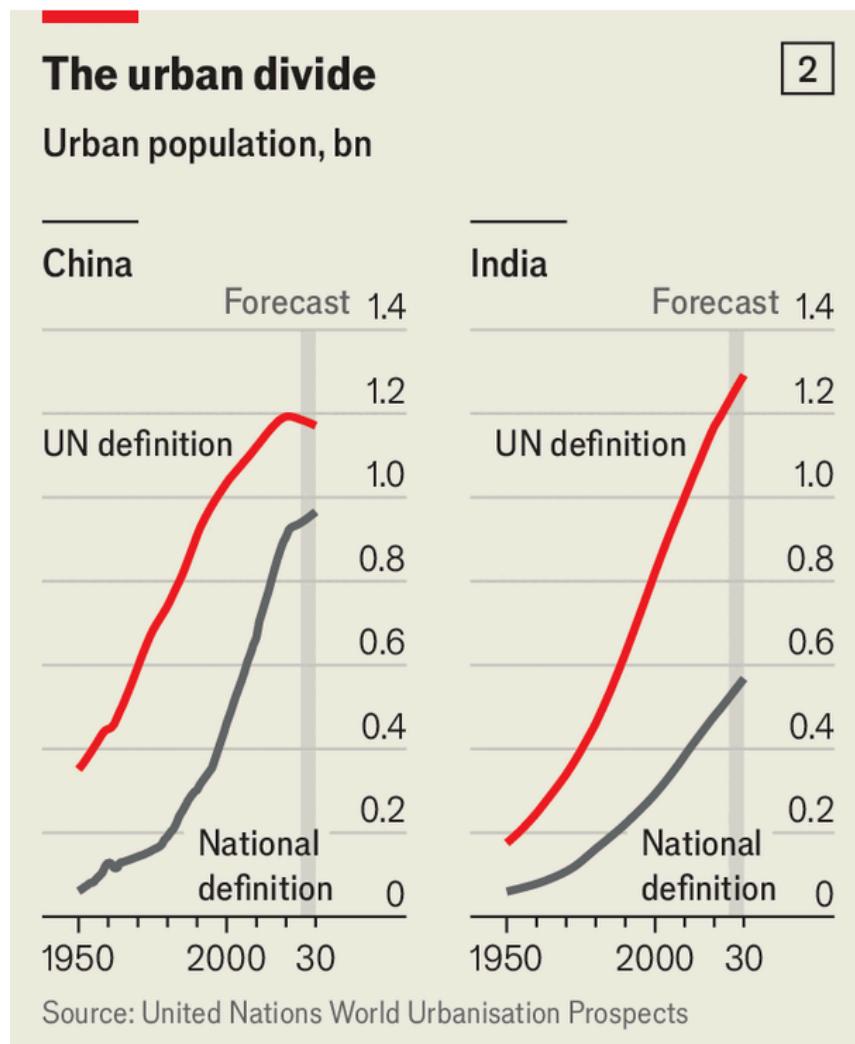
By this definition, China has over 2,000 cities. Beijingers will be miffed to discover that Guangzhou, the capital of Guangdong province in southern China, is the country's second-biggest city after Shanghai, relegating the national capital to third place. China's urbanisation rate is also much higher than the official figure: 83.7% not 67%. For a country that is often accused of fudging its figures to flatter itself, this is a striking shortfall. China, it seems, has been understating its urbanity.

But higher levels of accomplishment leave less room for improvement. Because China's urbanisation rate is greater than official figures suggest, it also has less scope to grow. The percentage of Chinese living in towns and cities will edge up a notch to 83.8% at some point in the 2030s, according to UN projections. But it will go no higher. And because China's total

population is falling, the absolute number of people living in urban China will also decline. Indeed, that number peaked in 2021.

### Crowded out

The UN's figures reveal a further indignity. China's urban population is no longer the biggest in the world (see chart 2). India overtook it in 2022, thanks to the large number of people now living in that country's towns. India likes to think its soul resides in its villages. But less than a sixth of its population is now truly rural, according to the UN's definition.



China's urban decline could dent more than the country's pride. It also threatens the ailing property market. Many observers were counting on further urbanisation to give the struggling industry a gentle, helping hand. An unusual article on January 1st in *Qiushi*,

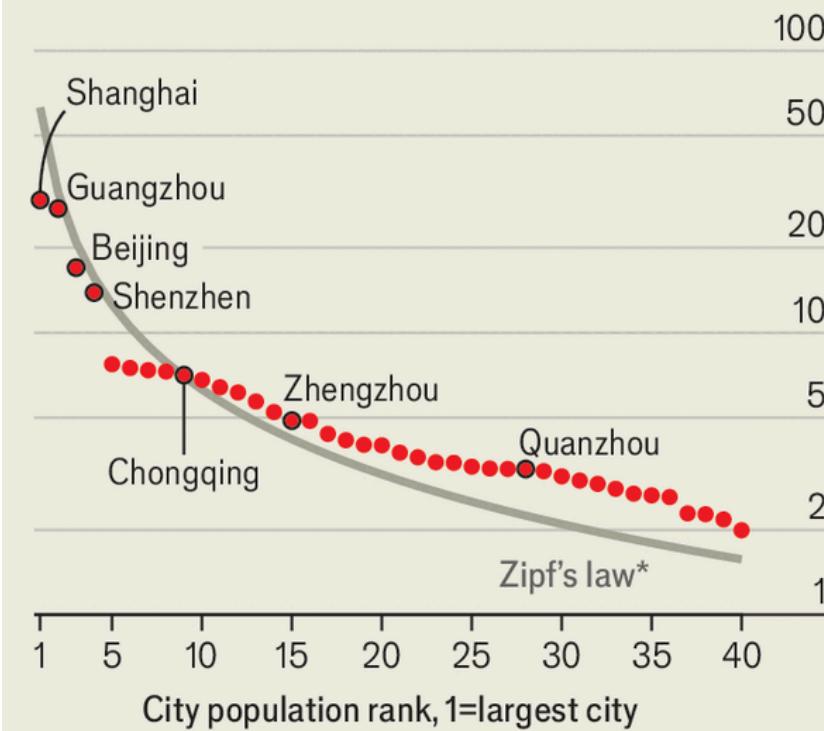
an authoritative Communist Party journal, claimed that China will still need to build 10m-14.9m new homes a year, citing various industry estimates. China Index Academy, a property-research firm, assumes the urbanisation rate, as per the national definition, will increase by 0.7 percentage points annually from 2026 to 2030, increasing the urban population by about 7.3m people a year. But what if that more urbanised future has already arrived?

Some extra demand for housing may still arise from a reshuffling of the urban population. The UN, for example, expects the number of city-dwellers to increase modestly over the next five years, offset by a larger decline in the number of townsfolk. Some of China's older homes will also need replacing. And cramped urban residents will no doubt demand bigger flats. According to the article in *Qiushi*, nearly 40% of urban households have less than 30 square metres per person in which to live. About 7% have less than 20.

## Middle-city spread

3

China, city population, 2025, log scale, m



\*Whereby the 2nd, 3rd and xth ranked city has  $1/2, 1/3, 1/x$  the population of the biggest city

Sources: United Nations; *The Economist*

China's leaders can draw another consolation. Urbanisation, defined as the UN suggests, seems only loosely linked to economic development. National definitions often correlate better with GDP per person. That suggests China's economy could still gain if urban folk move from towns to fuller-fledged cities. In these more bustling conurbations, they may reap more of the "agglomeration" benefits associated with cities, such as a finer division of labour, larger scale of operations and closer congregation of people to learn from. "Nothing propels like propinquity," as Ian Fleming, an author, once put it.

The movement from town to city could also alter the demographic hierarchy of urban China. When cities are allowed to grow without impediment or favour, their sizes tend to conform to a striking pattern: the second-biggest city has about half as many people as

the largest; the third city has about a third as many; the fourth, a quarter, and so on. This statistical regularity became known as Zipf's law, after George Zipf, a linguist who wrote a book about such patterns in 1949.

## **Zipf, zapf, zopf**

China's cities, as measured by the United Nations, depart noticeably from this law. Its top-ranked cities are too small and its middle-ranked cities are too big (see chart 3). That is not a coincidence. China's leaders have been keen to promote the growth of cities with populations under 5m. It is, for example, far easier for rural migrants in these cities to qualify as an official urban citizen under China's household registration system or *hukou*, granting them easier access to public services.

China's leaders have also been determined to cap the size of the country's biggest megacities, worrying that they will otherwise fall prey to "urban diseases" such as congestion, exorbitant rents and water scarcity. They hope instead to reap the benefits of propinquity by other means. In their vision, high-speed rail will bind neighbouring metropolises into cohesive "clusters" which function as integrated economies, even as their member cities remain separate social entities. Quick trains span the Pearl River Delta, for example, linking a mighty trio: Guangzhou, Shenzhen and Hong Kong. The full cluster has a combined population of 72m, by one estimate, roughly matching the predictions of Zipf's law. China's urban population has peaked. But its city clusters have more propinking to do. ■

---

<https://www.economist.com/china/2026/01/08/its-not-just-chinas-total-population-thats-falling>

**Military matters**

## China and Taiwan both see lessons in America’s raid on Venezuela

*It won’t change China’s calculus but is a case study for “decapitation” strikes*

Jan 08, 2026 01:48 PM | Taipei



CHINA’S PUBLIC is used to seeing flashy footage of its armed forces parading new weaponry through Beijing, conducting peacekeeping patrols in Africa or staging elaborate drills around disputed territory, especially Taiwan. But nobody under 45 can claim to have lived through an actual Chinese military strike on another country. And among older generations who did, most would rather forget the war of 1979 in which Vietnam repelled a Chinese invasion. No wonder, then, that many Chinese people were transfixed by reports of America’s dramatic night-time extraction of Nicolás Maduro from Venezuela.

China’s government swiftly denounced the raid, but details and discussion of it circulated widely online. Among the more nationalist comments, there was also a common refrain: could this be a template for a Chinese attack on Taiwan? Similar thoughts have been raised in Taiwan itself and in America, with prominent

figures arguing that the raid could set a precedent for China’s leader, Xi Jinping, to conduct—and legitimise—an assault on the island.

In truth, Mr Maduro’s capture will probably have little direct impact on China’s approach to Taiwan. Rhetorically, Chinese officials have already started to use the operation to bolster their long-standing portrayal of America as a global bully and serial violator of international law. But the [Trump administration’s legal justifications](#) are of little interest to China. More pertinently, China has refrained from attacking thus far, not because it fears foreign reprimand, but owing to its own military limitations and concerns that America would intervene.

Even so, there are lessons to be drawn for both China and Taiwan. Chinese special forces have been planning “decapitation” strikes on Taiwan’s leadership for years. In 2015 China’s state television revealed that the People’s Liberation Army, or PLA, had built a mock-up of Taiwan’s presidential palace in the desert in northern China to practise an assault. The training site has tripled in size since 2020. Models of other Taiwanese ministries have been built, according to satellite images obtained by a Japanese think-tank in October. China’s focus on decapitation seemingly intensified after the success of Ukraine’s president, Volodymyr Zelensky, in rallying resistance to Russia’s invasion.

Decapitation drills have been included in China’s recent military exercises around Taiwan, too. The latest, on December 29th and 30th, involved dozens of warships and military aircraft as well as long-range rocket fire. They simulated a blockade and operations to prevent foreign forces intervening. They also rehearsed strikes on pro-independence figures, according to Senior Colonel Zhang Chi of China’s National Defence University.

China would need to do more than kill or capture Taiwan’s president, Lai Ching-te, as that would leave intact the rest of the

government, which has a clear line of succession. The PLA is thus likely to use decapitation strikes as part of a bigger operation, potentially a full-scale invasion.

Still, the PLA's own elite units have yet to conduct any operations of note at home, let alone abroad. Nor has China yet established the high-level integration of space, air, ground and other forces that is needed for such operations, despite reforms that Mr Xi introduced more than a decade ago to achieve that. So China is likely to scrutinise America's raid on Caracas, just as it has studied other significant foreign operations with potential relevance to Taiwan, including the D-Day landings and the Falklands war.

Taiwan will likewise be hungry for insight into the American raid. Its armed forces are better equipped and trained than Venezuela's. But they have long worried about Chinese decapitation strikes, potentially involving sleeper agents already in Taiwan. Hsu Szu-chien, the island's deputy defence minister, told reporters on January 5th that Taiwan's armed forces had protocols to respond to various types of Chinese aggression. Those included the so-called Wan Chun plan to protect the president, details of which are secret. The Venezuela raid showed the importance of strengthening preparedness and ensuring weapons are upgraded and maintained, he said, linking the episode to his government's recent efforts to boost defence spending—blocked by the opposition.

One detail of particular interest to Taiwan is the apparent failure of Venezuela's Chinese-made JY-27 air-surveillance radars. Their manufacturer describes them as jam-resistant, and Chinese state media have claimed they can detect incoming missiles and advanced stealthy aircraft, including America's F-22 fighter jets. Though the radar's failure in Venezuela may have been due to poor maintenance, operator error or even sabotage, any suggestion that America exploited a weakness could affect China's perception of its own vulnerability in a Taiwan conflict. Versions of the same radars also protect the mainland.

## ***Operation nations***

But perhaps more significant for both sides is what the Venezuela operation says about the Trump administration's willingness to use force and its new focus on the western hemisphere. Taiwanese officials suggested that it could deter China by demonstrating America's willingness to deploy military might against autocracies. On the other hand, mainland officials may be quietly encouraged by Mr Trump's suggestion that his next targets could be Mexico, Colombia—or even Greenland. That does not necessarily mean giving Mr Xi carte blanche on Taiwan. But if America is bogged down in its own backyard, China could reap the benefits all the same. ■

---

<https://www.economist.com/china/2026/01/08/china-and-taiwan-both-see-lessons-in-americas-raid-on-venezuela>

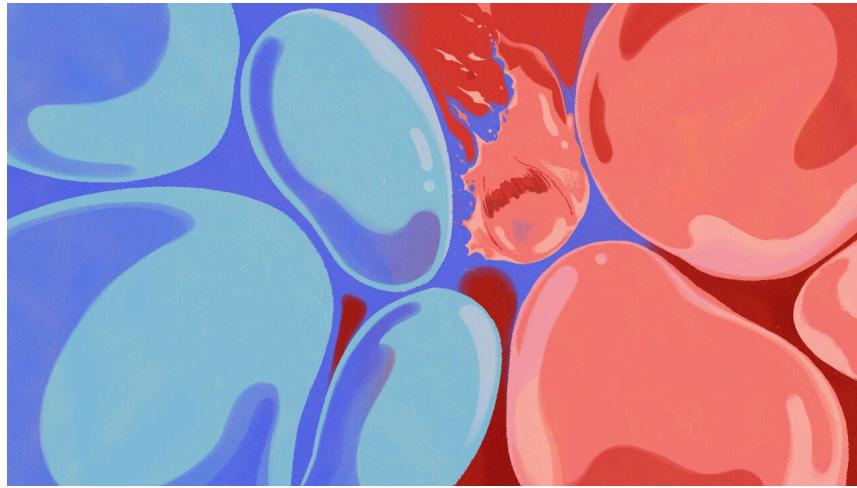
| [Section menu](#) | [Main menu](#) |

**Chaguan**

# America's raid on Venezuela reveals the limits of China's reach

*It is not a template for Taiwan but a reality check on China's global power*

Jan 08, 2026 02:06 PM



THE FINAL foreign visitors to meet Nicolás Maduro in Caracas, Venezuela's capital—prior to his [unscheduled rendezvous](#) with American troops—were senior Chinese diplomats. Just hours before he was snatched from his bedroom, Mr Maduro received a delegation led by Xi Jinping's special envoy for Latin America. “China and Venezuela! United!” declared the beaming Venezuelan president. It is thus not hard to see why China reacted with such shock to Donald Trump’s stunning intervention in Venezuela. Not only did America capture one of China’s closest South American allies, it also exposed the limits of Chinese power.

Some have asked whether [America's actions in Caracas](#) could pave the way for something similar in Taipei. If America has shown that it can scoff at international law and kidnap a foreign leader whom it dislikes, what is stopping China from following its example across the Taiwan Strait? But the parallel is far from exact. China's

obstacle is not respect for international law—it views reunification as a purely domestic matter. China’s main concern is whether an invasion of Taiwan would be successful. In that sense the Venezuelan case is not particularly instructive. China would be aiming for much more than the extraction of a single autocrat. Its goal is the wholesale takeover of a vibrant democracy; and Taiwan’s defences are almost certainly stronger than Venezuela’s.

The more interesting question is what Mr Maduro’s capture means for China’s standing with its partners around the world. Venezuela has been the biggest recipient of official Chinese loans and grants in South America, accepting about \$106bn between 2000 and 2023, according to AidData, a research centre at the College of William and Mary in Virginia. Much of that flowed to Venezuelan infrastructure projects, especially for energy production. In recent years China has shifted its focus to restructuring debt because of Venezuela’s economic troubles. And China has become indispensable as one of the few countries defying American sanctions. Although China gets only about 5% of its oil imports from Venezuela, that is enough to account for a whopping 80% of international demand for [Venezuelan crude](#).

These economic linkages have brought the two countries together politically. Sticking up for Venezuela has been a way for China to advocate for its vision of “multipolarity”—shorthand for a world in which America is less dominant and China more so. In 2023 China upgraded its relationship with Venezuela to an “all-weather” partnership, a diplomatic designation signalling closeness assigned to just a few countries. And Venezuela has been the biggest buyer of Chinese weapons in South America, including radars that appear to have offered little help to Mr Maduro.

Yet China’s support turns out, in the final analysis, to have been largely rhetorical. This was a lesson that Iran already learned when American jets bombed its nuclear facilities last June. Over the past few months China has regularly condemned America’s military

deployment near Venezuela. In the wake of the raid on Caracas, China denounced America. But what did it do for Mr Maduro at his time of need? China has developed, yet is wary about exporting, advanced weapons systems that could provide a stronger deterrent against American attacks. China's all-weather partners may start to ask if it really is willing to protect them against fierce storms—or just to be their chum when the sun is shining.

The snatching of Mr Maduro is also a reality check for China's self-image as a true global player. The "Trump corollary" to the Monroe Doctrine, featured in America's new national security strategy in December, vowed to deny "non-hemispheric competitors" the ability to position military forces or control strategic assets in the western hemisphere. The target was clear: China. Days later, China issued its first policy paper on Latin America for nearly a decade, casting the region as integral to the global order Mr Xi hopes to shape. More visceral were images of a computer-simulated wargame broadcast in December on Chinese state television. It pitted red units against a blue enemy near the Gulf of Mexico.

In the real world, China has expanded its footprint in South America, much to the concern of officials in Washington. Satellite images indicate that it has built electronic-surveillance sites in Cuba. In Argentina it runs a deep-space radio station. From nickel mining to electric-vehicle production, Chinese companies are becoming an economic force in Brazil. And Chinese investors now hold stakes in a swathe of infrastructure across the region—none more controversial than a Hong Kong conglomerate's ownership of ports at either end of the Panama Canal. The Trump administration is pushing for those ports to be transferred to American investors. China is standing firm.

### ***Biding without hiding***

Yet the raid on Venezuela has prompted some thinkers in Beijing to call for a recalibration of Chinese policy. Jin Canrong of Renmin University argues that China must confront the reality that whatever it does in the region, it is likely to come face to face with America. He argues that China must, for now, proceed cautiously on investment there and instead emphasise trade. His idea is to maintain economic ties in South America and to avoid inflaming tensions with Mr Trump's America.

The biggest losers in all of this are likely to be Latin American countries that are seeking investment from China in areas that clash with American strategic interests, says Margaret Myers of the Johns Hopkins School of Advanced and International Studies in Washington. The irony is that China's rhetorical offer—an alternative to an overweening America—has rarely looked so appealing to many in the region. But Mr Maduro's fate illustrates that China, for the moment, lacks both the muscle and the will to deliver that kind of counterpunch to America. ■

---

<https://www.economist.com/china/2026/01/05/americas-raid-on-venezuela-reveals-the-limits-of-chinas-reach>

| [Section menu](#) | [Main menu](#) |

## Middle East & Africa

- **With protests at home and threats abroad, Iran's regime looks rattled**

Watching Maduro in Tehran :: America's raid in Venezuela has some officials in Tehran wondering if their country will be next

- **Saudi Arabia has its first boozy new year—sort of**

Holiday cheer in the birthplace of Muhammad :: Who exactly is allowed to get sloshed?

- **Burundi is running out of space**

African demography :: The African Great Lakes are becoming one of the most crowded places in the world

- **The Museveni era is nearing its end**

Uganda's elections :: But it is time, not elections, that Uganda's president most fears

**Watching Maduro in Tehran**

## With protests at home and threats abroad, Iran's regime looks rattled

*America's raid in Venezuela has some officials in Tehran wondering if their country will be next*

Jan 09, 2026 04:51 PM | DUBAI



FOR DECADES each big bout of unrest in Iran has followed a similar pattern. It starts with a trigger, be it a murder, a stolen election or a collapsing currency. The protests that follow are leaderless and disorganised. If they grow large enough, the [regime](#) reaches for its repressive toolbox: armed thugs, internet shutdowns, arrests. Order is restored but nothing is fixed, and the cycle repeats a few years later.

On December 28th electronics vendors in Tehran went on strike. Most of their wares are imported, and it is hard to buy and sell such goods with the currency in free fall. Other businesses joined the walkout, including shops in Tehran's grand bazaar, a weathervane of politics. Protests spread outside the capital and are continuing. This is the widest unrest the country has seen since 2022—but still far smaller, and not yet a nationwide uprising. Most demonstrations draw just a few hundred people, concentrated in provincial cities so

obscure that Tehranis might need a map to locate them. Across the country factories and government offices remain open.

Yet the regime looks more rattled than you might expect. Riot police and water cannons have been deployed on the backstreets of central Tehran. Plain-clothes goons disperse people before they can gather at intersections. Schools and universities have been closed on the pretext of air pollution, a tactic to forestall mass action.

The latest protests diverge from the old pattern in two ways. One is that the bankruptcy of the regime (both literal and figurative) is in full view. Iran has endured a year of economic collapse, war and environmental crisis; its leaders have no solutions for these woes. The other difference is the prospect of foreign intervention, by either Israel or America. After the American raid to seize Nicolás Maduro from Venezuela on January 3rd, many Iranians wondered if their country might be next in Donald Trump's crosshairs.

The protests have drawn on a well of anger within a constituency that the regime long regarded as its own: jobless young men. The state has no answer to their demands. In 2022 it defused months of unrest over social restrictions by loosening enforcement of the mandatory veil for women, withdrawing the morality police from the streets and letting musicians and performers take over public spaces. Iran's economic and environmental crises offer no such quick fixes. "I can't do anything," admitted the president, Masoud Pezeshkian, on the eve of the protests.

The rial is crashing, trading at an all-time low near 1.5m to the dollar. It has lost 45% of its value in the past year and 98% in the past decade. Prices of staples have soared beyond reach. Poor Iranians go hungry. Mr Pezeshkian's main attempt at economic reform, which began earlier this month, is to scrap a preferential exchange rate for imports of essential goods and use the money to send monthly cash transfers to Iranians worth 10m rials per person.

In principle this is a fine idea: direct payments to the poor are preferable to supply-side subsidies, which are prone to corruption. But the sum in question is worth less than \$8, barely enough for a bag of rice or a jug of cooking oil. Unifying the exchange rates will also fuel inflation, already above 40%. Fatemeh Mohajerani, a government spokeswoman, acknowledged that it will lead to “significant” price increases for chicken, eggs and other staples.

If the government cannot reform its way out of trouble, repression is backfiring too. Footage of security forces raiding hospitals to arrest wounded protesters has enraged the public. Some demonstrators have torched police stations in attempts to free prisoners. The religious ideology that once underpinned the system looks spent.

Meanwhile, a fractured opposition seems to be coalescing around an unlikely figure: the exiled son of the shah overthrown in 1979. Monarchism still repels many. But Iranians who dismissed Reza Pahlavi as a joke are suddenly taking the 65-year-old more seriously.

Looming in the background is the threat of another war. Israel carried out 12 days of air strikes in Iran last summer. Binyamin Netanyahu, its prime minister, seems keen on a second round, in part because the Iranian regime is trying to rebuild its ballistic-missile programme. A possible war was on the agenda on December 29th, when Mr Netanyahu visited Mr Trump at Mar-a-Lago.

On January 2nd Mr Trump made his own threats, warning Iran not to kill peaceful protesters. “America will come to their rescue,” he wrote on social media. “We are locked and loaded and ready to go.” It was unclear what he had in mind: a symbolic show of force? Or a more sustained campaign against Iran’s security forces?

The next day another possibility arose, when American commandos swooped into Venezuela. That is not to say America is about to try a similar raid to nab Ayatollah Ali Khamenei, the 86-year-old supreme leader. The last time it attempted an incursion into the Iranian capital was in 1980, during the hostage crisis; it ended ignominiously, with helicopters wrecked in the desert and eight American soldiers dead.

But Mr Maduro's swift downfall has fuelled a running debate within Iran's regime. Many officials who were waiting for Mr Khamenei's death to bring change now want it to come sooner. "Things are bad enough for the regime to be looking for scapegoats," says an Iranian commentator in exile. Some are considering a Venezuelan-style solution: sacrificing the supreme leader to save the system and stave off chaos. Saeed Laylaz, an economist favoured by the regime, urged the ayatollah to step aside in favour of a "Bonaparte".

He even discussed one: Mohammad Bagher Qalibaf, the parliamentary speaker and a former commander in the Islamic Revolutionary Guard Corps (IRGC), who observers say briefly took charge when Mr Khamenei went into hiding during the war last year. As a last resort insiders may even have floated Mr Pahlavi's name, perhaps to be installed with the IRGC's blessing.

Mr Khamenei may yet choose a different end. Vast billboards looming over central Tehran show coffins draped with American and Israeli flags. Advisers threaten regional escalation, with strikes on American bases and Israeli cities if foreign attacks resume. Leaders in the Arab Gulf states are nervous that they may be targeted too. Perhaps Mr Khamenei's aides hope to again rally the home front, as they briefly did during the June war. Either way, his 37th year as supreme leader could yet prove as perilous as that of the last shah—toppled after 37 years on the throne. ■

<https://www.economist.com/middle-east-and-africa/2026/01/02/with-protests-at-home-and-threats-abroad-irans-regime-looks-rattled>

| [Section menu](#) | [Main menu](#) |

Holiday cheer in the birthplace of Muhammad

## Saudi Arabia has its first boozy new year—sort of

*Who exactly is allowed to get sloshed?*

Jan 14, 2026 11:39 AM | RIYADH



Teetotalitarian state reaches tippling point

CAN SOMETHING be legal to buy but illegal to use? It sounds like a children's riddle. It is also a question some foreigners in Saudi Arabia pondered over the holidays. Two years ago the kingdom, which had been dry since the 1950s, opened its first liquor store. The discreet shop catered exclusively to non-Muslim diplomats. In November, though, authorities quietly expanded access to a wider group of expats.

There was no formal announcement, but word got around: foreigners with a “premium” residence visa, or a salary above 50,000 rials (\$13,332) a month, could cross the imposing gate into the unnamed shop. They would have to find the place first, of course, since it is not listed on Google Maps (search for a liquor store, and the nearest result is in neighbouring Bahrain).

No photos are allowed inside; phones go into sealed bags. Prices are steep, but everything is relative. A bottle of Johnny Walker Black Label whisky goes for 464 rials. That is two to three times

more than it would cost in a British supermarket—but only a third of what it used to cost on Riyadh’s erratic black market. For those used to the old system, the new one is a delight.

Once you leave with your purchases, though, things can get confusing. The shop works on a points-based quota system, with different tiers for different tipplers. Your monthly allowance buys 200 bottles of wine or 50 litres of whisky, which is a lot for anyone not named Churchill or Hemingway. It seems meant for sharing. But is it legal to buy alcohol for lower-paid colleagues? Or to serve it to Muslim friends at a dinner party? No one can say.

Ambiguity has become a fixture of life in Saudi Arabia over the past decade. The kingdom has loosened its social strictures in ways that are both commendable and confusing. In 2019 it scrapped a rule that required foreign women to wear the *abaya*, a long cloak. The law now only forbids “indecent clothing” for men and women.

Decency is in the eye of the beholder, though—usually the uniformed sort. In al-Ula, a resort town in the north-west, influencers snap selfies in bikinis. In Riyadh, meanwhile, women can still receive fines for knee-length skirts. (Last year, in a commendable step toward gender equality, a Saudi man was ticketed for wearing a nightgown in public.)

Such confusion is not unique to Saudi Arabia: it pops up across the Gulf, where conservatism and modernity coexist and clash. Before Dubai was a freewheeling fleshpot, residents had to drive to neighbouring emirates to buy booze. The road back to Dubai went through Sharjah, where it is illegal to possess alcohol. Enterprising scammers made a business of the contradiction by staging car accidents and then threatening to call the police unless paid a hefty bribe.

The next step for Saudi Arabia will be to allow alcohol consumption outside private homes. Some hotels in tourist areas

are said to be preparing to serve beer and wine (harder stuff may still be banned). A few have even begun to advertise for barmen—who, as things stand, would be allowed to serve drinks but not drink them. ■

---

<https://www.economist.com/middle-east-and-africa/2026/01/08/saudi-arabia-has-its-first-boozy-new-year-sort-of>

| [Section menu](#) | [Main menu](#) |

---

## African demography

# Burundi is running out of space

*The African Great Lakes are becoming one of the most crowded places in the world*

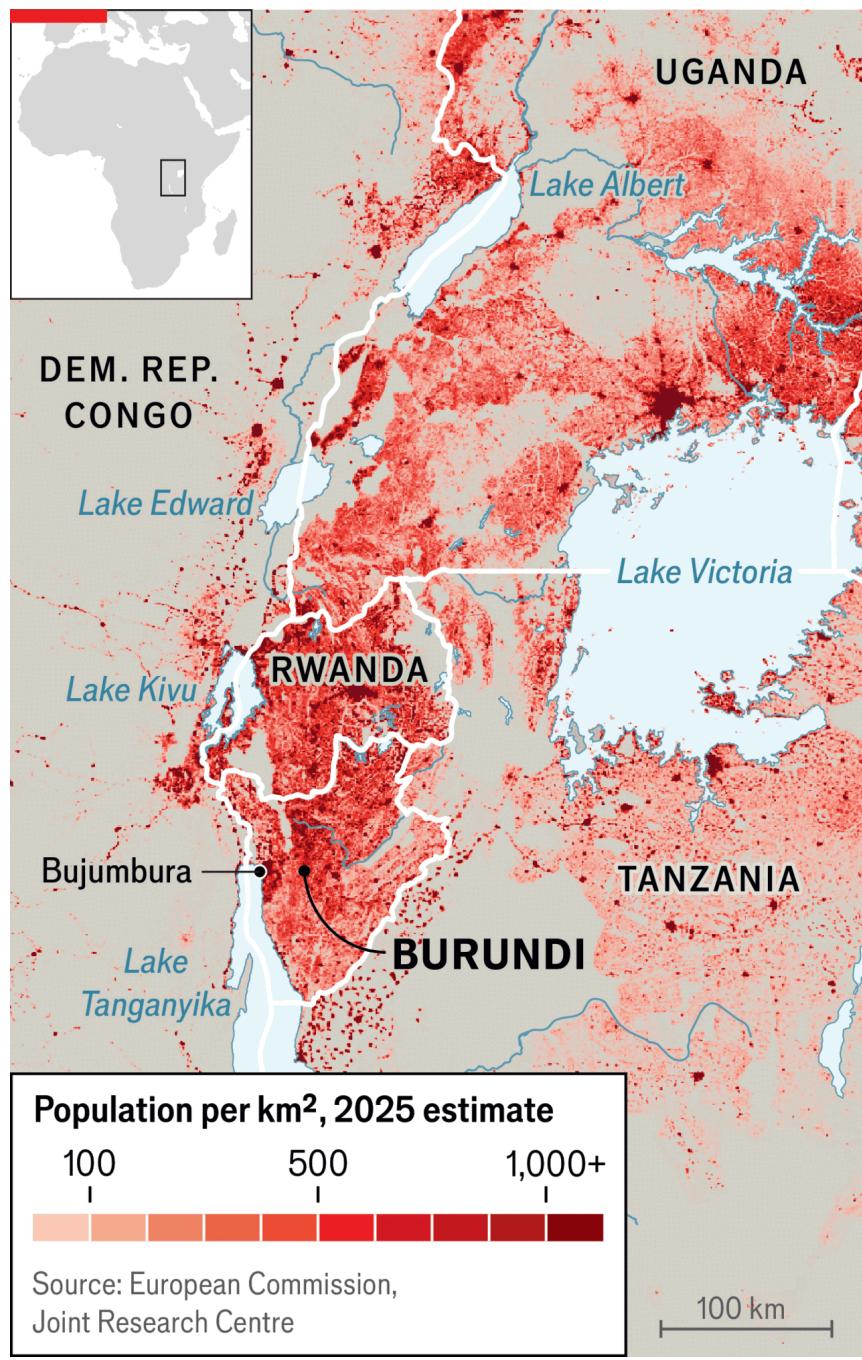
Jan 08, 2026 03:16 PM | BUJUMBURA AND KAYANZA



Feeling the squeeze

IN WHAT REMAINS of a cemetery, at what used to be the edge of Bujumbura, the living displace the dead. Burundi's largest city is growing so fast that people have built homes where once there were graves, sometimes without moving the bodies beneath. Berchmans Nyandwi, who digs graves, makes headstones and organises burials, looks on with folded arms. Soon, he says, all this will be houses.

In Burundi you find what space you can: 14m people squeeze into an area not much bigger than Wales or Massachusetts. Many places are far more populous, and a few islands and city-states are denser. But the only countries to beat Burundi on both counts are Bangladesh, Taiwan and, by a little, its northerly neighbour, Rwanda.



That makes Burundi an extreme example of how population pressure is changing African societies. For most of history, Africa has been sparsely populated, and much of it remains so. But the continent now has ten times as many people as a century ago, and places like the Niger delta and the Ethiopian highlands are getting crowded. So, too, is the region around Burundi, from Kenya to Congo, a swathe of humanity packed between Africa's Great Lakes, where there are good rains and enough altitude to soften the equatorial heat (see map).

Density does not necessarily mean cities. Most Burundians still live in the *collines*, the rolling hills, growing bananas, cassava and beans on steep slopes that crumble into the valleys. On roadsides, in gardens, between houses, it feels like every spare scrap of land is planted with maize. By conventional measures, often based on administrative divisions, Burundi is one of the most rural countries on the planet.

A research project called Africapolis backed by the OECD, a group of mainly rich countries, considers a place urban if it has more than 10,000 inhabitants in buildings not more than 200 metres apart. By that measure 78% of Burundians are already urban; by 2050, most of their country will be one solid agglomeration. This should not be taken too literally. It might be better to say that much of Burundi is becoming an in-between place: not quite country, not yet town.

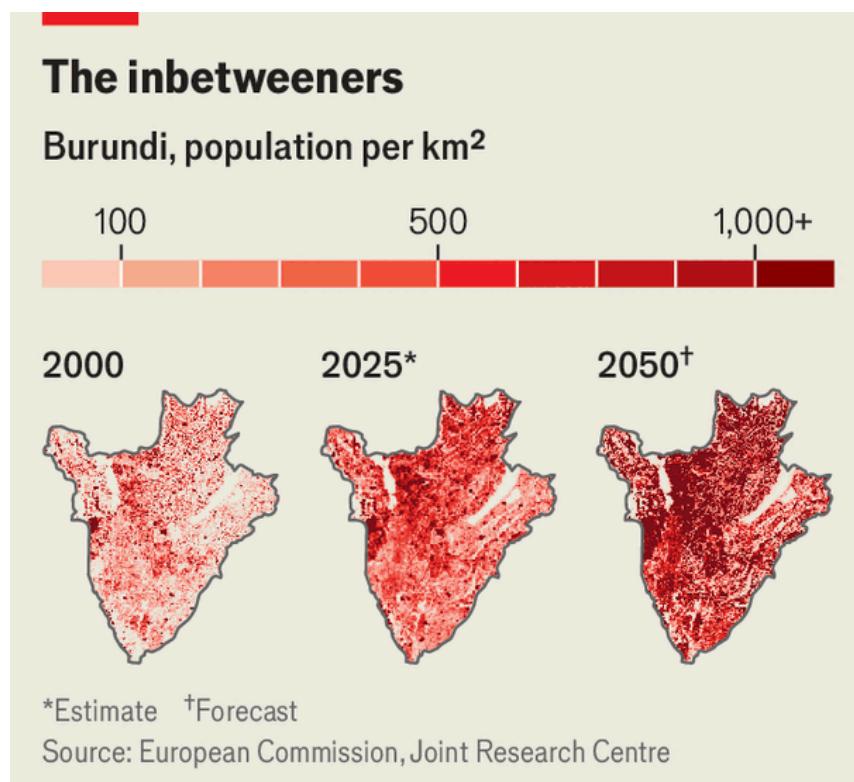
The pressing question is how to grow enough food. Optimists can cite Ester Boserup, a Danish economist, who argued in the 1960s that land scarcity drives farmers to adopt more intensive methods. She was thinking of innovators like Vivien Nduwumwami, a retired agricultural officer in Kayanza, in the highlands. He bounds down a hillside showing where he has cut terraces to prevent erosion, spread lime to reduce acidity and installed irrigation that lets him plant three harvests a year.

But in Burundi it is hard to shake off the spectre of Thomas Malthus, a gloomy English cleric, who wrote in 1798 that “the power of population is indefinitely greater than the power in the earth to produce subsistence.” Not far from Mr Nduwumwami lives Ezechiel Niyibizi, in abject conditions. His father and uncles fought over the family’s meagre land; after his father died, he was left with nothing. The local government helped him get a tiny house, with an earth floor, and a plot of land ten metres long and wide. When he cannot find waged work, his children sleep hungry.

Alas, Mr Niyibizi's story seems more typical. The UN's World Food Programme says the share of households that are "food insecure" rose from 28% in 2008 to 41% in 2023. Half of young children are stunted.

### ***The children are the future***

The malaise owes a little to climate change, more to an economic crisis and most to land pressure. Fields are no longer left fallow and yields are flat. Without fertiliser "we cannot harvest, because the soil is already poor," says Victor Segasago, the provincial governor. Although fertiliser is subsidised and its use growing, distribution is run by a monopolist which often delivers late. Extra inputs can do only so much when 78% of farmers own less than a quarter of a hectare of land, about the size of four tennis courts. By 2050 there will be 10m more mouths to feed—unless, that is, the fertility rate falls quickly.



Edith Bizoza, a nurse in Kayanza, says that more young people are showing an interest in contraception, mindful that they cannot raise

big families on small fields. The government wants to reduce the number of births per woman from about five today to three by 2040. That is not impossible: Rwanda, which is culturally very similar, is already down to 3.7 and Kenya to 3.2. But it will happen only with investment in education to keep girls in school and in health care, so that parents know their children will reach adulthood, says René Manirakiza of the University of Burundi.

Meanwhile, society is being reinvented. The traditional sources of prestige in Burundian culture are land, cows and children. In future people will have less of all three. Interviewees often describe strained relations between siblings, between neighbours, between young and old. Land disputes clog the courts. Daily life is becoming more monetised: to borrow a male animal for breeding now attracts a fee. Many young Burundians are migrating to work on farms in Tanzania, in cities across east Africa or as domestic servants in the Gulf.

Long ago, when Burundi had a king, it was believed he would die if he set eyes on Lake Tanganyika. Now people flood down from the hills to Bujumbura, the city on its shore. They settle in the outskirts, in an unfinished no man's land of brick kilns and timber yards, where the roar of circular saws drowns out the bleat of goats. What little work there is tends to be in transport, trade or building the city itself.

In happier circumstances the energies of the young can spark dynamism. But population pressure is like a persistent hum in the noisy politics of the Great Lakes, a region that has rarely known peace. Burundians remember ethnic massacres, civil war and, most recently, the unrest of 2015 that triggered a failed coup. An army checkpoint still seals off the road to the national broadcaster, the first target of would-be putschists. Beside it, on a green verge, someone is growing maize. ■

---

<https://www.economist.com/middle-east-and-africa/2026/01/04/burundi-is-running-out-of-space>

| [Section menu](#) | [Main menu](#) |

**Uganda's elections**

## The Museveni era is nearing its end

*But it is time, not elections, that Uganda's president most fears*

Jan 09, 2026 04:58 PM | KAMPALA



He's still standing after all this time

“THIS IS NOT an election,” said Bobi Wine recently. “This is war.” The singer-turned-politician, whose real name is Robert Kyagulanyi, is the most popular opposition candidate in Uganda, which votes for a president on January 15th. He campaigns in a bulletproof vest; his supporters are bludgeoned and tear-gassed. The incumbent, Yoweri Museveni, shrugs off Mr Wine’s talk of defiance. “Please don’t listen to him, because every soldier has 120 bullets,” he warned last month.

Mr Museveni took power in 1986 at the head of a rebel army. Forty years on, he still sees politics as war by other means. Nobody doubts he will be declared the victor of this election, his seventh as president, regardless of how Ugandans vote. If he ever falls, which for now looks unlikely, it will be because soldiers have pushed him out. The opposition can only try to chivvy things along by fomenting a crisis, perhaps by calling people onto the streets.

In other African countries, post-election protests have surprised entrenched regimes. After a rigged election in 2024, Mozambique saw months of demonstrations which ended only after hundreds had been killed. Last year in Tanzania the state barred the main opposition contenders from standing, then shot hundreds, maybe thousands, of people during protests after the poll. The ruling parties of those countries, as in Uganda, have failed to meet the demands of young people who care about their future prospects, not the political struggles of the past.

Mr Museveni's mind is not just on the ballot, but on deterring dissent afterwards. He has locked up Kizza Besigye, a four-time presidential candidate who since 2011 has been trying to provoke an Arab spring-style uprising. Hundreds of opposition supporters have been detained; if recent history is a guide, some are probably being tortured. In the northern town of Gulu a teenage boy died after Mr Wine's followers were set upon by criminal gangs. "The lawlessness now is on another level," says Agather Atuhaire, a journalist and activist. Just as important is the money that Mr Museveni has dished out to everyone from motorbike taxi drivers to musicians.

The last time there were mass demonstrations in Uganda, in 2020, security forces shot scores of people dead. Those memories haunt the opposition. David Lewis Rubongoya, the secretary-general of Mr Wine's party, says they are ready to call for peaceful protests if the election is stolen. But they also worry about how hard to push, knowing that bloodshed will surely follow. "People are willing, but we need leadership," says a party organiser. Repression has demoralised many of the activists. It is hard to keep protests going.

Instead, the biggest threat to Mr Museveni is time itself. At 81 he can no longer maintain his schedule of late-night meetings with his old vigour; relatives must pick up the slack. His erratic son, Muhoozi Kainerugaba, commands the army. His brother, Salim Saleh, a general, is a ubiquitous if shadowy presence in public life,

almost as a co-president. Together they are an all-powerful trinity in Ugandan politics: father, son and unholy ghost.

The most obvious successor is General Kainerugaba, who has been angling openly for the job. On social media he has suggested hanging Mr Besigye, fantasised about beheading Mr Wine and vowed to turn the army into a “killing machine”. Some of his posts boast about the Banyankore, his ethnic group, or mock the stereotypical features of the Baganda, to whom Mr Wine belongs. Such chauvinism only stokes resentment against the Banyankore and other groups from western Uganda, who are overrepresented in high office.

Political appointments after the election will be scrutinised for signs of General Kainerugaba’s influence. He has already pushed aside rivals in the army; his acolytes are rising in government. His father might make him vice-president, suggests Kristof Titeca of the University of Antwerp. The question is how other army officers feel about their country being passed on like a family heirloom. For four decades, Mr Museveni has created a simulacrum of stability. A reckoning awaits. ■

---

<https://www.economist.com/middle-east-and-africa/2026/01/08/the-museveni-era-is-nearing-its-end>

# Europe

- **Energetic abroad, Emmanuel Macron faces a mess at home**

Governing the ungovernable :: France's sorry spectacle of another new year without a budget

- **Ukraine now has the fortress belt it wishes it had in 2022**

All along the watchtower :: But American-led peace proposals threaten to hand it to Russia

- **Kosovo's election shows its democracy is solid**

Not bad for a beginner :: Albin Kurti's win improves relations with the EU, though not with Serbia

- **A Russian drone has revived a Ukrainian nuclear nightmare**

Terrifyingly leaky Chernobyl :: But who is prepared to pour even more money into making the country safe?

- **Latvia is needlessly alienating its Russian-speakers**

Turning them off :: Shutting down Russian-language broadcasting is a gift to the Kremlin

- **Why Europe is rediscovering the virtues of cash**

Charlemagne :: In a world of payment apps and digital euros, the coin is staging a modest comeback

**Governing the ungovernable**

# Energetic abroad, Emmanuel Macron faces a mess at home

*France's sorry spectacle of another new year without a budget*

Jan 10, 2026 05:52 PM | PARIS



WITH MORE than a hint of absurdism, the French government began 2026 just as it did 2025: with no budget for the new year, no parliamentary majority and no guarantee that it will survive for long. A year ago François Bayrou began to muddle through as a centrist prime minister until parliament ousted him in September over the budget for 2026. Four months on, his successor, Sébastien Lecornu, is still in the job. But in December he had to roll over last year's budget temporarily, after failing to get his version through a deadlocked parliament. Mr Lecornu now wants to get a budget passed by the end of January. But the political energy France is devoting to turning in budgetary circles is worse than dismaying: it is sapping all reformist ambition and fuelling a popular exasperation that will only benefit the extremes.

Despite months of debate and late-night sittings, a divided and bickering lower house ran out of time to pass a budget bill before the end of December, having rejected the government's first

version. Mr Lecornu had originally promised to bring down the budget deficit from 5.4% of GDP in 2025 to 4.7% in 2026 (and below the European Union's cap of 3% by 2029), thanks to some €30bn (\$35bn) of savings. But ever since President Emmanuel Macron recklessly dissolved parliament in 2024, prompting elections that shrank his minority, he has been beholden to a fragmented opposition. Deputies of all stripes reworked the budget, adding taxes, reinstating spending and pushing the deficit back to 5.3% of GDP. In a last push to pass a revised version, the centrist government, which needs Socialist and other support, now says its compromise target is 5%.

It is bad enough that France's fractious parliament cannot agree on reasonable measures to curb spending, temper tax increases and bring down the deficit. European countries with far deeper troubles, including once-struggling Greece, have managed to fix their public finances and turn in budgets compliant with EU deficit rules. Moreover, without a new budget France will not be able to finance Mr Macron's promised and much-needed boost to defence spending of €6.7bn in 2026.

Yet the compromises the French government has already made to pass a separate social-security bill for 2026 in some respects make things worse. To secure Socialist support, this bill freezes Mr Macron's landmark pension reform. Passed in 2023, it had been progressively raising the minimum retirement age from 62 years to 64. Mr Macron has privately called the decision to suspend it "painful". At a final parliamentary vote in December, 25 centrist deputies abstained.

The trouble for Mr Macron, who gave his prime minister carte blanche to negotiate a compromise, is that the price is proving to be high. The guiding principle of the president's first term in office—reinforced by the pension reform enacted at the start of his second—was a supply-side effort to reduce France's heavy taxation, lighten labour regulation, and encourage private investment and

entrepreneurship. Today unemployment, though still high at 7.5%, is nearly two points below its level in 2017; voters no longer list it as a top concern. The French economy held up better than expected in the third quarter of 2025, although GDP growth for the year is expected to reach only 0.9%. In 2025 some French companies recorded huge stockmarket gains, led by Société Générale, a bank (up 153%); industrial groups such as Thales (up 66%) and Safran (up 40%) also prospered.

Reformist ambition, however, has now all but vanished. For the remaining 15 months of his second term, after which Mr Macron is constitutionally barred from standing again, the government stands little chance of passing any economic reforms. In March France holds mayoral elections, including for Paris, Marseille and all the big cities, which will sharpen political divisions. After that, all eyes will be on the presidential election in 2027. The political reality, laments Astrid Panosyan-Bouvet, Mr Macron's former labour minister who argued against freezing the pension reform, is that the best the government can do now is to "vote a budget that doesn't make the public finances worse, and puts us on a path to debt reduction...We can't do more than that," she adds. "There won't be more reform."

Instead, as Mr Macron seeks to shape a domestic legacy, he is resting his remaining hopes on measures that have little to do with his original project. One is a bill that will shortly go to parliament to ban social-media use for under-15s, similar to the one Australia introduced in 2025. The president, who has held town-hall discussions on the question in different parts of France, wants to do this for reasons of teenage mental health as well as poor school performance.

Another measure, which Mr Macron cited in his new year's message, is a right to "die in dignity" bill. To forge a consensus, France has already had a [citizens' convention](#) to air the complex issues around assisted dying. Parliament began to debate draft

legislation last year, until it was put on hold when Mr Bayrou's government fell. It should return to parliament soon.

When it comes to international affairs, Mr Macron remains forceful. On January 6th he hosted European, Ukrainian and other leaders for a meeting of the “coalition of the willing” for Ukraine, at which France, Britain and others agreed to deploy an (as yet unspecified) multinational force in the event of a ceasefire.

But this dynamism stands in striking contrast to domestic paralysis. As local elections approach, opposition parties may be less keen to overthrow Mr Lecornu than they were his predecessors. So he may yet manage to pass a budget and survive. But as voters contemplate the miserable spectacle, they are drawing their own conclusions. The polls' favourite to win the next presidential election, when tested in November against four potential second-round rivals, was Jordan Bardella, leader of the populist-right National Rally. ■

---

<https://www.economist.com/europe/2026/01/08/energetic-abroad-emmanuel-macron-faces-a-mess-at-home>

| [Section menu](#) | [Main menu](#) |

All along the watchtower

# Ukraine now has the fortress belt it wishes it had in 2022

*But American-led peace proposals threaten to hand it to Russia*

Jan 09, 2026 04:44 PM | Kramatorsk



THE DEFENSIVE lines stretch as far as the eye can see, an ugly scar across the snowy hills of the Donbas. They are part of a [massive fortification system](#) that Ukrainian forces have built to protect towns and cities not yet occupied by the Russians. “If we had had such defensive lines in 2022, the situation on the ground would be the complete opposite of what it is now,” says Viacheslav Shutenko, commander of a drone battalion that is part of the 44th Mechanised Brigade.

On the crest of a hill near the cities of Sloviansk and Kramatorsk, the lines are 200m wide. First comes a belt of razor and anti-infantry wire. Next comes an anti-tank ditch, 2 metres deep and 3 metres wide. The excavated soil has become a defensive berm. Then comes more wire, a second anti-tank ditch and berm and then another strip of wire. In some places there is a third ditch, “dragon’s teeth” (tank traps made of concrete) and mines. The lines are part of Donbas’s fortress belt. With constant patrolling by

drones, says Major Shutenko, they would make it “very difficult” for the Russians to break through.

Yet all this may be for nought, depending on the terms of [peace arrangements](#) being discussed between Ukraine, America, Europe and Russia. The fate of the Donbas, which consists of the provinces of Donetsk and Luhansk, is an issue on which there is no agreement. Russia wants to be given the roughly 30% of Donetsk that it has failed to conquer in any deal. In one proposal circulated in December, America agreed to that, but also said that the region should become a “neutral demilitarised buffer zone”. American proposals have also referred to a “free economic zone”, a phrase that no one has defined.



Most Ukrainians see this as a ruse that could allow Vladimir Putin to circumvent Ukraine's defences and continue his invasion. Even

with its impressive fortifications, in the past few months Ukraine has been losing ground. Most of the city of Pokrovsk has fallen.

Today razor wire is filling the streets of the city of Kostiantynivka, the next target. If it falls then Druzhkivka and the much bigger cities of Kramatorsk and Sloviansk are next. If Russian troops can breach the defensive lines outside those cities and establish themselves in urban areas, it would be much harder to dislodge them. In December Ukrainian forces managed to push back Russians who had taken part of the city of Kupiansk, but at high cost.

The region's history over the course of the Ukrainian-Russian conflict is complicated. In 2014 Kramatorsk and Sloviansk were seized by Russian-backed rebels. Whipped up by Russian propaganda warning of an impending Ukrainian "genocide", many locals welcomed the uprising. It took Ukrainian forces almost three months to eject the rebels. Some supporters of Russia fled with them, but others stayed. Many have since changed their minds, says Maryna, who sells cheese and chocolate in Kramatorsk's main market. "They understood that Russia means war," she says.



Don't ditch it

The conflicting messages of steadfast defence, a possible handover to Russia or the creation of some sort of demilitarised economic zone are confusing for locals. The region would need preparation

for such an effort, says Andrii Kozlov, who runs an NGO in Kramatorsk that connects local aid groups to international organisations: “You cannot just dump billions of dollars onto them and expect them to develop in a proper way.” He notes that the regional administration has stopped sending residents a hotline number for advice on evacuation, suggesting it thinks none will be needed.

That interpretation seems optimistic. In the past couple of months, as the Russians have crept closer to Kramatorsk, it has become vulnerable to occasional short-range drone attacks. Strikes by long-range drones and rockets were already a familiar occurrence. The nearest Russian positions are only 17km away. Some residents have already begun leaving. From her flower shop Olena can hear the thuds of outgoing artillery; close by are the ruins of bombed-out buildings. She does not want the Donbas handed over to Russia, but if it is she would probably stay, she says: “I have no better alternative. I am stuck here.” ■

---

<https://www.economist.com/europe/2026/01/07/ukraine-now-has-the-fortress-belt-it-wishes-it-had-in-2022>

| [Section menu](#) | [Main menu](#) |

**Not bad for a beginner**

## Kosovo's election shows its democracy is solid

*Albin Kurti's win improves relations with the EU, though not with Serbia*

Jan 09, 2026 04:44 PM | Pristina



ANYONE WHO doubts whether Western military actions have ever sincerely aimed to foster democracy should have a look at Kosovo. The country owes its independence to an American-led NATO intervention in 1999 that halted a brutal campaign of ethnic cleansing by Serbia, of which it was then a province. Some 26 years on, Kosovo is relatively stable and democratic, though poor. On December 28th it held its tenth parliamentary election. The result was a resounding win for Albin Kurti, the prime minister, giving him a mandate to ratify a co-operation agreement with the European Union and unlock €880m (\$1.03bn) in stalled aid.

The result left other parties shellshocked, says an opposition politician. Most pundits had predicted another hung parliament. Mr Kurti, a charismatic left-wing nationalist and former student activist, was previously elected in 2021, in a landslide by Kosovar standards: his Self-Determination party took just over half the vote. But in the subsequent election last February its share slid to 42%,

and in ten months of wrangling neither he nor the opposition were able to form a ruling coalition. This time he took 51%, and should easily be able to form a government.

His country is not in great shape. Richer European countries that face labour shortages are welcoming Kosovar workers, and the population is shrinking. The election authority said 2m citizens were eligible to vote, yet according to a census in 2024 the country's resident population was down to 1.6m. Those in the diaspora vote heavily for Mr Kurti. Indeed, he may have delayed the election until the Christmas holiday in the knowledge that expatriates would be visiting home, making voting easier, says Petrit Selimi, a former foreign minister from the opposition Democratic Party. He says the opposition failed hopelessly to counter what he calls Mr Kurti's "populist blitzkrieg".



But the populism is partly in the eye of the beholder. Mr Kurti rails against the corruption of the country's opposition during its years in power, but he has a point: their governments were indeed corrupt. By contrast Mr Kurti has won praise for leading what is widely regarded as the cleanest government the country has had since independence. He has raised public-sector pay and child benefits. Although Kosovars complain about high prices and low wages, the shrinking domestic labour pool means that wages at home are rising, too, if hardly to German levels.

That said, he has won much of his support by showily standing up to Serbia and its political flunkies among the ethnic-Serbian minority in Kosovo's north. After an incursion by armed Serbs in 2023, he ignored pleas for restraint from America and Europe. Instead he has expelled Serbian government institutions from Serbian-inhabited areas and tightened the grip of Kosovo's police and institutions there.

Anti-Serbian posturing plays well politically, but has consequences. Though most Western countries recognise Kosovo's independence, Serbia does not. Neither do Russia or China. That stops Kosovo joining the UN. Serbia maintains its claim on the wayward province, even though its population would be horrified if Kosovo and its hostile ethnic-Albanian population ever returned to the Serbian fold.

Both Kosovo and Serbia aspire to join the EU. Yet politicians from several EU member states say Serbia will never be allowed in until it recognises Kosovo. Its disputed statehood deters investment. Its government wastes time countering Serbian threats that could better be spent on domestic priorities. The two resemble a miserable separated couple that cannot agree on the terms of a divorce: Serbia refuses to grant one, and until it does, Kosovo cannot thrive. Shaking his fist at Serbia may help Mr Kurti win elections, but to bring his country prosperity he will need a more amicable relationship. ■

---

<https://www.economist.com/europe/2026/01/08/kosovos-election-shows-its-democracy-is-solid>

| [Section menu](#) | [Main menu](#) |

Terrifyingly leaky Chernobyl

## A Russian drone has revived a Ukrainian nuclear nightmare

*But who is prepared to pour even more money into making the country safe?*

Jan 09, 2026 04:45 PM



A roof over hell

ONE NIGHT last February, flames leapt over the Chernobyl nuclear power plant for the first time since 1986, when it was the site of history's worst nuclear disaster. A Russian drone had punched a hole in the reactor's protective dome, known as the new safe confinement (NSC). The International Atomic Energy Agency (IAEA), a UN watchdog, initially called the damage superficial. But repairs are likely to cost hundreds of millions of dollars. Experts say there is a risk of a severe leak.

The NSC was completed in 2019. The project, orchestrated by the European Bank for Reconstruction and Development (EBRD), took 22 years and cost \$1.6bn. Placed atop the concrete sarcophagus erected after the meltdown, it was designed to contain radiation for the next century. The drone blasted a hole in it and started a fire. To fight it, "some 300 openings had to be cut into the structure," says

Balthasar Lindauer, the EBRD's head of nuclear safety. Fire destroyed parts of its airtight seal, making it vulnerable to corrosion in a few years.

Mr Lindauer says such corrosion could lead parts of the post-1986 sarcophagus to collapse and stir up radioactive dust. Some would be released around the reactor. Beyond that, he hesitates to speculate. There has been no radioactive leak since the drone attack, but without repairs, says Rafael Mariano Grossi, the IAEA's director, it will become "a far more costly" threat.

In October Ukrainian employees covered the gaping hole made by the drone with a metal sheet. A contractor will try to patch the holes made by firefighters. But to restore the NSC's integrity, the dome must be resealed. The question is how to do this without exposing many workers to high levels of radiation. One option is removing the NSC, fixing it offsite and replacing it. It is the largest moveable land-based structure in the world. The EBRD is trying to raise the funds, but asking for money to send to Ukraine is at present a hard sell.■

---

<https://www.economist.com/europe/2026/01/08/a-russian-drone-has-revived-a-ukrainian-nuclear-nightmare>

**Turning them off**

# Latvia is needlessly alienating its Russian-speakers

*Shutting down Russian-language broadcasting is a gift to the Kremlin*

Jan 08, 2026 07:07 PM | Daugavpils and Riga



The nation's station

ON DECEMBER 31ST Latvian Radio 4 (LR4), one of the Baltic country's main public radio channels, bid farewell to its listeners after nearly 25 years. It went silent not for lack of demand or because of complaints about content: it had a stable audience and its editorial line was staunchly anti-Kremlin and pro-Latvian. The problem was that it broadcast in Russian.

From January 1st, according to Latvia's National Security Concept, passed in 2023, content produced by public media must be in Latvian or "languages belonging to the European cultural space". Russian does not qualify, although a third of the population speak it as their first language. Russian-language media can only be funded privately. The government says this will aid the country's security, unify its information space and make it more Western.

“In the Latvian constitution all citizens are equal. We don’t divide citizens by language, religion, gender or ethnicity,” says Baiba Braze, Latvia’s foreign minister. She points out that ethnic Russians occupy senior government posts and that Russian-language theatre is still going strong in Riga, the capital. Indeed she objects to the very phrase “Russian-speakers in Latvia”, calling it “a political term coined by some people close to the Kremlin to try to impose a Russian worldview”.

Latvia’s ethnic-Russian minority makes up a bigger share of the population than in any other country in the European Union. Ilona Madesova, the director of LR4, finds closing Russian-language public radio on security grounds offensive; its purpose was to provide an alternative to Russian propaganda and make Russian-speaking Latvians feel included. A quarter of its audience were native Latvian speakers. What the government is doing is not encouraging integration but forcing assimilation, she argues. Russophones are not a homogeneous lot; critics say the government’s effort to suppress Russian identity alienates many of them, and is a gift to the Kremlin.

Latvia is not the only Baltic country struggling to integrate Russian-speakers. Alar Karis, Estonia’s president, recently criticised his own government for alienating Russian-speakers, nearly 30% of the country. But Latvia’s anxieties over the renewed Russian threat are especially acute. Estonia has linguistic and cultural ties to Finland; Lithuania was for two centuries part of a commonwealth with Poland.

Latvia, however, lacked a similar political anchor, and was more Russianised and then Sovietised than the others. It was part of a Russian empire from 1710 until 1990, apart from 21 years of independence between 1918 and 1939. Its population of under 2m people was ravaged by both Hitler and Stalin, who deported some 60,000 Latvians to Siberia. The Soviets used Latvia as their military and industrial stronghold in the Baltic region. Between

1945 and 1989 the share of ethnic Latvians in the population dropped from 80% to only 52%.

After independence Russians who had settled in Latvia during the Soviet occupation got full social benefits, but were officially designated “non-citizens”. That restricted their voting rights and barred them from public office. And though most Russophones are Latvian nationals, segregation has been reinforced by the school system, which inherited the Soviet legacy of separate Russian- and Latvian-speaking schools. (All schooling is now in Latvian.) Latvia’s own State Audit Office, an independent watchdog, admits that integration of Russian speakers has been ineffective and uncoordinated.

Russia’s full-scale invasion of Ukraine in 2022 was a severe blow to Latvia’s economy, which had served as a bridge between Russia and the EU. Worse, Russia waged its war in the name of defending Russian speakers, aggravating Latvian anxieties. Initially, Latvian politicians reassured their own ethnic Russians that they were not to be blamed. Edgars Rinkevics, then foreign minister and now president, welcomed fleeing Russian journalists, including TV Rain, an independent online news broadcaster. But by the end of 2022 TV Rain was stripped of its licence, and its journalists left the country. Last July Latvia’s Supreme Court overturned that decision; but the station had moved to Amsterdam. Many independent Russian journalists, including those at Meduza, a major online news provider, still feel safe in Latvia, but they steer clear of national politics. And whereas Estonia increased public spending on Russian-language media after 2022, Latvia has shut them down.

### ***Shooting your own feet***

Since 2010 Latvia had attracted investment by granting residency permits to foreigners who bought property there. Russians who took that deal are now barred from renewing their permits. Last year Russian nationals were banned from jobs in critical

infrastructure, including public broadcasters and hospitals. Alexander Polupan, one of Russia's top intensive-care doctors, who helped resuscitate Alexei Navalny in 2020, treated Ukrainian refugees. After fleeing to Latvia he spent three years learning the language and getting a medical licence, but can no longer practise there. To Sabine Sile, who runs Media Hub Riga, a haven for exiled journalists, punishing people on the basis of their passports or language is an assault on her values as a Latvian.

A recent report by the Friedrich Ebert Stiftung, a German think-tank, explains that Latvia's previous policy of "deliberate neglect" of Russian speakers has been superseded by punitive ones. The government screens Russian citizens who live there for their loyalty and ability to speak rudimentary Latvian. Russian is being removed from ATM machines; VAT on Russian-language books and newspapers is set at 21%, instead of the 5% for other European languages.

The result is rising political apathy and self-censorship among Russian speakers, according to a study by Latvian and European think-tanks. Some 60% are scared to express their opinions publicly. The restrictions play into the hands of Latvian ultra-nationalists and pro-Russian populists, says Joren Dobkiewicz, who runs New East, a cultural NGO in Daugavpils, Latvia's mainly Russian-speaking second city. "I don't associate myself with the Russian state or the 'Russian world', but I feel a rug has been pulled from under my feet," says Sergei Kuznetsov, a Latvian-born citizen who broadcast for LR4 in Daugavpils. "Better to be a proper émigré in another EU country than to feel alien in my own." ■

*Editor's note (January 8th 2026): The initial version of this article slightly garbled two quotes from Baiba Braze, Latvia's foreign minister. The Economist regrets the error.*

| [Section menu](#) | [Main menu](#) |

**Charlemagne**

## Why Europe is rediscovering the virtues of cash

*In a world of payment apps and digital euros, the coin is staging a modest comeback*

Jan 08, 2026 01:48 PM



ENTER A CHURCH in Sweden in the bleak midwinter and you will find one of its recesses faintly aglow. A thicket of candles, lit by visitors commemorating a loved one, offers a break from the bustle of modern life. Once, such contemplative scenes were disturbed only by the sound of coins clinking into a metal box accepting donations for each candle. No longer. In these modern times, the candles remain but the cash box has often been replaced by a QR code. Instead of rummaging through their change purses, prospective candle-lighters zap a few kronor to the church through Swish, a ubiquitous payment app. The sound of coins against metal has been replaced by the dull buzz of mobile phones announcing that a payment has gone through.

Europe, or at least its northern bit, is the land that cash forgot. In Norway and Sweden coins and notes are vanishing into the past alongside Vikings and discontinued IKEA bedspreads. Swedes now use digital payments for 90% of all their purchases; only half use

cash at all in any given month (Charlemagne, a frequent visitor to Sweden, has not seen a bank note there in well over a decade). Whereas the Japanese have paper and metal yen equivalent to 22% of their GDP stuffed into wallets and under mattresses (or futons), in Sweden the figure is under 1%.

Other bits of the continent are catching up. Cash more often remains the norm in southern Europe, where people are poorer and small businesses sometimes lack Scandinavians' meticulousness in declaring all their income to the taxman. Germany and Austria have a lingering affection for physical money, valuing the privacy it offers in the face of once-repressive states. But even they are ditching cash. Europe has half as many ATMs per person as America does, and the number is falling. Banks hold so little cash in Denmark that robbers no longer bother sticking them up.

All this swishing money electronically from one account to another once looked like modernity incarnate—no matter the protests of buskers, beggars and tax-dodgers. Politicians have long pushed for more digital payments to help stamp out undeclared income and crack down on money-laundering. Greece forced businesses, including restaurants and taxis, to accept digital payments and issue receipts (although the card reader at the taverna might prove conveniently out of service when the bill arrived). The EU has mandated thresholds on cash usage, demanding national legislation banning the use of banknotes for large business payments. In 2019 the European Central Bank even stopped issuing new €500 (\$584) notes. (The bill was so rarely seen, and so suspected of financing dodgy stuff, that it had become known as the “bin Laden”.) In European eyes cash was yesterday’s money, and digital payments the gleaming future.

Some protested, notably those on the populist right. They have long denigrated digital payments as a sop to banks (which profit from each card swipe); cash, they say, is a form of “printed freedom”. But consumers have voted with their wallets. Across the euro area

cash was used for 79% of in-person transactions in 2016, but just 52% in 2024 (and accounted for a smaller share of value, because cards are preferred for larger payments). Coffee shops realised they could do brisker business by having punters tap their bank cards instead of shuffling bits of metal. Particularly after covid-19, payments in coins and notes became so rare in many shops as to no longer be worth it. An ever-growing number put out “no cash” signs: across Europe, 12% of all businesses flatly refused cash in 2024, up from 4% just three years earlier. In some countries the figure is higher. Over one in three cinemas in the Netherlands no longer accept notes and coins. Cash looked headed for a doom loop: fewer people were taking out euros because fewer shops accepted them, because fewer people use them, and so on.

Yet authorities now think electronic money may be too much of a good thing. They would like to see, if not a dash back to cash, then at least a way to ensure it continues as a ubiquitous means of payment. In 2021 a ruling from the top EU court affirmed that paper money should in principle be accepted. To remove all remaining doubt, in December ministers from the EU’s 27 member states reiterated their desire to ban businesses from refusing notes and coins. As part of a forthcoming law, shops and restaurants will still be able to indicate they prefer digital payments, but will need also to accept old-fashioned cash.

### ***Change you can believe in***

Why the seeming backtrack? One concern is that a sizeable minority are still digitally averse. Newfangled apps and PIN-locked cards are great for young and connected types, and tolerable for the middle-aged and mildly hapless. But for the elderly the experience of juggling bank cards and apps can be frustrating. Some poor people struggle to open bank accounts at all.

A more recent misgiving centres on the resilience of payment systems. Convenient as they are when things work well, getting

money to move around ethereally requires electricity and a data connection. Spaniards facing nationwide power cuts last spring found themselves unable to buy food and other necessities. And what of threats from foreign adversaries? Some fret that too much digital payment leaves Europe dependent on the likes of Visa and MasterCard, American firms with unpredictable political masters. (The ECB is mulling a “digital euro” in response, though that will take years.) In the Baltics and Nordics, where angst focuses on Russian sabotage, digital payments systems now work for a time even when power is cut. But nothing beats cash when it comes to resilience. Swedes have long been advised to store enough in notes and coins to get through a week, a move the EU now recommends. After years of tapping and swiping to pay, Europe is discovering that some change is worth keeping. ■

---

<https://www.economist.com/europe/2026/01/08/why-europe-is-rediscovering-the-virtues-of-cash>

| [Section menu](#) | [Main menu](#) |

# Britain

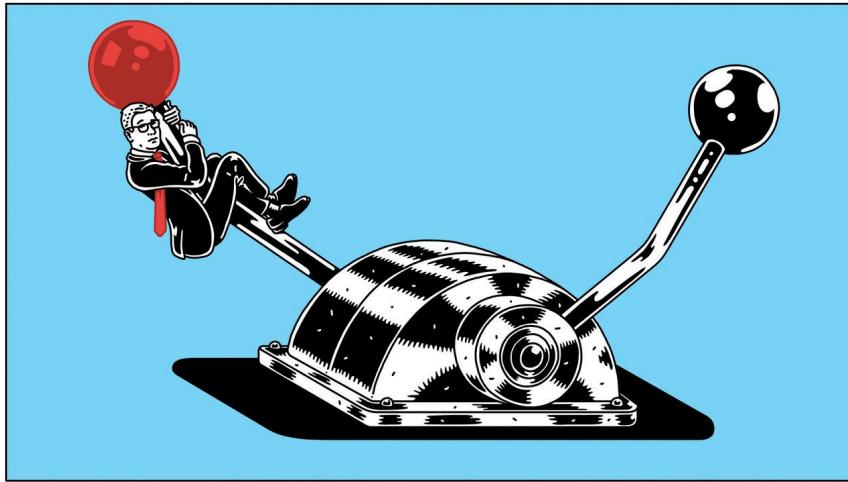
- **[State capacity is the issue of the age](#)**  
Just-do-it politics :: The Labour Party and its rivals agree on much about what is wrong with government
- **[Hope springs eternal for Sir Keir Starmer](#)**  
Turning a corner? :: The latest reading from our Starmer tracker
- **[Happy birthday to the contributory old-age pension!](#)**  
Welfare past and present :: One hundred years ago, Britain changed for good
- **[Why Britain's Stop the War movement is so resilient](#)**  
Left standing :: Sometimes it is right, for the wrong reasons
- **[The collapse of Britain's oil-and-gas industry](#)**  
North Sea oil :: Labour's policy is a muddle. But critics' talk of a North Sea renaissance is fanciful
- **[Thatcher-on-Thames](#)**  
Bagehot :: Docklands is a corner of England that is forever Maggieland

**Just-do-it politics**

## State capacity is the issue of the age

*The Labour Party and its rivals agree on much about what is wrong with government*

Jan 09, 2026 04:39 PM



ASKED ABOUT the challenges of power, one government aide mentions Downing Street’s heating system. In some rooms in the prime minister’s offices are old thermostats disconnected from the boiler network. On cold days chilly officials still fiddle with them, to no avail: “You turn it and nothing happens.” When it comes to governing, too, “they are still looking for the button that makes things happen.”

Sir Keir Starmer entered office in July 2024 with a serene confidence that, if only he treated the civil service with respect, it would carry out his party’s manifesto. Now he vents. “Every time I go to pull a lever,” he told a select committee last month, miming with his arm, “there are a whole bunch of regulations, consultations and arm’s-length bodies that mean the action from pulling the lever to delivery is longer than I think it ought to be.” In speeches, he complains that government agencies have become a “cottage industry of checkers and blockers”. Recently Paul Ovenden, Sir

Keir's former director of strategy, cast blame on what he termed a "stakeholder state": a sticky nexus of campaigners, regulators and lawyers who gum up government business with fringe causes.

Across the world, state capacity is the issue of the age. Politicians promising to make government leaner and more effective hold power from America to Argentina, and from India to Vietnam. So too in Britain. The next election may not turn on individual policies but on which leader can convince disillusioned Britons that they can get anything done at all. Luke Tryl, of More in Common, a pollster, calls it the "politics of can't": a pernicious, declinist sense that the British state can no longer build a railway, catch muggers or provide health-care appointments. Focus groups increasingly see Reform UK's leader, Nigel Farage, as a "just do it" politician, he adds.

Glance at international indicators and all may seem broadly fine with the British state. An index by the Blavatnik School of Government at Oxford University, which aggregates data and expert analysis, ranked British administrators sixth out of 120 countries in 2024.

Yet something is awry. Week after week case studies emerge of a system struggling. Backlogs in hospital care, criminal trials and driving tests have become entrenched since the covid-19 pandemic. Attempts to curtail welfare spending are stymied by judicial reviews. A botched procurement process gave the army an armoured vehicle that was late, expensive and makes soldiers vomit. A rococo infrastructure-planning regime means that a new nuclear-power station is to be fitted with acoustic deterrents dubbed a "fish disco" to protect marine life. Whitehall turns young idealists into burned-out cynics: one departee describes getting anything done as "trying to swim through rapid-setting concrete."

Complaints about administrators are as old as politics itself. But two features stand out in the reform zeitgeist. One is an emphasis

on the prime minister's ability to direct activity across the state at speed, like a controller altering the points of a railway network. It stresses the primacy of elected politicians over the permanent bureaucracy. This school of thought among politicians came to the fore under Boris Johnson who, as prime minister, talked of "rebalancing" the constitution. The struggle to "get Brexit done" opened a rift between politicians and officials. The pandemic deepened ministers' sense of impotence.

This appetite for a stronger, faster, politically charged centre of government amounts to a curious consensus between Sir Keir, the Tories and Mr Farage. Sir Keir wants to "get rid of as much of the regulation as possible, get rid of arm's-length bodies", he told *MPS*. He shared the frustration of his predecessors "that there is a sort of thicket of reasons you can't do anything, rather than a clear path through". He has appointed Darren Jones to the new post of "chief secretary to the prime minister", tasked with enforcing his priorities in Whitehall. Like Mr Johnson during covid-19, Sir Keir has talked of "mission control" nerve centres in Whitehall, with large screens displaying data feeds.

Reform UK shares the same vision. The party promises a cull of civil servants and quangos, and a shock-and-awe legislative campaign, to "ensure that the state apparatus obeys the will of the people", Zia Yusuf, Mr Farage's right-hand man, recently told this newspaper. Whitehall's inertia is at the root of public discontent, he says: "either because the politicians lie, or the ones who mean well get swallowed up by the blob." If it wins, the party says civil servants will be moved from modern glass towers across London to sit in the stone buildings on the street that gives its name to Whitehall.

### ***Cause and effectiveness***

Such centralisation is a big intellectual break from the past 40 years. New Labour saw decentralisation as synonymous with

modernisation. David Cameron came to power in 2010 with ideas of localism, volunteerism and personalised choice in public services. He characterised Gordon Brown, his rival, as a Stalinist control freak who governed by target.

And the vision of prime minister as the Fat Controller has flaws. For governments that know what they want, arm's-lengths bodies are not obstacles to their agenda, but instruments for executing it. Margaret Thatcher created “executive agencies” to run services like passports and patents, reckoning that a new cadre of business-minded managers would be more efficient than the Whitehall old guard. Independent regulators were better placed to inject competition in newly privatised markets than politicians vulnerable to lobbyists.

The fixation of all these politicians with pulling “levers” is a category error, argues Polly Mackenzie, a former aide to the Liberal Democrats. Governments are not mechanical, but organic actors in a complex ecosystem. Most of a prime minister’s power lies in sending signals, building coalitions and creating incentives. These skills elude Sir Keir.

There lies the second distinguishing feature of the current debate: its shallowness. Sir Keir promises a “fundamental reform of the British state”, but his remarks reflect frustration with government more than a plan to remake it, reckons Alex Thomas of the Institute for Government, a think-tank. Sir Keir has, his colleagues say, no real theory of the state. As for Mr Ovenden’s complaints of a “stakeholder state”, the notion is so sweeping it could encompass almost anything.

In practice, the cull of regulators and quangos has so far amounted to little; and in the case of the abolition of NHS England, a quango, it was badly underprepared. Indeed, by lamenting that Labour feels powerless, Sir Keir only makes the case for his populist rivals, reckons Mr Tryl. He offers a variant of Ronald Reagan’s maxim:

“The nine most terrifying words in British politics are: ‘I’m from the government, and I can’t help you.’” Voters need no convincing of the state’s problems. The rewards go for fixing them. ■

---

<https://www.economist.com/britain/2026/01/08/state-capacity-is-the-issue-of-the-age>

| [Section menu](#) | [Main menu](#) |

**Turning a corner?**

# Hope springs eternal for Sir Keir Starmer

*The latest reading from our Starmer tracker*

Jan 12, 2026 10:27 PM

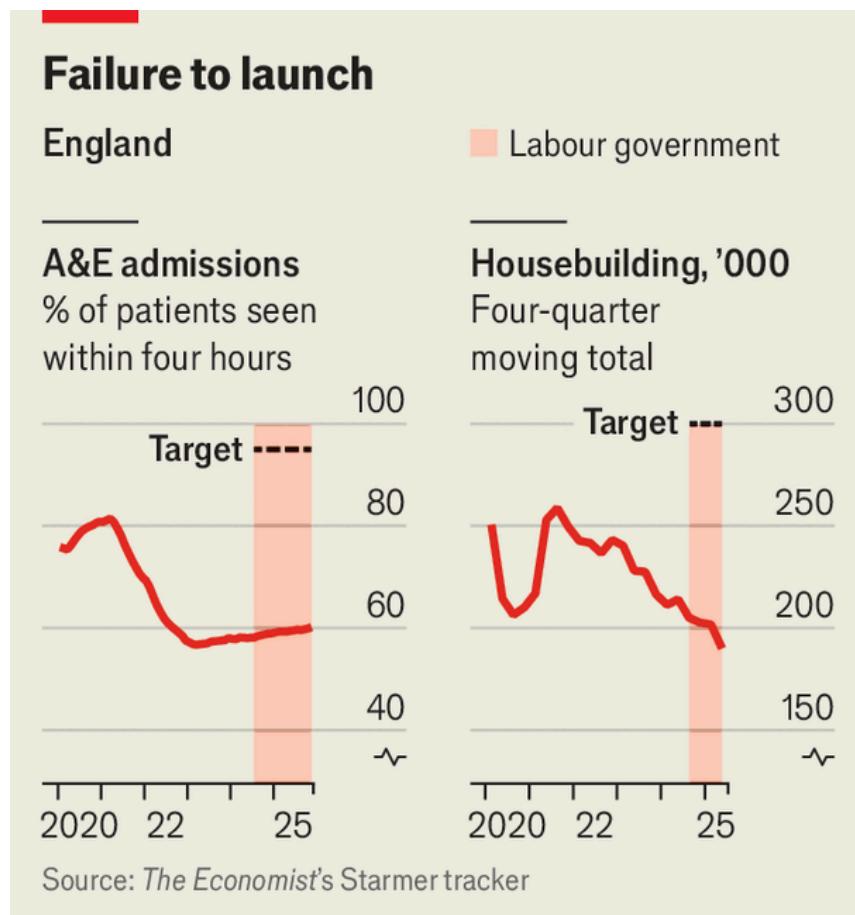


NEW YEAR, new me. That is what Sir Keir Starmer would like the British public to believe. In an interview on January 4th with the BBC, the prime minister asserted half a dozen times that Britain would “turn a corner” this year.

Sir Keir’s first full calendar year in power has been bruising. His government backed down on several key policies in the face of backbench rebellions; he has struggled to lead with conviction. [Our poll tracker](#) suggests that Labour would win just 17% of the vote if a general election were held tomorrow. Never has a governing party slumped so low.

Could change be just around the corner? In 2024 Sir Keir formulated six goals to achieve by 2029: raise incomes across Britain; add 13,000 neighbourhood police; ensure 75% of five-year-olds are “ready to learn”; build 1.5m homes; cut hospital waiting lists and—by 2030—generate 95% of electricity with clean

power. It is too soon to judge how Labour is doing on the first three, but on the latter three it is far behind schedule.



Judging by *The Economist*'s own “[Starmer tracker](#)”, which aggregates eight indicators that voters tell us matter most to them, the government is flatlining. There has been some good news: household utility bills have fallen thanks to mellowing global energy prices. In April they will decline by another £150 (\$200) a year when green levies are removed from domestic bills.

However, housebuilding is at a ten-year low and progress towards the National Health Service’s target that 95% of patients arriving in A&E should be seen within four hours has been marginal, from 58% to 60% (see charts). Meanwhile, efforts to “smash the gangs” of people smugglers have so far proved futile. People crossing the Channel on small boats increased by 13% in 2025. Sir Keir’s government will need more than a new year’s reset to be jolted back to life. ■

---

[https://www.economist.com/britain/2026/01/08/hope-springs-  
eternal-for-sir-keir-starmer](https://www.economist.com/britain/2026/01/08/hope-springs-eternal-for-sir-keir-starmer)

| [Section menu](#) | [Main menu](#) |

**Welfare past and present**

# Happy birthday to the contributory old-age pension!

*One hundred years ago, Britain changed for good*

Jan 09, 2026 04:39 PM



A NEWSPAPER CALLED her “a little old lady”. But if that description evokes a meek, fragile sort, think again. She had just been informed by a south London post office that she was not entitled to a widow’s pension, and was furious. “I can’t see why I can’t have a pension,” she fumed. “I had a husband, and I haven’t one now. Surely that ought to be good enough.”

One century ago this week, the Widows’, Orphans’ and Old-Age Contributory Pensions Act came into force. Workers and employers began making weekly payments, which gave people the right to receive pensions at the age of 65. It was a big change. Although impoverished people aged 70 and over had been receiving money for almost two decades, the new act gave pensions to ordinary old people, and built the contributory system that Britain still uses today.

Like other revolutions, it was discombobulating. The legislation was fiddly and complex: it provided immediate pensions to some widows but made others wait. Contemporary reports are filled with accounts of agitated people. Some, like the woman in south London, were cross. Others were delighted. Although the new pensions were miserly, at just ten shillings a week (worth about £27, or \$36, in today's money), people seemed to sense that something important had changed for good. They were right about that.

One of the things that most struck newspaper reporters in the 1920s was the appearance of the people who came to collect their pensions. In January 1926 a journalist at the *London Chronicle* spotted a “smartly dressed” widow who “was apparently in tolerable circumstances”. Two years later, when many 65-year-olds became eligible for pensions, the *Staffordshire Sentinel* observed: “Generally speaking, a much higher level of education and alertness was in evidence than was characteristic of the first old age pension claimants nearly 20 years ago.”

The old-age pensions that had previously been available to 70-year-olds were means-tested and therefore shameful. The new ones were not. “Great changes have taken place in Scottish public opinion concerning old age pensions,” noted the *Dundee Evening Telegraph*. Its reporter wrote that the new pensions were seen not as welfare, but as “an annuity duly paid for by the claimant”. It was not necessary for post offices to hand them out surreptitiously, as they had sometimes done before.

The new system also drew a sharp line between working-age people and pensioners. In the 1890s, when the campaign for pensions heated up, the social reformer Charles Booth observed that most people toiled as long as they possibly could, earning less as they grew older. Old women worked as housekeepers; men tried to find jobs as watchmen or took physically undemanding factory jobs. Many found themselves working alongside children.

As soon as 65-year-olds became eligible for pensions, some people began to argue that they ought to stop working. According to the *Buckingham Advertiser*, one local politician demanded to know if the council was employing anyone aged 65 or over. He thought it wrong that such people should hog jobs when there were “plenty of able-bodied men out of work”. The lump-of-labour fallacy—that there is a finite amount of work in the economy—was popular a century ago. Unfortunately, it still is.

Nowadays, pensioners are more numerous and far more politically powerful than they were a century ago, owing to their habit of voting dutifully and living longer. They are lightly taxed compared with working-age people, and are less likely to be poor. The state pension grows ever more generous. Newspapers in the 1920s wrote of smiling faces at post offices when the first people came to collect their new pensions. If only they knew. ■

---

<https://www.economist.com/britain/2026/01/04/happy-birthday-to-the-contributory-old-age-pension>

| [Section menu](#) | [Main menu](#) |

**Left standing**

## Why Britain's Stop the War movement is so resilient

*Sometimes it is right, for the wrong reasons*

Jan 09, 2026 04:40 PM



Freezing for peace

“DONALD TRUMP hear us say, free Maduro right away” was one of the tamer chants at the “No war on Venezuela” rally outside Downing Street on January 5th. Daryll, a jolly retiree from south London, is on bail after being arrested at a Palestine Action protest. He insists he is hardly the most committed person there. “Some of them are a bit weird,” he says.

But they are resilient. Monday’s rally was organised by the Stop the War (STW) coalition, formed after the attacks in America on September 11th 2001. STW will turn 25 this year. Lindsey German, one of its founders, is 74. But she and her movement show no signs of slowing down.

The group has yet to match its almost 2m-strong march in 2003 against the Iraq war (Britain’s largest-ever protest). But it has helped organise huge pro-Palestine marches since October 2023.

And on a bitterly cold January night more than 1,000 people answered the call to protest against Mr Trump's abduction of Venezuela's president, Nicolás Maduro.

What's striking is how often STW has been right, by hewing to the view that war is best avoided. Though its campaign against intervention in Syria veered into atrocity-denial, it correctly predicted that wars in Afghanistan, Iraq, Libya and Gaza would prove ruinous. Founded by ex-members of the Socialist Workers Party, STW's focus on wealth and power has odd similarities with the "realist" power politics embraced by Mr Trump. A "high degree of theoretical analysis", says its co-founder, John Rees, "helps sustain you between one peak of mobilisation and another."

The theorising does not stop at foreign policy. In her speech Ms German declared the future to be a choice between "socialism or barbarism"—echoing Rosa Luxemburg, a German revolutionary assassinated in 1919. Among the crowd were flag-waving representatives from the Socialist Party, the Socialist Workers Party and the Revolutionary Communist Party, each taking the opportunity to evangelise for their sect.

STW persists because it is more than an anti-war movement. It is the umbrella under which Britain's left can gather (anti-war sentiment being one of the few things such groups can agree on). STW is concerned with capitalist (ie, American) imperialism above all. That is why Ms German proclaims sovereign people's "right to determine their future for themselves" while describing Russia's invasion of Ukraine as a "proxy war" brought on by NATO expansionism. It is a stance that has seen it excuse some pretty dodgy leaders. Missing amid Monday's Venezuelan and Palestinian flags were any Ukrainian ones. ■

| [Section menu](#) | [Main menu](#) |

**North Sea oil**

## The collapse of Britain's oil-and-gas industry

*Labour's policy is a muddle. But critics' talk of a North Sea renaissance is fanciful*

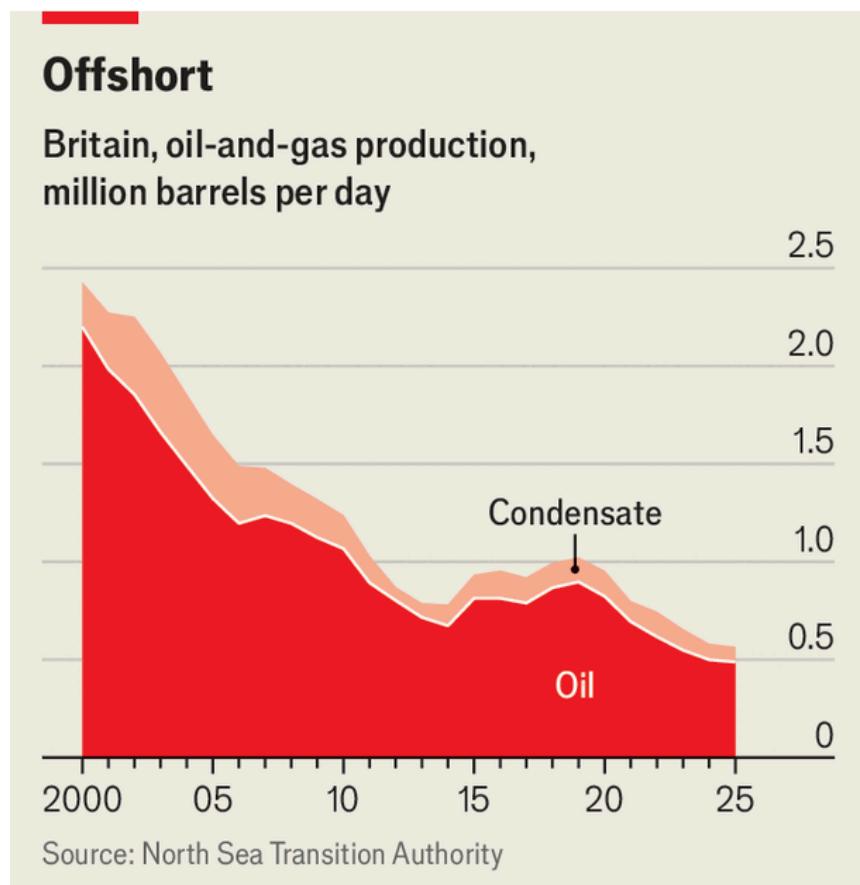
Jan 09, 2026 04:40 PM



FOR MORE than 50 years the oil and gas beneath the [North Sea](#) have been a hidden current in British politics. In the 1970s the natural dividend offered a way out of rolling fiscal crises, reassuring the country's creditors and strengthening its balance of payments. Without North Sea revenues—which peaked at 3% of GDP in the mid-1980s—the swingeing tax cuts at the core of the Thatcher revolution might never have happened. Nor perhaps would the rise of Scottish nationalism. Even in the 2000s the North Sea quietly fed a sense of economic good times.

The current is at work once more, this time as the industry faces deep difficulties. Complaints from north of the border—most firms are headquartered in Aberdeen, long known as [Europe's energy capital](#)—are growing louder. The industry points the finger at the Labour government, which has kept in place a throttling windfall tax, prevaricated over exploration licences and now frets about a “just transition” for workers. Yet the sector's decline has also been

hastened by global factors. It may now be too late to do much to slow it.

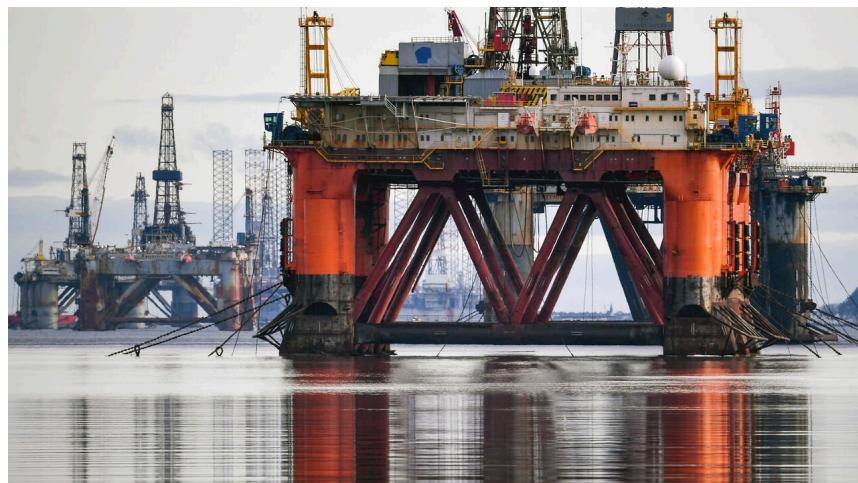


Since its peak at the turn of the century, oil production in Britain has fallen almost continuously (see chart). In the past decade the North Sea workforce has shrunk from 450,000 to 200,000. That includes engineers, welders and electricians, but also many jobs on land, from taxi drivers to factory workers. Last September a large refinery at Grangemouth closed down. In February a plant in Mossmorran will follow. David Whitehouse of Offshore Energies UK, a trade body, says a thousand jobs are being lost every month.

That a steady decline is turning into a collapse is, says Mr Whitehouse, “policy-driven”. Labour has kept in place the windfall tax on profits introduced in 2022 by the then Conservative government when energy prices spiked. At 78%, Britain’s effective tax rate is among the highest in the world, deterring investment in a basin that already has high production costs.

Then there is the muddle on licensing. In opposition the then shadow energy secretary, Ed Miliband, made the totemic pledge to ban all new drilling in the North Sea. Conceived as a virtue-signal to restore Britain's climate leadership, as a policy it never made much sense. Oil and gas are sold on international markets; cuts by a small producer make little or no difference to global consumption, and in turn emissions. What is more, Britain will continue to need the stuff for decades. The complexities of the oil business mean the relationship is far from linear, but running down production will still make the country more reliant on imports.

In office Mr Miliband has fudged his position, agreeing to allow new drilling on existing fields (known in the industry as "tiebacks"). But that still limits producers to smaller projects. Coupled with an unattractive tax regime, investment has dried up as a result. In 2025 no new licences were approved for the first time since drilling began. By contrast Norway, which shares access to North Sea reserves, approved 40 new projects. It has ramped up oil-and-gas production to the equivalent of 4m barrels a day, four times more than Britain.



Citing the Nordic example, both the populist Reform UK and the opposition Conservative Party argue a pro-drilling policy would spur an investment boom and "power British prosperity". That is overdoing it. Britain's oilfields are much smaller and older than Norway's. They need global prices at nearly \$40 a barrel just to

break even, more than double the comparable threshold for Norway. Britain also has much less left to dig up. Rystad Energy, a consultancy, estimates that the country's recoverable reserves are equivalent to just 9bn barrels, less than half Norway's.

Whatever oil Britain does extract will also probably flow into a flooded market. Even as booming electric-car sales in China and tepid global growth limit demand for petroleum, countries such as Brazil and Guyana, where oil firms have invested huge sums to extract new deposits offshore, will soon be adding more to bloated world supply (so might Venezuela, under new management). The International Energy Agency, an official forecaster, predicts a global surplus of nearly 4m barrels a day this year, equivalent to 4% of demand. JPMorgan Chase, a bank, reckons this "superglut" could push global prices to the low \$50s in 2026 and the \$30s by late 2027—unless oil-producing countries make drastic cuts.

All this leaves Mr Miliband in an awkward spot. He may have hoped to engineer a transition for an economically important but politically tricky industry. He has ended up presiding over its collapse.

There is a good case for easing tax and licensing policies: slowing the decline might help more workers switch to green jobs. The first test will be a decision in February over Rosebank, a large oilfield that Mr Miliband previously branded "climate vandalism". With an energised Green Party threatening Labour's left, though, concessions will not be cost-free. The North Sea current will shape politics once more, perhaps a final time. ■

---

<https://www.economist.com/britain/2026/01/06/the-collapse-of-britains-oil-and-gas-industry>

**Bagehot**

## Thatcher-on-Thames

*Docklands is a corner of England that is forever Maggieland*

Jan 08, 2026 04:44 PM



“IT’S LIKE A rollercoaster,” said one father, dumping three children in the front seats of the Docklands Light Railway. The driverless train that cuts through the former docks in East London will soon enter its fifth decade yet still, somehow, feels like the future. It is a better guide to the past.

A trip on the DLR is a tour through a corner of England that is forever Thatcherite. Stop at Shadwell and head down to the cobbled road of Pennington Street near Wapping. The Wapping dispute began in January 1986 when Rupert Murdoch thwarted the turbulent, technology-blocking print unions by moving his entire operation to the derelict warehouse district. A year of clashes between working journalists, pickets and policemen ensued. With Margaret Thatcher’s government in his corner, Mr Murdoch won. Britain’s union movement never recovered.

Wapping shares its anniversary with another Thatcherite achievement. The Big Bang, in which the cartel of the London

Stock Exchange was broken, exploded four decades ago this year. Banks from America, France and Germany poured in. But where could they go? The City was too low-rise; Westminster too cramped; a spot off the M4 motorway too miserable.

Ride the DLR and the answer looms on the horizon. Canary Wharf, three stops on from Shadwell, is the heart of Docklands and a 130-acre monument to Thatcherite chutzpah. For two centuries London's docks were the "hungry mouth" of the British empire, gobbling tobacco, citrus fruit and other exotic imports. By 1981 all the docks had shut. They left a deindustrialised canvas on which the Tories painted a vision of capitalism.

Its rebirth as a finance hub is one of Thatcher's main achievements and the purest example of her ideology in action. It was predominantly funded by the private sector. Creating the London Docklands Development Corporation allowed builders to bypass normal planning rules; an enterprise zone let businesses that made their employees take the toy-train pay fewer taxes. The state's main role was to get out of the way.

Not all were impressed. Dinky DLR trains were too small to ferry enough bankers to work. Docklands still has an unfair reputation as poorly connected, even though it now has three train lines. Likewise, the reviews of the architectural free-for-all were not good. "In their vulgarity and insensitivity in place and to each other, the buildings of the Enterprise Zone epitomise Thatcher's Britain in all its philistinism and selfishness," sniffed one critic.

Inside its flaws lurked virtues. A little selfishness can go a long way. Olympia & York, a developer, put in billions in the hope of making billions. This carried risk, but the state bore little of it. Olympia & York went bust; other investors stepped in. Government delays were a major cause of the bankruptcy, but there was no compensation. Counterparty risk always exists. The developer ate the losses just as it would have eaten the profit.

Philistinism has its uses, too. Recently regenerated areas of London, such as King's Cross, were built delicately around their heritage. In Docklands history was bulldozed and replaced with the future. More history can always be made. The original Canary Wharf, a brick warehouse holding fruit from the Canary Islands, lasted only 43 years. Bankers have been on the site for almost as long. This single small area generates about £40bn (\$54bn) in gross value added a year, or as much as Birmingham, Britain's second city. Future historians can discuss that rather than fruit.

In 2026 Docklands is an unapologetic paean to the virtues of private ownership that Thatcher extolled. London City Airport sits a few short stops east on the DLR. It is the only one of London's airports planned and paid for by the private sector alone. It is also the only civilised way of flying from the capital.

In Canary Wharf, a single owner means the mistakes made in the 1980s and 1990s have been undone: ugly buildings have been ripped down, neglected waterfronts turned into walkways; since the pandemic parks have been perked up and a theatre built. Contrast it with Oxford Street, supposedly Britain's premier shopping street. On Oxford Street ownership is fractured, so no one cares enough to fix it. Each area is on opposite trajectories. Visits to Canary Wharf have risen by 50% since the pandemic to about 75m a year. Trips to Oxford Street have fallen by 40% in past two decades to 120m. Oxford Street is a commons. The results are tragic.

Another Thatcherite lesson lives on in Docklands: the private sector can often do a better job than the state even on fundamental matters. Canary Wharf claims its crime rate is about 90% lower than the average in London, where petty crimes such as phone-snatching have shot up even as crime overall has fallen. Forget Bobbies. In Canary Wharf, Big High Viz is on the beat.

### ***High and mighty***

Four decades on from the apogee of Thatcherism, Britain is a place where ambition is seen as vulgar or, worse, naff. Not in Docklands. Six of Britain's ten tallest buildings sit here—of which five were completed after 2020. Of those, four are residential. About 3,500 people live on the Canary Wharf estate, a number likely to double in the next few years. The peninsula is home to the 75-storey Landmark Pinnacle, designed for people who want to live in Britain's tallest residential building and who need not one but two superlatives. Think Dubai, without the weather. For some in Britain, this is hell. For others, it is close to heaven.

Docklands is, still, a Thatcherite wonderland. It is the product of a politics that was unapologetically pro-growth, pro-market and pro-capital; in favour of the future, rather than the past. It is in other words, a politics now almost entirely absent from Britain. It was a vision that the Conservatives embraced under Thatcher but have now spurned. If they do not stand for it, who will?■

---

<https://www.economist.com/britain/2026/01/08/thatcher-on-thames>

| [Section menu](#) | [Main menu](#) |

# International

- **Social media are helping cults to recruit and control members**

Click follow for salvation :: The internet has replaced door-to-door evangelists with online influencers

**Click follow for salvation**

## Social media are helping cults to recruit and control members

*The internet has replaced door-to-door evangelists with online influencers*

Jan 09, 2026 11:20 AM

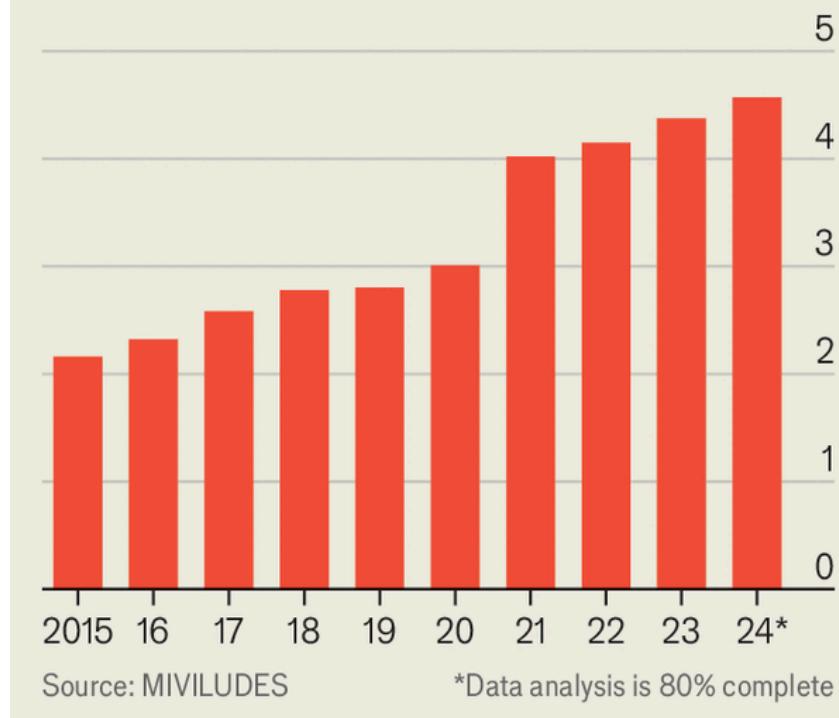
IT BEGAN AS just another niche game inside Roblox, an American video-game platform. Players wandered through dark forests, exchanged clues and chatted as they explored. Within these spaces a group of adults steered some children into Discord, an online messaging service. They told them that the game's geometric symbol had real-world power and could connect them to a "higher state". Entry to the group's inner circle required proof of loyalty. Children were asked to film themselves performing a series of tasks. At first the challenges seemed harmless. Over time they became more intrusive, with some children pushed into carving the symbol into their skin.

Incidents like this illustrate how the internet has changed the way cults operate by replacing the door-to-door evangelists and street-corner preachers of the past with online influencers, life coaches and self-styled healers. These new cult leaders target people where they are most vulnerable: alone online.

## Fringe to frequent

1

France, reported cult activities, '000



The result has been a sharp increase in cult activity. MIVILUDES, the French government’s watchdog on “sectarian aberrations”, logged more than 4,500 reports of suspected cult activity in 2024. The number of such alerts (rather than a count of groups) was more than double the level recorded in 2015. A majority involved communities that had online activities. The International Cultic Studies Association (ICSA), a global network of researchers who study coercive groups, now tracks more than 4,000 of them worldwide, compared with roughly 2,000 in the 1980s.

Cults tend to have four characteristics that distinguish them from ordinary groups. The first is a charismatic leader who claims special access to truth or power and is often narcissistic or messianic. The second is a belief system that promises transformation or salvation, whether spiritual awakening, perfect health or material success. The third is a system of control such as rules that erode individuals’ autonomy, often through exhaustion, surveillance or humiliation—such as staged tests of loyalty. The

fourth is a system of social pressure that punishes doubt and those who leave, through ostracism, intimidation or loss of family and community ties. All of these elements can be reproduced online, where they are harder to detect and where recruiters can more easily reach large numbers of people.

The internet has not simply increased the number of cults. It has also splintered them, says Carlos Bardavío, a Spanish lawyer who specialises in cases involving coercive groups. Whereas he once dealt with a small number of well-defined groups, he now receives requests linked to dozens of tiny ones. In 1978 a survey by ICSA found about 400 former members clustered in just 40 organisations. In its latest survey more than 900 former members were spread across 540 groups.

Young people are particularly exposed, says Etienne Apaire, the president of MIVILUDES. They spend more time online, are more impressionable and less able to spot manipulation than adults. Nearly one in five French cases in 2024 involved a minor. A report by Europol, the EU's police agency, warns of a rise in online cults coercing teenagers into violence.

Many of these movements do not claim to be religious. Instead, they speak the language of wellness, purpose and self-mastery. Alternative therapies boomed during the pandemic, when fear and isolation made people more receptive to promises of healing and control. Some groups claim to cure anxiety or chronic pain; others offer “transformation”, prosperity or a “second life” to those who submit fully.

Once drawn in, followers are gradually made dependent. As with traditional cults, the first steps seem harmless—a ritual, a video call, a chat about progress—but the demands soon grow. Doubt is portrayed as weakness. Eventually the group becomes their main source of validation, says Laura Merino, a psychologist who treats victims of cultic manipulation. Social-media algorithms reinforce

that dependence, feeding users a stream of content that presents the group's views as the only reality.

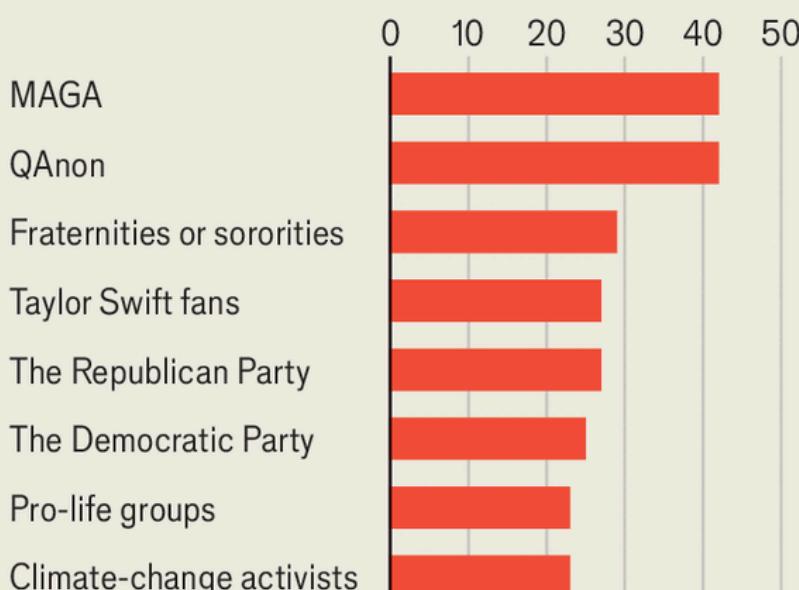
Some groups, like the Roblox one, descend into violence. Others prey on followers financially. In 2021 Robert Shinn, a self-proclaimed pastor and talent manager, recruited young dancers through online Bible-study sessions and promises of "creative mentorship". He then allegedly pressed them to move into properties he controlled, restricted contact with their families and monitored their messages. He allegedly took charge of their earnings—claiming that handing over their income was a test of devotion and a path to spiritual growth—according to documents filed in a California court in a lawsuit brought by former members of his group. Mr Shinn has denied wrongdoing and said he was the victim of a "smear campaign".

### In the eye of the beholder

2

United States, "Which, if any, of the following would you consider to be a cult?"

October 2025, % responding



Source: YouGov/The Economist

Scholars have long debated where to draw the line between a tight-knit community, a fringe religion and an abusive cult. Most present themselves as harmless churches, coaching programmes or wellness groups. This task has been made even harder as public interest in cults has grown. Streaming giants including Netflix and HBO have aired documentaries, including one on Mr Shinn. Yet cavalier use of the term “cult” makes it harder than ever to differentiate between intense forms of following and real coercion, says Adam Scott Kunz of the University of Wisconsin-Eau Claire. In a YouGov poll conducted for *The Economist*, 42% of respondents said MAGA is a cult—the same share who said the same of QAnon, an incoherent conspiracy movement. Absurdly, many think political parties and even sororities are cults, too (see chart 2).

Governments have taken sharply different approaches to confronting the problem. France has gone furthest, creating new offences designed to capture psychological manipulation. A law introduced in 2001 criminalises the “fraudulent abuse of weakness” and allows prosecutors to target leaders who exploit vulnerable followers. A reform passed in 2024 expanded this by outlawing “psychological subjugation”, defined as any deliberate effort to deprive a person of free will. Belgium has adopted a similar framework. Spain also explicitly recognises “coercive sects” in its penal code. At the opposite end are countries with robust protections for freedom of belief, such as America.

### **Judge not?**

How far the law should go is a delicate question. Moira Penza, a former prosecutor for the state of New York, warns that statutes targeting mental manipulation risk criminalising eccentric communities or unconventional faiths. A study of Belgium’s “sect” cases found that 93% of investigations were closed with no legal action due to the absence of any crime.

The way to deal with cult-like organisations without infringing freedom of belief is to prosecute them for demonstrable offences—such as forced labour, rape, fraud, extortion or blackmail, Ms Penza argues. Even then, prosecution is rarely straightforward. Victims often appear to have acted willingly: they joined voluntarily, followed orders and sometimes defended their leader publicly.

Ms Penza faced these challenges as lead prosecutor in a case against NXIVM, a company that claimed to provide classes in leadership and personal development in upstate New York. Yet it also coerced women into “master-slave” relationships. Its founder, Keith Raniere, was sentenced to 120 years in prison for sexually abusing a child, forced labour and racketeering.

The hardest task, Ms Penza says, was showing jurors how fear and control can make people comply against their will. Mr Bardavío says the same misunderstanding once surrounded violence against women: people asked, “Why didn’t she just leave?” until research showed how fear and dependency can erode autonomy. Cults use similar methods—isolating members, exhausting them and alternating affection with punishment to break resistance.

Trauma compounds the difficulty of prosecuting such cases. Many victims speak out only years after escaping, when memories are fragmented and legal time limits may already have expired. Many fear retaliation from the group. Meanwhile, the line between victim and perpetrator frequently blurs: those who suffered harm often helped inflict it too, says Ms Penza.

Prevention may be the most effective response. Teaching young people how manipulation works could make them less susceptible. Campaigns against domestic abuse offer a precedent: lessons on power and control are now routine in schools, helping victims recognise harm earlier.

Support for survivors also needs strengthening. Many remain silent, held back by stigma and a lack of dedicated counselling or legal aid. Former cult members often receive no protection from police or the justice system after leaving the group, says Alexandra Stein, chairman of the Family Survival Trust, a non-profit which provides information on cults. There is also a staggering shortage of psychologists trained to deal with cult-related trauma. Ms Merino—one of the few specialists in Spain—says she treats more than 150 patients a year and turns away dozens more for lack of capacity.

Governments are regulating social networks more strictly—an approach that could also limit the reach of coercive groups. Australia's ban on social-media use by children, for example, reflects growing concern about what risks platforms may pose. Ms Merino has also noticed an increase in professionals seeking training in cultic manipulation, a field that until recently was ignored. As was once the case with domestic abuse, societies are learning that control need not involve physical chains. Mental ones bind, too. ■

---

<https://www.economist.com/international/2026/01/08/social-media-are-helping-cults-to-recruit-and-control-members>

# Business

- **The “ChatGPT moment” has arrived for manufacturing**

Factories of the future :: Artificial intelligence promises to transform how and where things are made

- **Germany’s industrial conglomerates are breaking up to stay alive**

Breaking up isn’t hard to do :: Economic woes are accelerating a trend of divestments

- **The AI frenzy is creating a big problem for consumer electronics**

Memory lapse :: Prices are rocketing for an essential component

- **Welcome to the age of the vodcast**

Video killed the radio star :: Audio shows are switching on their cameras in search of new audiences

- **The problem with promotions**

Bartleby :: The Peter principle is alive and well

- **Venezuela presents a big headache for big oil**

Schumpeter :: It has been decades since the industry relished foreign-policy entanglements

**Factories of the future**

# The “ChatGPT moment” has arrived for manufacturing

*Artificial intelligence promises to transform how and where things are made*

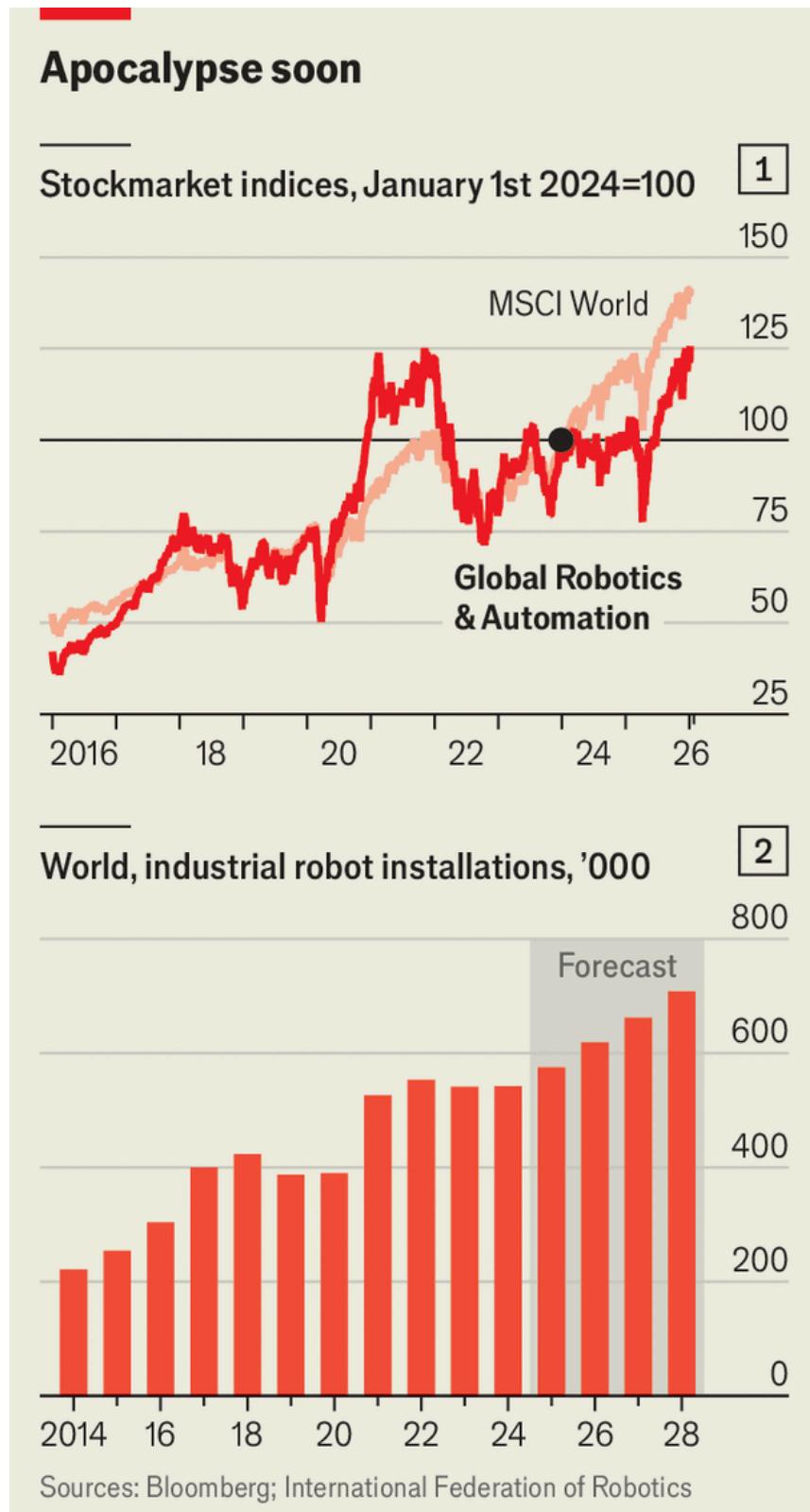
Jan 14, 2026 02:05 PM | Amberg and Erlangen

“DO YOU KNOW what really impresses me? I saw a robot pick up an egg!” exclaimed Roger Smith, chairman of General Motors, in 1985. The American carmaker, which two decades earlier had been the first company to install a robotic arm, was then in the process of creating a “factory of the future” in Saginaw, Michigan. Smith envisaged a “lights-out” operation—no humans, only machines—that could help his company keep up with Japanese rivals. The result was shambolic. Witless robots couldn’t tell car models apart, and were unable to put bumpers on or paint properly. Costs ran wildly over budget. GM eventually shut down the factory.

Automation has come a long way since then. Yet Smith’s vision remains far ahead of reality at most factories. According to the International Federation of Robotics (IFR), an industry association, there were around 4.7m industrial robots operational worldwide as of 2024—just 177 for every 10,000 manufacturing workers. Having risen through the 2010s, annual installations surged amid the pandemic-era automation frenzy, but flattened off afterwards, with 542,000 installed in 2024.

That has been mirrored in the wider market for factory-automation equipment, including sensors, actuators and controllers, which has faced tepid demand over the past few years amid a slowdown in manufacturing, particularly in Europe. Despite a stellar performance during the pandemic, shares in the industry’s big

suppliers have lagged behind those of other rich-world companies since the beginning of 2024 (see chart 1).



Yet analysts see 2026 as an inflection point. The IFR reckons that annual robot installations will increase to 619,000 this year (see

chart 2). Roland Berger, a consultancy, forecasts that inflation-adjusted growth in sales of industrial-automation equipment as a whole will rise from a meagre 1-2% in 2025 to 3-4% in 2026, then notch up 6-7% for the remainder of the decade.

Partly that reflects tailwinds brought by the reduction of interest rates in the West over the past 18 months. But it is also a product of deeper structural forces. Western policymakers have turned to subsidies and tariffs to encourage manufacturing back to their shores; factory construction soared during Joe Biden's time in office. With populations ageing, many manufacturers are struggling to find enough skilled operators to man their assembly lines, leading to rising demand for machines.

What is more, advances in industrial software are helping overcome many of the challenges that have previously hindered efforts to automate production. Silicon Valley is abuzz with discussion of how the latest wave of generative artificial intelligence can be used not just to power whizzy chatbots, but also to transform manufacturing. "The ChatGPT moment for robotics is here," declared Jensen Huang, boss of Nvidia, a chipmaker and darling of the AI boom, on January 5th. In time, the result may be factories that are not only more mechanised, but nimbler and smaller.

Hints of the future can already be glimpsed at the Bavarian factories of Siemens, itself a maker of automation equipment, in Amberg and Erlangen. The Amberg factory, which makes 1,500 variants of machine controllers, today produces around 20 times what it did when it opened in 1989, but with approximately the same number of workers. Robotic arms, many of them made by Universal Robots, whose parent company is Teradyne, an American business, do much more than pick up eggs. In glass enclosures they move swiftly about, welding, cutting, assembling and inspecting. Workers monitor and control production from computers attached to the machines.

The factory in Erlangen (pictured), which produces electronic components, is equally futuristic. Autonomous trolleys with screens attached zoom around the shop floor transporting goods between stations at which humans work side-by-side with robots. Others have lined themselves up neatly to charge.

Factory hardware has come a long way in the past few decades. Robotic arms that once moved along three axes—up and down, left to right, front to back—typically now move along six. Sensors and cameras guide their motion. A single robot is often able to perform several manufacturing steps. They have also plunged in price as production has scaled up and Chinese suppliers have entered the business.

### ***Soft power***

Even bigger advances are taking place in the software that makes machines and factories hum. Robots were once rigidly designed for one activity. That required manufacturers to be “stuck in a moment of time” in order to capture the benefits of automation, notes Ben Armstrong of the MIT Industrial Performance Centre. Now the machines can be reprogrammed for another job with a tweak to their code. For example, robots that were previously used by Foxconn, a Taiwanese manufacturer, to put the circular “home” button on earlier generations of iPhones were repurposed to install microchips. Such flexibility has further improved the lifetime return on investment in robots.

Software is changing manufacturing in other ways, too. Computerised simulations known as “digital twins” are making it quicker and cheaper to test product designs and manufacturing processes; two-dimensional, paper-based blueprints have been replaced by precise, three-dimensional reproductions. Suppliers of automation gear have piled in. Last year Siemens bought Altair, an industrial-software firm, for \$10bn, its largest acquisition ever. Software, which typically generates a higher margin than hardware,

now accounts for a third of sales in the conglomerate's industrial-automation division.

Generative AI promises to take this transformation a step further. Until recently, precisely modelling the actions of a robot was often impossible owing to the many variables involved, a problem known as the "sim-to-real gap". Simulations tended to break the moment lighting or the shape of an object changed. Supersized AI models, trained on vast amounts of data from sensors and cameras, may help solve that. As simulations become more accurate and detailed, it may be possible to program robots to approach a physical task much as a human would, perceiving, understanding and then reacting to the situation.

The prospect of harnessing "physical AI" to revolutionise manufacturing has generated much excitement. During the Consumer Electronics Show in Las Vegas this week, Nvidia unveiled a suite of chips and freely available AI models designed specifically for robots. In October SoftBank, a Japanese conglomerate with big AI ambitions, announced it would acquire the robotics division of ABB, a Swiss industrial giant. Startups from Silicon Valley to Shanghai are building humanoid robots that they hope will one day replace factory workers. So is Elon Musk.

The automation industry's incumbents are also investing heavily in physical AI. Peter Koerte, Siemens's chief technologist, reckons that AI will become the "brains" of factories much as machines have become their "muscles" (albeit with human oversight). In September his firm announced a deal with German machine-makers to pool anonymised data from their hardware and build AI models for industrial use. On January 6th it said that it would expand its partnership with Nvidia and develop, among other things, an AI-powered tool for building digital twins. Last year Hitachi, a Japanese industrial giant that is also working with Nvidia, unveiled a new AI-powered software platform that ingests

and analyses data from the many sensors and cameras across a factory and can alter operations in response.

Some now talk of factories becoming not just automated, but autonomous. “Imagine a factory where machines anticipate needs before they arise, where material moves seamlessly without human intervention and production lines adjust in real time to changes in demand or disruptions,” gushed Tessa Myers of Rockwell Automation, an American machine-maker, in November. The company is piloting the idea at a small facility in Singapore.

### ***Factory reset***

The result of all this may be a very different type of factory. With each robot able to perform a wide array of tasks, shop floors may no longer need to be designed around lengthy assembly lines. Combine that with falling hardware costs and many firms may soon find it viable to spread their manufacturing across a network of smaller plants.

For years the trend has been towards ever larger sites, fashionably called “gigafactories”, as manufacturers have sought economies of scale. But smaller factories would have plenty of advantages. They could be built closer to urban centres, making it easier to bring in the workers who, at least for the time being, will remain both essential and difficult to find. Proximity to customers would also be useful, particularly given the persistence of tariffs. And a more dispersed manufacturing footprint would reduce the risk that a failure at a single factory becomes a crisis. The factory of the future will look very different from what Smith imagined—and may be even more transformational. ■

---

<https://www.economist.com/interactive/business/2026/01/07/the-chatgpt-moment-has-arrived-for-manufacturing>

**Breaking up isn't hard to do**

## Germany's industrial conglomerates are breaking up to stay alive

*Economic woes are accelerating a trend of divestments*

Jan 09, 2026 12:23 PM | BERLIN

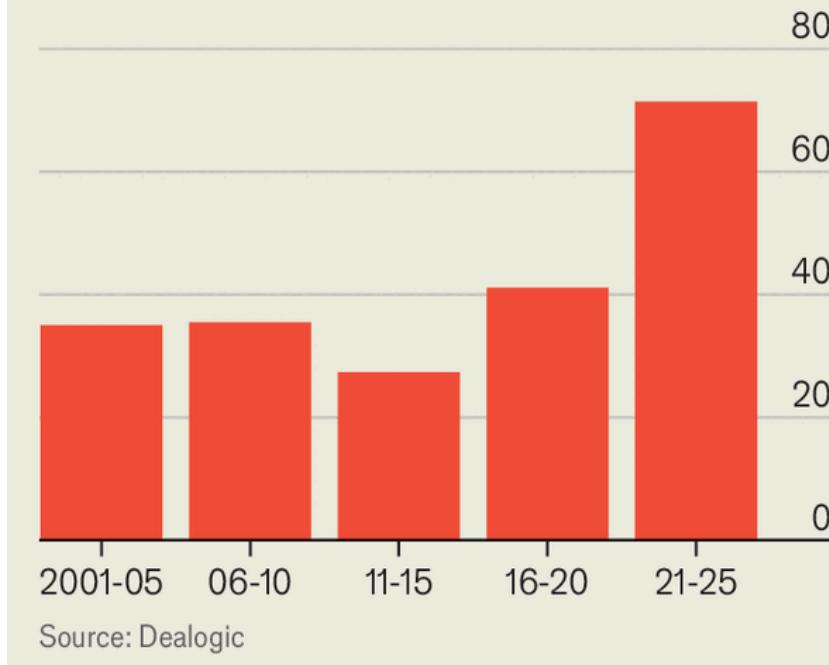


EVERY DECEMBER the German Economic Institute publishes a survey of 46 business associations that sets out their expectations for the new year. The latest shows that some industries— aerospace, shipbuilding, bits of construction—are optimistic. But after three years of stagnation most are still gloomy. “Anyone hoping for a swift and comprehensive end to the economic crisis will be disappointed in 2026,” said Michael Hüther, the institute’s boss.

One likely by-product of pessimism is another burst of sales and spin-offs by Germany’s industrial conglomerates, reinforcing an accelerating trend (see chart). Faced with fierce Chinese rivals, American tariffs, burdensome regulations and high labour and energy costs, they are shedding divisions in the hope of becoming more competitive. “German industrial groups will mostly sell or spin off business divisions this year,” predicts Tim Johannsen-Roth of Linklaters, a law firm.

## Deunification

German industrial-company  
divestments, deal value, €bn



In America conglomerates went out of fashion decades ago. In Germany they stayed in vogue far longer. Giants such as Siemens, Thyssenkrupp, Bayer and BASF have already narrowed their scope: Bayer, these days focused on life sciences, spun off its industrial-chemicals division as far back as 2004. But corporate Germany still has more than its share of sprawl.

The case for conglomerates is that diversification reduces risk and helps with access to capital as strong divisions nurture weak ones. Critics reply that in a diversified group the healthiest parts are held back. Spin-offs and sales free up capital to be invested in core activities. Investors seem to prefer the transparency of standalone businesses; if they want diversification, they can pick their own mix of stocks. Markets typically apply a “conglomerate discount”. The increase in investment in exchange-traded funds (ETFs) has sped the break-up of diversified groups, says Stefan Risse of Acatis, an investment firm. Many ETFs are devoted to specific industries.

Siemens started to undo its conglomerate structure under Joe Kaeser, chief executive from 2013 to 2021. In 2017 he spun out Healthineers, its medical-equipment division, as a separate listed company. He did the same with its energy arm in 2020, and has sold other smaller businesses. It seems to have worked. Siemens's share price has almost doubled in the past three years, and rose by 25% over the past 12 months. This year Roland Busch, Mr Kaeser's successor, plans to reduce Siemens's remaining two-thirds stake in Healthineers by 30% (its stake in Siemens Energy is already down to 10%). He wants Siemens to be a focused [industrial-technology company](#).

Others are treading a similar path. In 2020 Thyssenkrupp sold its highly profitable elevator unit to a consortium of private-equity firms in order to reduce the conglomerate's gigantic debts. In May last year Miguel Lopez, chief executive since 2023, launched a plan to restructure the remaining company. He started in October, spinning off Thyssenkrupp Marine Systems, a maker of submarines. He now wants the group's remaining divisions to become independent businesses under a slim holding structure that oversees its subsidiaries via their supervisory boards. The steel unit will probably go: Thyssenkrupp has been in talks about its sale for months with Naveen Jindal, an Indian billionaire. "They will probably sell a majority stake first, as they did with their elevator business," says Boris Bourdet of Kepler Cheuvreux, a broker.

In the automotive industry Chinese competition and trade restrictions are biting especially hard. One of its biggest names, Continental, will soon spin off ContiTech, which makes conveyor belts and industrial hoses—the last step of a plan to concentrate solely on tyres. In August it sold Original Equipment Solutions, a maker of hoses for cars; a month later it spun off Aumovio, its car-parts unit, on the Frankfurt stock exchange. The new-look Continental also has a new boss, Christian Kötz, an insider who succeeded Nikolai Setzer last month.

Elsewhere BASF, a chemicals giant, which last year sold its coatings business for €7.7bn (\$9bn) to Carlyle, a private-equity firm, might part with its agricultural division. And Bayer, more than 20 years on, may narrow further, separating its prescription drugs from over-the-counter medicines or spinning off crop sciences. Difficult times are focusing minds. ■

---

<https://www.economist.com/business/2026/01/08/germanys-industrial-conglomerates-are-breaking-up-to-stay-alive>

| [Section menu](#) | [Main menu](#) |

**Memory lapse**

# The AI frenzy is creating a big problem for consumer electronics

*Prices are rocketing for an essential component*

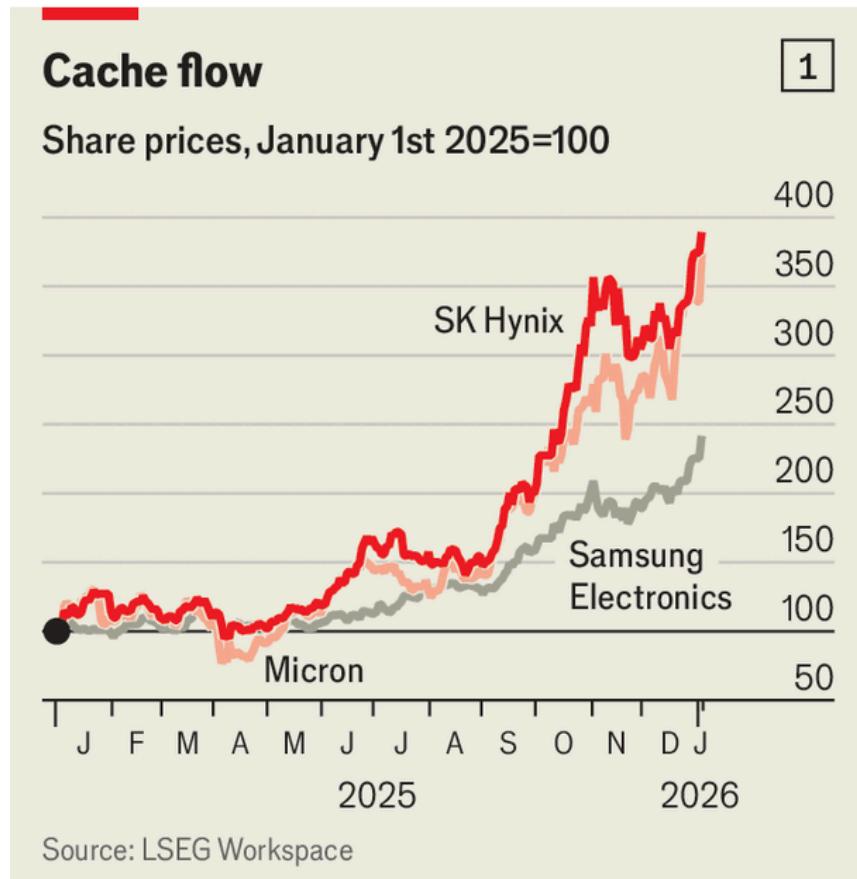
Jan 08, 2026 01:48 PM



THE WORLD'S gadget-makers—who assembled this week in Las Vegas for the Consumer Electronics Show—would be forgiven for harbouring mixed feelings about the year ahead. Excitement over the prospect of clever new devices powered by artificial intelligence is as strong as ever. Yet by gobbling up memory chips, which are essential for everything from smartphones and personal computers (PCs) to gaming consoles and cars, AI is creating a supply crunch for electronics-makers.

Jeffrey Clarke, chief operating officer of Dell, a manufacturer of computers, has called the situation “the most unprecedented mismatch in demand and supply” he has ever seen. Xiaomi, a Chinese smartphone-maker, has warned of delays and rising prices. Analysts predict that prices for PCs could jump by 15-20% in response. IDC, a data firm, reckons that if the situation persists, global smartphone shipments could fall by as much as 5% this year, and PC sales by roughly twice that.

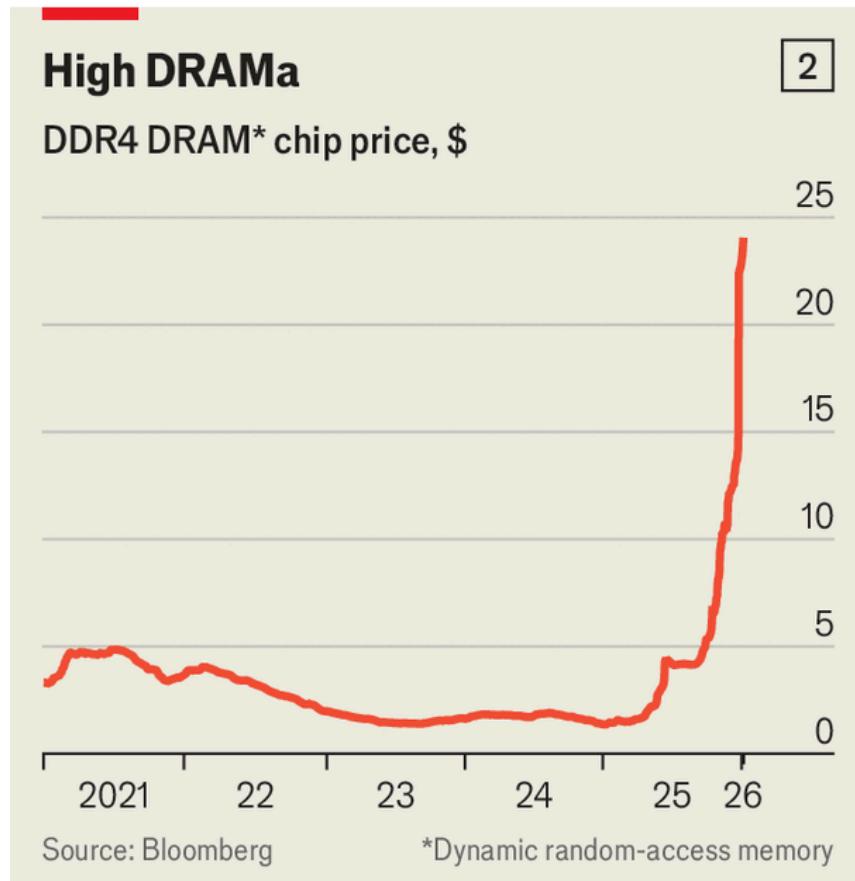
Semiconductors are a cyclical business, prone to swing from surplus to shortage. Yet this cycle may be different, as demand for AI reshapes how memory chips are made, priced and allocated. For consumers, the consequences could last for years.



At the centre of the squeeze is DRAM, the memory used in smartphones, laptops and servers. Advanced AI processors, such as those made by Nvidia, depend on a specialised variant known as high-bandwidth memory (HBM), which stacks chips vertically to increase speed while reducing power use. The rapid construction of data-centres has sent demand for HBM soaring. Producing it is resource-intensive: HBM requires three to four times as many silicon wafers as standard DRAM.

Supply is highly concentrated. Just three firms—SK Hynix and Samsung Electronics of South Korea, and Micron of America—rake in more than 90% of global DRAM revenue. All three are switching capacity to HBM, which will account for half of global

DRAM revenue by the end of the decade, up from 8% in 2023, reckons Bloomberg Intelligence, a research group. HBM typically yields operating margins of 50% or more, compared with 35% for standard memory. Investors have rewarded the strategy. Since the start of 2025 the trio's share prices have risen by an average of 200% (see chart 1).



But the flip side is that more basic memory chips, which account for 15-40% of the cost of smartphones and PCs, are becoming scarcer and costlier. The price for the DRAM found in most consumer electronics, known as DDR4, has risen by 1,360% since April 2025 (see chart 2).

The impact will be uneven. Apple, with its pricey i-gadgets and enormous scale, will be better placed to absorb higher costs and secure supply. Samsung will benefit from in-house memory production. Others are not so lucky. Asus, a Taiwanese PC-maker, raised prices for its laptops on January 5th. Xiaomi has said

memory costs will have a “big impact” on margins. Carmakers may feel the strain most: as vehicles incorporate more electronics, the amount of DRAM per car is growing rapidly.

Relief will come slowly. Memory-makers plan to spend about \$61bn on capital investment for DRAM this year, a 14% increase on 2025. But new capacity takes as long as two years to come online. Moreover, 60-70% of planned investment is earmarked for HBM, reckons Jukan Choi of Citrini Research, a firm of analysts. Chinese producers, which have become big suppliers of basic DRAM in recent years, are unlikely to plug the gap; they too are focusing on HBM. For now, only an unravelling of the AI boom would ease the shortage. Consumers may soon feel the pain. ■

---

<https://www.economist.com/business/2026/01/08/the-ai-frenzy-is-creating-a-big-problem-for-consumer-electronics>

| [Section menu](#) | [Main menu](#) |

**Video killed the radio star**

## Welcome to the age of the vodcast

*Audio shows are switching on their cameras in search of new audiences*

Jan 09, 2026 12:22 PM



THE GOLDEN GLOBES, a champagne- and Ozempic-fuelled celebration of film and television, will feature a new category in its annual ceremony on January 11th. Alongside familiar awards for actors, movies and TV shows will be a [gong for best podcast](#). Podcasting, which began as an audio medium, is turning into something more like TV.

Listeners—or, rather, viewers—have led the charge. For the past couple of years the most popular platform for podcasts in America has been not Spotify or Apple, podcasting's pioneers, but YouTube, a video giant owned by Google. Three in ten American listeners say they consume podcasts mainly in video form, according to Coleman Insights and Amplifi Media, a pair of research firms. YouTube says on-TV consumption of podcasts nearly doubled in the year to October.

Podcasters are switching on their cameras to chase these audiences. Some 71% of American ones now film video alongside audio, according to Sounds Profitable, which tracks the industry. (*The Economist* has added video to some of its podcasts, too.) With even basic video a podcast can live on YouTube and be exposed to its nearly 3bn users. Highlights can be clipped and shared on social media. Reaching new audiences has long been tricky for podcasters, who relied on word of mouth. Now, listeners in America say that social media is their main way to find new shows, according to Coleman and Amplifi.

Reaching new audiences is one thing; keeping them is another. Some podcasters report that on YouTube they find plenty of viewers, but less “engagement” (time spent on the platform) than they expected. There is a trade-off, says James Cridland of Podnews, a podcast about podcasts: “YouTube is definitely number one in terms of reach, but...where you earn the money from podcasting is the total time.” Edison Research, a firm of analysts, finds that those consuming podcasts mainly on Spotify (which has also had video since 2020) listen for 48 more minutes per week than those mainly using YouTube. Alastair Ferrans of Spotify says the streamer is “optimising the platform for loyalty and long-term engagement, not one-off use and viral hits”.

As podcasters rush to turn their shows into television, TV companies are rushing to buy them. Hollywood budgets have been reined in; streamers increasingly prize engagement. Cheap, long podcasts are therefore appealing. Netflix, which has deals with companies including Spotify and iHeartMedia, will start showing podcasts in America on January 11th. Fox is also pushing into podcasts, signing a deal in October to bring “Crime Junkie”, a popular series, onto Tubi, its video streamer.

The move to video has treated some genres more kindly than others. “Scripted, narrative podcasts have suffered immensely as YouTube has proliferated,” says Steven Goldstein of Amplifi.

Podcasting was once defined by narrative shows made by firms such as Wondery, whose richly reported series like “Dr Death” and “The Spy Who” would be costly to turn into video. Today’s archetypal podcast features a famous person shooting the breeze with their famous pals, which is easy and cheap to film. Most of the nominees for the podcasting Golden Globe are interview shows.

Some audiophiles complain that video has spoiled the listening experience, with looser editing (it is harder to cut every “um” and “ah”) and camera-friendly clip-on microphones that sound worse than big radio mics. To please YouTube’s algorithm, some shows shove the most exciting stuff into the first minute, spoiling the pace of a long podcast. Others worry that would-be podcasters will be deterred by the cost of cameras, lighting rigs and other TV kit. To help, YouTube has developed AI-powered video-creation tools for podcasts.

All this raises the question of what a podcast even is. “There has been a pretty exciting convergence across media in terms of consumers’ expectations of what a video is, what a talk show is, what a podcast is, what an internet video is,” says Mr Ferrans of Spotify. As podcasters turn their episodes into TV-like formats, TV stars such as Tucker Carlson, formerly of Fox News, are putting podcast-like interview shows online. Podcasts and TV are not only competing at the Golden Globes; they are increasingly after the same audience. ■

---

<https://www.economist.com/business/2026/01/08/welcome-to-the-age-of-the-vodcast>

Bartleby

# The problem with promotions

*The Peter principle is alive and well*

Jan 08, 2026 01:48 PM



MANY CONGRATULATIONS on your promotion. It's probably downhill from here. This deflating prognosis is not true of every job, person or organisation. But too often, a promotion is a precursor to problems.

That is partly because promotions are often a tool for rewarding past performance, not a way of selecting for future success. A paper published in 2018 by Alan Benson of the University of Minnesota, Danielle Li of the MIT Sloan School of Management and Kelly Shue of the Yale School of Management sought evidence of the Peter principle—developed by Laurence J. Peter, a “hierachologist”—that people are promoted to the level at which they are no longer competent. They found it.

The paper examined data on sales transactions and job moves across a panel of more than 50,000 workers at 214 American firms between 2005 and 2011. It showed that being a good salesperson increased the probability of being promoted into a management

position, but was a negative predictor of managerial quality. In other words, the performance of a sales hotshot's new subordinates tended to go backwards.

In 2009 Alessandro Pluchino of the University of Catania and his colleagues put together a computer simulation of the Peter principle. An organisation where promotion depends on competence in a previous role and where the new job requires different skills will indeed end up elevating people to a position they do badly. Random promotions would be a better system, the researchers concluded. That would certainly add suspense.

Promoting people based on how well they are doing in their current job is not bonkers. Some rungs of the ladder do not require new skills: a senior customer-service representative might be doing something very similar to a junior one. There should be rewards to incentivise people to perform well in their current job. And to the extent that promotions are awarded to people who are motivated and hard-working, these qualities ought to be useful in any position.

But when a role is genuinely different, fresh qualities matter. The transition to management is an obvious breakpoint. The analysis by Mr Benson et al found that prior experience working collaboratively on sales—being able to work in a team—seemed to predict better performance as a manager, for instance.

Promotions can go wrong for other reasons, too. Some managers try to hoard talented people rather than encouraging them to apply for bigger roles. A recent study by Ingrid Haegle of the Ludwig-Maximilians University of Munich looked at the behaviour of bosses in the German operations of a large manufacturer. She found that managers suppressed the ratings of productive workers when these were visible to others in the firm, and that the number of applications for other jobs internally surged when a team's manager was themselves about to move and had less incentive to hoard.

Bias also distorts promotion decisions. Another paper by Mr Benson, Ms Li and Ms Shue examines the ratings given to almost 30,000 management-track employees at a large retailer in North America. This company did look beyond current performance; it used the nine-box grid, which assesses workers on how they do their present job and on their future potential. But sexism seems to have clouded the judgment of reviewers. Female employees received higher performance ratings on average but lower scores for potential.

Wind the clock forward, and women were more likely than men to have outperformed their ratings for potential; even so, they continued to be scored lower than male counterparts. This wasn't just the patriarchy at work: a gender gap still existed under female bosses. It may be that leadership potential conjured up male stereotypes: confidence, assertiveness, the emotional range of a kettle. But promotions may also have been a retention device. Men are more likely to leave if they are passed over for promotion; the authors find evidence that higher flight risk is correlated with higher ratings for potential.

In other words, decisions about promotions are muddied by all sorts of things, not least what they are for: a way to put the best people into managerial jobs; a way to motivate people to try hard in their current roles; or a way to retain people who might otherwise leave. These are all reasonable goals. But using a single instrument to achieve them is bound to cause trouble. ■

---

<https://www.economist.com/business/2026/01/08/the-problem-with-promotions>

Schumpeter

## Venezuela presents a big headache for big oil

*It has been decades since the industry relished foreign-policy entanglements*

Jan 09, 2026 08:26 PM



DONALD TRUMP is an idiosyncratic figure. This has not stopped hobbyist historians from rummaging through America's past in search of analogues. His manufacturing nostalgia hints at the 1950s. His love of [tariffs](#) points to the 1930s. His imperialist streak smacks of the 1890s. A press conference on January 3rd harked back to the 1820s. Hours after American special forces snatched Venezuela's dictator, [Nicolás Maduro](#), from his bedroom in Caracas to face drug-trafficking charges in New York (which he denies), Mr Trump brought up that era's "Monroe Doctrine" of American hegemony over its hemispheric backyard.

The president also brought up [oil](#)—20 times. Venezuela sits on 300bn barrels of the stuff, more than Saudi Arabia, but owing to years of mismanagement pumps a piddling 1m barrels per day (b/d), less than war-torn Libya. Now, Mr Trump declared, "We're going to have our very large United States oil companies...go in,

spend billions of dollars, fix the badly broken infrastructure, the oil infrastructure, and start making money for the country.”

This vision of the oil business is, to add Schumpeter’s two cents to the history parlour game, straight out of the 1940s-60s. Back then the oil industry and American foreign policy were joined at the hip. American power helped the “Seven Sisters”—forebears of ExxonMobil, Chevron, Shell and BP—control the global petroleum trade. In return the companies literally helped fuel American might, both military and economic.

Apparently Mr Trump did not seek oil bosses’ opinions about his vision for Venezuela. Chevron, the only American major which stuck around after Mr Maduro’s predecessor nationalised the industry in 2007, says it “had no advance notice of the recent operation”. Only now is the White House hastily calling meetings with American oil executives to discuss ramping up output. Given that the oil firms’ share prices jumped in the wake of Mr Maduro’s apprehension, Mr Trump may be counting on gratitude. Instead he is likely to encounter scepticism as heavy as Venezuela’s bituminous crude, including from Chevron and its chief, Mike Wirth.

That is because Mr Trump’s promise of a Venezuelan bonanza looks misaligned with the reality of modern-day big oil. For a start, after the second world war the planet was not as awash with the stuff as it is today. Oversupply is pushing down crude prices, which were last this low when people were shaking off covid-19 five years ago. Oil firms’ profits have sunk as a result. Chevron made a net profit of perhaps \$13bn in 2025, the worst result since 2020 and down by over 40% from the average in 2021-24.

With global demand soft and the possibility of it peaking as early as 2030, the supermajors have become pickier about which projects to pursue. These days any old barrels won’t do: they should be low-cost and low-risk. Venezuelan ones are neither.

Wood Mackenzie, an energy consultancy, reckons that the breakeven price for the main Venezuelan projects exceeds \$80, well above the \$50 or so a barrel fetches in the market. Chevron does not disclose breakeven prices in different parts of the world. But its production costs (which exclude depreciation, tax bills and some other expenses) in the Americas outside the United States stood at \$14 per barrel, according to its latest annual report. That was half as much again as its global average, and almost certainly pushed up by its Venezuelan operations.

Pumping heavy, sour crude in Venezuela to sell at a discount looks even less appealing when Chevron can tap lighter, sweeter stuff in next-door Guyana, which it can extract more cheaply and peddle at a premium. Last year the American firm completed its \$60bn takeover of Hess, a smaller rival with big assets in Venezuela's neighbour to the east. According to Hess's pre-merger filings, its production cost per Guyanese barrel was less than \$7.

A month ago Mr Wirth said that in 2026 Chevron would invest \$7bn in offshore projects, of which Guyana is by far the biggest, out of a total capital budget of \$18bn-19bn. Rystad Energy, another consultancy, estimates that reviving Venezuelan production to 2m b/d, a level last attained in 2018, would require annual investments of \$12bn up to 2032. Even if Chevron shared this burden with ExxonMobil and ConocoPhillips, two American rivals which left after 2007, it would be a heavy lift with an uncertain pay-off.

This is not what shareholders want. The owners of the seven swashbuckling sisters may have brooked geopolitical risk. Those of their supermajor offspring shun it. Dan Yergin, the oil industry's pre-eminent historian, describes today's giants as "complex, capital-disciplined organisations run by engineers and lawyers".

***Houston, we have an opportunity***

This is not a new development. In his book “The Quest”, Mr Yergin quotes a Western CEO’s doubts about going into Iraq after America toppled Saddam Hussein in 2003. “Tell us about the legal system, tell us about the political system. Tell us about the economic system and about the contractual and fiscal systems, and tell us about arbitration. And tell us about security...Tell us all those things, and then we’ll talk about whether we’re going to invest or not.” It took more than six years for those questions to be answered to the supermajors’ satisfaction. Their eventual investments often far underperformed expectations.

Investors’ early *calor* is already cooling. On January 6th Chevron’s shares gave up much of their 5% bump the day before. The remaining gains may owe more to the reduced danger of Venezuela annexing Guyana’s oil patch, which Mr Maduro had threatened. Those of ExxonMobil and ConocoPhillips may reflect improved odds of recovering some rather than none of the arbitration damages awarded to the duo over the 2007 expropriation. Neither signals a Venezuelan oil boom in the making. ■

---

<https://www.economist.com/business/2026/01/06/venezuela-presents-a-big-headache-for-big-oil>

| [Section menu](#) | [Main menu](#) |

## Finance & economics

- **An American oil empire is a deeply flawed idea**

Crude vision :: Donald Trump's ambitions are expansive. His plans are limited

- **Venezuela's astoundingly messy debts are about to get messier**

Without credit :: Oil majors, hedge funds, Chinese lenders—all have a stake

- **America's missing manufacturing renaissance**

Building gloom :: Donald Trump's tariffs have hurt the factories they were meant to protect

- **Why Europe's biggest pension funds are dumping government bonds**

Yielding to temptation :: Dutch reforms will push up borrowing costs across the continent

- **Vietnam's growth is fast—but fragile**

Raising the bar :: The economy is unduly reliant on a handful of conglomerates

- **Is it better to rent or buy?**

Buttonwood :: Much depends on long-term interest rates

- **What “Pluribus” reveals about economics**

Free exchange :: A hit Apple TV show offers useful lessons

**Crude vision**

# An American oil empire is a deeply flawed idea

*Donald Trump's ambitions are expansive. His plans are limited*

Jan 08, 2026 01:48 PM



JUST HOURS after America captured Nicolás Maduro, Venezuela's dictator, on January 3rd, President Donald Trump clarified his motivation. “The oil business in Venezuela has been a bust, a total bust for a long period of time,” he said. America would “spend billions of dollars, fix the badly broken infrastructure...and start making money for the country”.

The declaration had the sweet taste of revenge. Eighteen years ago, under Hugo Chávez, Venezuela nationalised assets belonging to American and other Western firms; claims worth a combined \$60bn have been filed against it and PDVSA, the national oil firm, in American and international tribunals. Some of the payback may come in kind. On January 6th Mr Trump said Venezuelan authorities had agreed to turn over 30m to 50m barrels of crude, worth up to \$3bn, to America. The next day Chris Wright, his energy secretary, said America would “market the crude coming out of Venezuela...indefinitely” with proceeds to be “deposited into accounts controlled by the US government”.

But Mr Trump wants more than retribution. Decades of underinvestment and mismanagement have caused Venezuela's oil production to fall by two-thirds since the late 2000s, to 1m barrels a day (b/d), barely 1% of global production. Restoring idle capacity, the thinking goes, would make Venezuela rich while lining American pockets. The heavy, sour crude that the country harbours is precisely the type of which American refineries are chronically short, at a time when America's relations with Canada, a supplier of the stuff, are strained. Better still, Venezuela sits on some 300bn barrels of oil—a fifth of the world's deposits. Some analysts argue that America may soon have sway over such a big chunk of both global output and reserves that it could keep oil prices low for ever. MAGA types reckon it may even be in a position to starve China of the fuel.

## In praise of capitalism

Venezuela, crude oil production,  
million barrels per day



1 Nationalisation of the oil industry; creation of PDVSA

2 Venezuela opens up to foreign investment

3 Second wave of nationalisations; Exxon and Conoco leave

4 Nicolás Maduro elected president 5 First wave of US financial sanctions 6 Sanctions relief in return for promises of free elections 7 Maduro declared re-elected

Sources: Rystad Energy; *The Economist*

What, then, is not to like about Mr Trump's lunge for petroleum? Quite a lot, it turns out. In the immediate term, Venezuela's crude output is more likely to fall than rebound. In December America declared a blockade on Venezuelan shipments ferried by blacklisted tankers; it then seized three of them. On January 7th it captured another two, including one near Iceland, that had evaded its embargo. Exports have cratered and the volume of Venezuelan crude floating on idle tankers has hit multi-year highs. Venezuela is also short of naphtha—a dilutant it needs to make its super-gloopy crude transportable—which is no longer coming through from Russia. Mr Trump's takeover of 50m barrels, if it happens, will free up storage space. But unless the blockade is lifted, which depends

on political and military developments, Venezuela's output will still have to be curtailed further, to perhaps less than 700,000 b/d.



Output might recover in a few months if there is a smooth political transition and if the lifting of American sanctions on Venezuela, blockade included, allows naphtha to flow in and exports out. Maintenance and repairs at existing wells, coupled with limited investment in infrastructure, might yield another 300,000 b/d within a year or two. The prospect of reasonably easy wins will draw interest from American upstarts. Amos Global Energy, a fund manager in Houston, is trying to raise \$2bn from institutional investors to take over Venezuelan assets capable of pumping a combined 20,000-50,000 b/d.

Modest flows of technology and capital may push Venezuela's output to 1.5m b/d by the end of 2027. That would still be well short of the country's potential, however, putting it only on par with Nigeria, the world's 15th-largest producer. To pump more,

Venezuela would need to overcome three problems: a shortage of funds, a lack of labour and a saturated market.



Rystad Energy, a consultancy, estimates that \$110bn in capital expenditure would be required by 2030 to bring the country's output back to where it was 15 years ago—twice the amount America's oil majors combined invested worldwide in 2024. Mr Trump seems to think these firms will rush in. He has tasked his energy and interior secretaries with encouraging them to return,

possibly, insiders suspect, by offering to subsidise services they would need to begin drilling again.

Although Chevron, the only American major still present in Venezuela, may well agree to expand some of its operations, others have not forgotten the pains of the past, if only because they are still waiting to receive billions of dollars in arbitration awards. Venezuela's instability, legal system, security risks and damaged economy are off-putting to most foreign firms—let alone the majors, which worked hard to refocus on safer prospects after the oil market crashed in the mid-2010s.

### ***Slow as tar***

Given such risks, says Carlos Bellorin of Welligence, another consultancy, the Venezuelan opportunity "has to be something they don't find anywhere else in the world, in terms of size and fiscal-terms attractiveness". But the vast majority of Venezuela's reserves, deemed "extra heavy", are too viscous to flow like conventional crude. Extracting them is hard, costly and polluting, at a time when there are plenty of cheaper and cleaner barrels available.

Mr Trump has not helped his cause. His officials did little to prepare the ground with the oil majors. And his admission that he deposed Venezuela's dictator to take over the country's oil has created a dilemma for them. An industry figure says half a dozen leading oil firms have told him they do not want to be involved. Nor are commodity traders "in the starting blocks", says Jean-François Lambert, a consultant. Banks and insurers, which would need to finance and secure shipments, are wary.

Even if oil firms could be convinced to cough up, it is doubtful Venezuela's oil industry could keep pace. It has suffered a huge brain drain. Tens of thousands of skilled workers, from engineers to geologists, have left the country. Many have fled to Canada, a land from which they may have little urge to return. PDVSA is now

largely run by the armed forces. To form viable joint ventures with Western firms, the 70,000-strong company would have to be reformed wholesale. It may not be able to serve as a capable partner for many years.

Whatever extra oil Venezuela can pump will flow into a saturated market. The International Energy Agency, an official forecaster, expects global crude supply to outstrip demand until at least the end of the decade, owing to strong production in countries like Brazil, Guyana and, indeed, America. Many analysts expect surpluses to lower oil prices towards \$50 a barrel, and possibly below, this year and next—under the breakeven price for most existing Venezuelan fields with decent reserves. The country's flagship new projects are not bankable below \$80 a barrel. They will not start producing until at least the late 2030s, after appetite for oil will have peaked.

In its most optimistic scenario, Kpler, a data firm, forecasts that Venezuela's oil output might rise to 1.7m-1.8m b/d by 2028. American refiners are likely to snap up extra barrels: they imported 500,000 more a day in the early 2010s. China's "teapot" refineries, which used to buy Venezuelan supplies at a discount, may be cut out of the trade; perhaps its state-owned oil firms will reduce their local footprint, too.

But the benefits to America are likely to be marginal. Bringing Venezuelan output back to 2.5m-3m b/d would be a long project, says Jorge León of Rystad Energy. China can easily replace the Venezuelan barrels it used to buy, which made up less than 4% of its imports in 2025. It has about 1.2bn barrels in storage, enough to cover 110 days of imports, and its consumption is slowing. And the notion that Uncle Sam will soon be commanding global oil markets, dictating production not just in Venezuela but across South America, is fanciful. Mr Trump does not control Brazil or Mexico's national oil firms; American majors make their own decisions. None likes the idea of crude at \$50 a barrel for ever. Mr

Trump's understanding of oil seems stuck in the 20th century. His plan for the 2030s, such as it is, makes little sense. ■

---

<https://www.economist.com/finance-and-economics/2026/01/04/an-american-oil-empire-is-a-deeply-flawed-idea>

| [Section menu](#) | [Main menu](#) |

**Without credit**

# Venezuela's astoundingly messy debts are about to get messier

*Oil majors, hedge funds, Chinese lenders—all have a stake*

Jan 09, 2026 12:13 PM



Time to make an omelette

THE TOPPLING of a head of state rarely inspires market confidence. But since American special forces [barrelled Nicolás Maduro onto a plane](#), investors have piled into Venezuelan government debt: ten-year-bond prices have risen from 33 to 43 cents on the dollar. The move is the biggest since 2023, when America lifted a ban on trading the country's assets.

This does not mean traders are now upbeat about Venezuela's prospects. The government has defaulted on all but two of its loans since 2017, when America imposed heavy sanctions. IMF forecasts suggest GDP will shrink by 3% in 2026, owing to falling oil sales, which constitute most of the country's exports. Although Donald Trump has vowed to revive its oil industry, there is plenty of reason for scepticism.

But nearly a decade in default has made Venezuelan debt ultra-cheap, and the prospect of recovering even a few cents on the dollar is enough to excite investors. Venezuela's creditors could not negotiate with Mr Maduro, since sanctions forbade American courts from recognising him as president. Even if the Trump administration struggles, or does not try, to revive Venezuela's economy, it could still help the government restructure its debts.

The government owes at least \$95bn, or 115% of GDP, to three groups of creditors, according to the most recent reliable figures, which were last updated in 2024. Most of the debt is denominated in foreign currencies. The biggest group of creditors is private bondholders, to whom the government owes at least \$60bn including arrears payments. Many are firms, such as Elliott Management, that buy distressed assets. Beyond that, it is difficult to say much about the group, since many of the purchases were conducted quietly to avoid attention. The need to uncover their identities will slow any negotiated settlement.

Another group of creditors never willingly lent Venezuela a cent. In the 2000s Hugo Chávez, Mr Maduro's predecessor, nationalised swathes of the country's oil industry. Foreign firms had oilfields and other assets whisked away, and subsequently turned to Western courts seeking damages. In 2019 one such court ordered Mr Maduro to pay \$9bn to Conoco Phillips, an American firm. He refused, unwilling to bow to such flagrant Western imperialism, and the sum has since risen to \$12bn including interest payments. In total, Venezuela now owes \$22bn to oil companies. The creditors are hoping that America will ease sanctions on Venezuela, which would allow them to begin negotiations with the government.

Much, however, could still go wrong, not least because the third category of creditor could cause trouble. Venezuela owes \$16.5bn, or nearly all its bilateral debt, to China, which spotted an opportunity as Western lenders fled. Since 2007 China has lent Venezuela \$60bn, and demanded oil at a discount as repayment. It

has held up restructurings in other countries, and no loan like its instrument in Venezuela has been restructured before, which could make negotiations even more painful.

Mr Trump's thirst for oil could also warp proceedings. A hefty payout to oil companies would make them more likely to return to pump more. If negotiations are slow, or yield little compensation, Mr Trump could force the Venezuelan government to pay oil firms directly or even set up his own oil-for-debt deal like China's.

Moreover, Venezuela lacks cash. When a country restructures, the idea is that creditors accept a discount on repayment since they recognise that they have a better chance of obtaining the lower sum. But Venezuela's finances are so dire that any sum it proposes is likely to be too low to win agreement. Even though the government has not been paying creditors since 2017, it has still been unable to run a budget surplus. And benefactors are scarce. China has stopped lending; Mr Trump has so far been more willing to use force than offer payment to extract oil. Without a source of cash, any restructuring will stall before it has started. Venezuelan bonds will look worthless rather than cheap. All countries in default are in a bind. Few are so dangerously short of ways out. ■

---

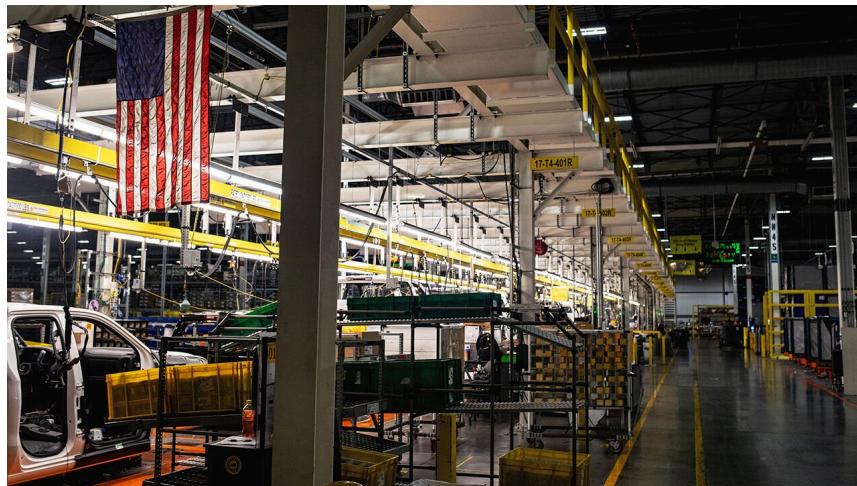
<https://www.economist.com/finance-and-economics/2026/01/07/venezuelas-astoundingly-messy-debts-are-about-to-get-messier>

**Building gloom**

## America's missing manufacturing renaissance

*Donald Trump's tariffs have hurt the factories they were meant to protect*

Jan 14, 2026 02:05 PM



Hyped machines

LAST YEAR the Trump administration's justifications for its tariffs shifted almost as much as the levies themselves. President Donald Trump and his team have variously defended their border taxes as a stop-gap negotiating tool, a weapon aimed at China and a scheme to reshape global trade and finance. But even as the arguments shifted, one remained central: the notion that tariffs will inspire a revival in American manufacturing. As he announced his first volley of global levies, Mr Trump promised: "Jobs and factories will come roaring back into our country."

American industry has certainly been in decline. Overall production has flatlined for the best part of 20 years, even as services have ballooned—a fact that has inspired Oscar-winning films and era-defining writing, as well as angering people across the political spectrum. By the time Mr Trump took office in January, America had been in a two-year manufacturing recession,

according to purchasing managers' surveys. This, the president vowed, would change. The logic was simple: "If you want your tariff rate to be zero," said Mr Trump, "build your product right here in America."



Nearly a year on, however, the Trumpian manufacturing renaissance is conspicuous by its absence. The manufacturing contraction is now entering its third year, and factories have [continued to shed jobs](#); employment fell by 0.6% in the year to November (see chart 1). And it is not just that Mr Trump's actions

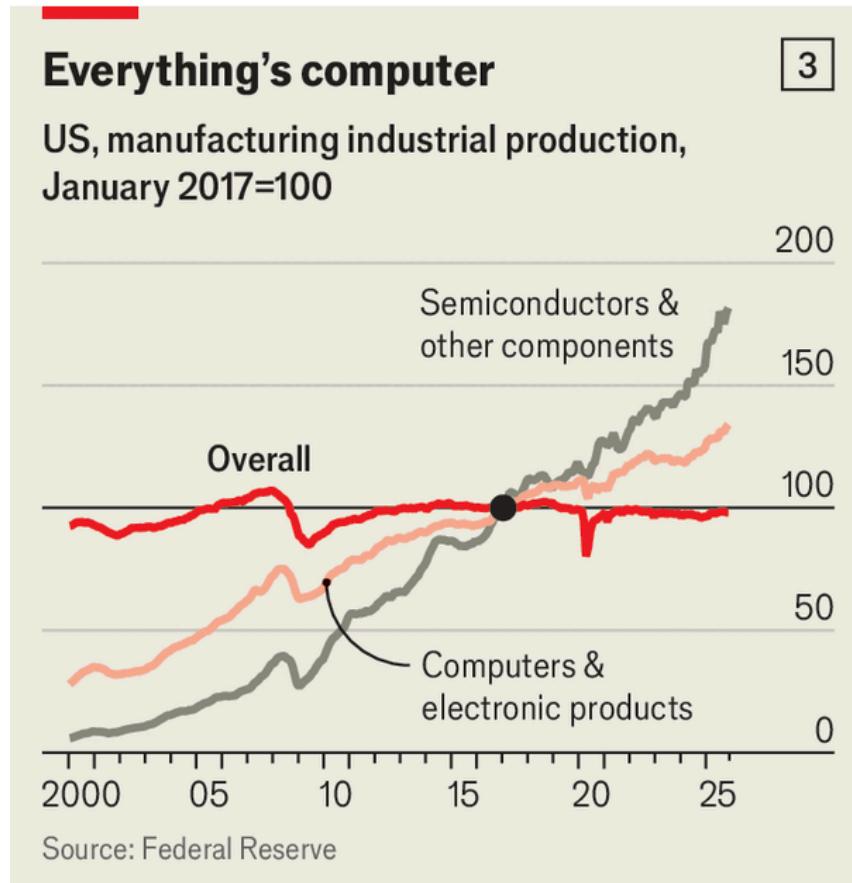
are failing to revive American manufacturing. Under the hood, there are signs that they are actively hurting it.

Part of the problem is high interest rates. American industry fell into recession in early 2023, soon after the Federal Reserve sharply raised rates to combat inflation. Manufacturing, with expensive and often debt-financed kit, is especially sensitive to such changes. Mr Trump is keen to see looser monetary policy; America's continuing high rates mostly reflect robust economic growth and vast rate-insensitive AI spending. All the same, his policies have not helped. High deficits and [threats to the independence of the Fed](#) have made American debt less desirable for investors, and thus lifted borrowing costs.



Moreover, his tariffs have injected uncertainty into the economy. For a manufacturing sector that sends nearly a quarter of its output abroad, this is a significant problem. Many inputs also come from

abroad—think of industrial chemicals used in adhesive, coatings and plastics for cars or active pharmaceutical ingredients for medicines. Indeed, surveys suggest that export orders and import volumes for manufacturing have contracted markedly since Mr Trump announced high tariffs on “Liberation Day” in April, one that goes beyond the wider weakness in manufacturing (see chart 2). Factory bosses report difficulty making long-term plans.



Another way to see these costs is to look at the one sort of manufacturing that has been on a tear: computer equipment, especially semiconductors (see chart 3). Demand for chips has leapt owing to the data-centre boom. Notably, however, computer parts have also received exemptions from Mr Trump’s tariffs, points out Joseph Politano of Apricitas Economics, a newsletter. Semiconductors have been carved out from Mr Trump’s “reciprocal” tariffs on specific countries. More recently, the president has also [watered down](#) the export-control regime designed to deny China chips used to train the most sophisticated AI

models. This rare free-trade turn seems to have provided a spur to the industry.

Manufacturers will be hoping for respite in the year ahead. They may well be disappointed. Betting markets expect the Supreme Court to rule soon against a portion of Mr Trump's tariffs, which would spark another chaotic reshuffling of the levies. Later in the year the United States-Mexico-Canada Agreement, a free-trade deal, is up for review. It has shielded lots of manufacturers who rely on cross-border supply chains from the worst of the tariffs. Mr Trump is unlikely to blow up the deal, but its renegotiation could get messy. Factory-owners could be forgiven, then, for wishing that the administration was rather less enthusiastic about helping them.



---

<https://www.economist.com/finance-and-economics/2026/01/06/americas-missing-manufacturing-renaissance>

| [Section menu](#) | [Main menu](#) |

**Yielding to temptation**

# Why Europe's biggest pension funds are dumping government bonds

*Dutch reforms will push up borrowing costs across the continent*

Jan 14, 2026 02:06 PM



EUROPEAN GOVERNMENTS are on a borrowing spree. During 2026 countries in the euro area will issue sovereign debt worth €1.4trn (\$1.6trn, or 9% of GDP), reckons Amundi, an asset-management firm. Meanwhile, the European Central Bank plans to slim its holdings by €400bn. Net off the debt that is due to mature, and euro-area governments must find new buyers for nearly €900bn-worth of bonds—vastly more than in any previous year.

Unfortunately, some of their most deep-pocketed lenders are preparing to close their cheque books. Pension funds own roughly 10% of euro-zone countries' sovereign bonds with maturities over ten years, of which the Dutch pension system—the EU's largest, with assets of €1.9trn—accounts for two-thirds. Until recently, Dutch schemes had been keen buyers because government bonds' all but guaranteed payouts helped them offer members “defined-benefit” (DB) pensions, meaning fixed retirement incomes. Now, owing to a reform of the Netherlands' pension regulations, the DB

schemes are on their way out. A significant source of demand for long-term European government bonds will soon disappear.

On January 1st, estimates Corine Reedijk of Aon, a risk adviser, schemes overseeing 35-40% of total Dutch pension assets moved to a “defined-contribution” (DC) model. This means they will no longer offer retirees (even legacy members) fixed incomes, but variable ones that depend on how their investment portfolios perform. The majority of the remaining schemes will transition from January 1st 2027, and the regulations require all that are open to new members to do so by 2028.

Dutch pension funds are therefore losing a powerful incentive to buy long-term government bonds. Unlike DB schemes, DC ones lack fixed liabilities stretching many years into the future, so the near-certain payouts such bonds promise are less valuable to them. Risky assets such as stocks look more attractive, offering a shot at superior returns and hence higher, if more volatile, retirement incomes.

In other words, lots of long-term European government bonds and interest-rate swaps (derivative contracts that offer similar payouts) will soon be up for sale. The Dutch central bank forecasts that pension schemes will reduce their holdings of those with maturities over 25 years by €100bn-150bn as they transition. This is a significant chunk of the €900bn-worth of such bonds outstanding.

Bob Homan of ING, a Dutch bank, thinks all European bonds will be affected, but mainly those with maturities over ten years issued by countries with the top “AAA” credit rating. (These include Germany, the Netherlands, Norway and Sweden.) Since bond yields move inversely to prices, sales will push up yields. Traders have probably already priced some of this in, thinks Mr Homan. But the pressure will continue for the next two years as more pension schemes transition, and the overall effect “is difficult to

quantify". The trouble, he says, is that "I don't see any new demand appearing" for long-dated bonds.



Should bond yields rise further, the greater returns on offer would surely spur their own demand. They would also raise European governments' long-term borrowing costs—and for some these are already at their highest since the euro-zone crisis of 2010-12, or higher (see chart). The temptation for finance ministers will be to issue fewer bonds with long maturities and more short-dated ones, with lower interest rates. Yet short-dated bonds must be refinanced sooner, making governments more vulnerable to the risk of short-term interest rates moving higher than expected (owing to a surprise jump in inflation, say).

Another risk is that investors who are enticed by higher yields to buy bonds are likely to be flightier, resulting in more volatility. A DB pension fund that has earmarked a bond's coupons and principal for future liabilities does not care if its price changes, since its

payouts will stay the same. Such price-insensitive bondholders are rare and valuable to borrowers. The ECB is another big one and it, too, is shrinking its portfolio. Taking their place will be price-sensitive investors such as hedge funds, which will buy sovereign debt if returns look attractive, but dump it just as quickly if other assets start to look better. Those tasked with selling European government bonds have a busy year ahead. ■

---

<https://www.economist.com/finance-and-economics/2026/01/08/why-europe-s-biggest-pension-funds-are-dumping-government-bonds>

| [Section menu](#) | [Main menu](#) |

Raising the bar

## Vietnam's growth is fast—but fragile

*The economy is unduly reliant on a handful of conglomerates*

Jan 08, 2026 01:49 PM | Singapore



SIZE, IT SEEMS, matters in Hanoi. On December 19th workers broke ground on the Dong Son Bronze Drum Stadium, a 135,000-seat sports complex named after the prehistoric bronze-casters who populated Vietnam from 1000BC. Vingroup, the conglomerate developing it, says that the stadium will boast the world's second-biggest seating capacity and its biggest retractable-roof system. The arena will be at the centre of a \$35bn sports-themed megaproject and is slated for completion by 2035. Its vastness seems appropriate for the “era of national rise” that To Lam, the country’s leader, has declared.

Indeed, it is not the only megaproject under construction. The complex is one of hundreds to have been blessed by Vietnam’s communists in December. Others include a \$32bn road-building effort along the country’s northern Red River and a new motorway connecting it to Cambodia. Older projects are also coming to fruition. A new international airport near Ho Chi Minh City welcomed its first flight on December 19th (a plane full of party

cadres). All told, state infrastructure spending has risen by 27% this year, to 845trn dong (\$32bn, or 7% of GDP), and the budget for 2026 suggests it will increase by another 34% next year. Such spending would be on par with China's public-investment figures during its development heyday in the 2000s and early 2010s.

The largesse is part of a plan to meet sky-high growth targets, a feature of Mr Lam's ambitious reform drive. It is being funded by fast-growing tax revenues, which rose by 30% last year alone, and thus will not harm the country's fiscal position. Vietnam's economy, bolstered by surging exports, grew by 8% in 2025—fast but just short of the year's target of 8.3-8.5%. Although this year's target of 10% looks even harder to achieve, there are reasons for optimism. Mr Lam's biggest reforms have yet to take full effect. They include Resolution 68, an attempt to boost the private sector through tax perks and lighter bureaucracy. Regulators have been told to take more risk when approving projects.



Investors are buying in to the changes. After several downcast years, Vietnam's benchmark stock index last year rose by 37% in dollar terms, putting it far ahead of rivals (see chart). One reason is technical: in October FTSE Russell, an index publisher, upgraded Vietnam from a frontier market to an emerging one. The change, set to take effect late this year, could attract \$1.4bn in capital from passive investors in EM funds, estimates Goldman Sachs, a bank. But the bigger reason for the success is fundamental. Growth looks sturdy, supported by rising exports, growing industrial production and even a recovery among once-cautious Vietnamese consumers.

All the same, there is a sting in the tail. Three "Vin" stocks—Vingroup; Vinhomes, the conglomerate's property arm; and Vincom Retail, which runs shopping centres—accounted for almost three-quarters of last year's stockmarket gains. Without this trio of firms, the index would have risen by just 11%. The infrastructure push is also top-heavy, led by a handful of well-connected conglomerates. This is by design. Vietnam's leaders are thought to see South Korea's *chaebols* as a model. Resolution 68 spells out Vietnam's ambition to foster 20 national champions by 2030.

It is unclear how Vietnam's conglomerates would be held accountable should they, say, fail to deliver on important projects. Some are shy about taking risks without state backing. On December 25th, for instance, Vingroup backed out of a \$67bn project to build a railway spanning Vietnam, despite having vowed not to. It had asked for 80% of the project to be funded by an interest-free loan from the state, which refused. Other conglomerates may step in to fill the breach, but the same dynamic would remain. Vietnam's economic growth, although impressive, is vulnerable to the whims of a few firms. ■

| [Section menu](#) | [Main menu](#) |

**Buttonwood**

## Is it better to rent or buy?

*Much depends on long-term interest rates*

Jan 14, 2026 12:07 PM



“THAT OUR people should live in their own homes is a sentiment deep in the heart of our race and of American life,” said President Herbert Hoover, perhaps the most important advocate of mass homeownership in the country’s history, in 1931. “They never sing songs about a pile of rent receipts.”

But a ballad about the rental market is overdue. When rich-world interest rates began to surge in 2022, renting became a better deal than buying. House prices have since stagnated or slumped in many places, and rates are falling. Even so, there is reason to think that the winning streak for renters will continue.

According to Zillow, an American property website, the monthly cost of buying and keeping a home—including taxes, insurance, a modest maintenance cost and a downpayment of 20%—came to less than that of renting from 2015 to 2021, an era of ultra-low interest rates. Since then, however, the picture has flipped. Today a new buyer pays about \$400 more a month. In several of the

country's largest cities, the difference runs to thousands of dollars a month.

This is not just an American phenomenon. According to CBRE, an estate agent, there is no Australian precinct where it is cheaper to buy a flat than to rent one. Rathbones, a British wealth-management firm, estimates that rental yields—the amount landlords make from tenants relative to the price of the house—are 5% or so, not much above the 4.4% for five-year fixed mortgages. Given that landlords must also meet steep maintenance and tax costs, this indicates renters are getting a good deal.

Renters often fear they are throwing away money by handing it to landlords, while buyers build up home equity. But property is not the only investment available. Arthur Cox of the University of Northern Iowa finds that, even from 1984 to 2013, a period in which house prices rose overall and mortgage rates fell sharply, people were sometimes better off if they avoided homeownership. In three of the six American metropolitan areas he investigated, renting and investing the extra money that would have been required for mortgage payments in stocks and corporate bonds was the more profitable choice over the period.

True, in some places renters have lost ground. In Hong Kong rental yields have risen from less than 2.5% four years ago to 3.5% today. The shift has been driven by a slump in house prices, which have fallen by a third in real terms since 2021.

But there is a difference between mortgages in Hong Kong and those in other rich-world locations. Hong Kong's borrowers mostly take on floating-rate mortgages, which typically move with the Federal Reserve's short-term interest rates. Elsewhere, mortgages are more likely to depend on longer-term rates. And they have barely budged: despite recent interest-rate cuts, five- and ten-year government-bond yields mostly sit where they did three years ago. In America 30-year mortgage rates remain above 6%, more than

twice the rock-bottom levels reached in the covid-19 pandemic. Although buyers can find shorter-term mortgages, they take on the risk of a rebound in inflation and thus rates.

Picking a likely victor in the battle between tenancy and ownership therefore means taking a view on the future of long-term interest rates. Your columnist would suggest that they look worryingly sticky. Concerns about government debt and long-term inflationary pressures are not going anywhere.

Moreover, in recent years renter-friendly regulation has swept the West. Britain's Renters' Rights Act makes it more difficult for landlords to evict residents, and enables tenants to challenge rent increases via tribunals. Many American cities have frozen regulated rents, as Zohran Mamdani, New York's new mayor, intends to do in his city. Such rules are terrible news for anyone considering making an investment in housing, and they tip the calculation further in favour of tenants.

Buyers have reasons to own a home that surmount cold financial logic. Many feel the same emotional pull that animated Hoover almost a century ago. Others want a secure and long tenure. And in some markets, it is just a question of practicality: finding a large, single-family home to rent can be difficult. But for the cool, unemotional resident weighing up the pros and cons of buying, there is a clear winner. Without a much steeper fall in house prices, a sudden decline in long-term interest rates or a protracted surge in rents, renting will remain the better option. ■

---

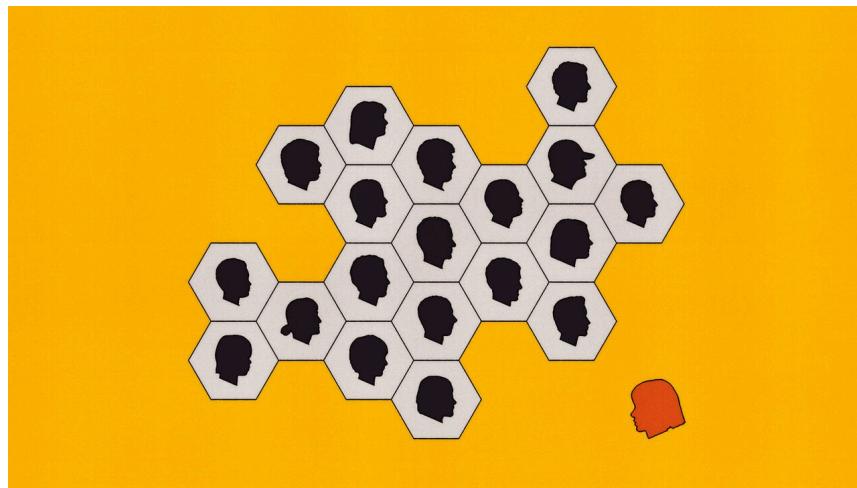
<https://www.economist.com/finance-and-economics/2026/01/07/is-it-better-to-rent-or-buy>

**Free exchange**

## What “*Pluribus*” reveals about economics

*A hit Apple TV show offers useful lessons*

Jan 09, 2026 08:10 PM



THE FUNNIEST scene in “*Pluribus*”, a hit show from Apple TV, arrives in the fourth episode, when the heroine, Carol Sturka, discovers that the rest of humanity can no longer lie. Carol starts the series as a burnt-out, boozy, best-selling writer of fantasy romance novels. Things take a turn when an alien virus arrives, melding people into a mysterious hive mind. Carol is one of only 13 individuals who remain immune. The members of this collective consciousness share each other’s thoughts, memories and feelings, as effortlessly as breathing. They cannot deceive each other and they seem unwilling to lie to Carol, either. That gives our heroine an unusual opportunity. What do you ask an all-knowing person who must tell you the truth? Why, you ask him what your spouse really thought of your writing, of course.

The second-funniest scene arrives in the previous episode. The members of the hive mind, known as the Joined or the Plurbs by the show’s fans, are eager to do everything in their collective power to please Carol (and the 12 others like her). Some of the unjoined

respond to this offer with more relish than others. One takes up residence in a casino surrounded by fawning women and rivals who lose to him at poker. Carol is harder to please. She resents being waited upon. When she tries to do a grocery run, she is upset to discover that her organic supermarket, Sprouts, is empty and abandoned. “I am a very independent person...I fend for myself,” she says. “I just want my Sprouts back.”

Her wish becomes the Plurbs’ collective command. Cue an elaborate logistical dance to restock a high-end American supermarket from scratch. Eight lorries hiss to a halt outside in a fletched formation; wave after wave of shelf-stackers, evenly spaced, bring boxfuls of produce; lights come on and music starts to echo around the depopulated building—all so Carol can “fend for herself”. Like Leonard Read’s classic essay, “I, Pencil”, the scene highlights the hidden complexity of everyday economic life. It also makes clear that “very independent” people are helplessly reliant on an economic choreography they barely appreciate.

As well as abandoning supermarkets, the Plurbs dispense with many other familiar goods, services and institutions. People do not have to verify their identities or strike contracts. There is no need for privacy or its opposite, self-expression. They wear whatever clothes they had on their back when they joined. And in Carol’s hometown people sleep alongside each other in arenas, malls and churches to save on electricity.

There is also no need for private property or money to motivate them or track their contributions. The Plurbs seem to follow Marx’s maxim: from each according to his abilities, to each according to his needs. Able to read each other’s minds, they work in uncanny concert with each other. When one of them hands her motorbike helmet, mid-stride, to another before he rides away, they do not even acknowledge each other, any more than your left hand would acknowledge taking something from your right.

Fans of central planning once hoped that computers would allow economies to get closer to the harmonious “*Pluribus*” model. That dream has been revived by artificial intelligence, which cannot read people’s minds, but could in principle read everything they have ever written and eavesdrop on their conversations.

But Hayekian economists like Don Lavoie of George Mason University believed central planning would always have two flaws. It could never harness tacit knowledge: the habits and instincts that managers and innovators cannot always put into words. Nor could it benefit from the clash between entrepreneurs, each with their own vision of success, and their own skin in the game.

The alien virus in “*Pluribus*” solves the first of these two problems. The Joined share far more with each other than they can articulate. In one scene Carol plays croquet with a friendly Plurb called Zosia. Although she has never played the game before, Zosia now has the combined expertise of every living champion. In another scene, a former waitress at TGI Friday’s, still in uniform, expertly pilots a passenger jet.

What the Plurbs cannot replicate is true rivalry. Its absence no doubt spares their economy from waste, redundancy and foolishness. But it also limits the scope for progress. However much wisdom they collectively possess, the Joined will also need to learn from trial and error. Although they can presumably run polite, collegial experiments to test alternative economic strategies, none of them can pursue a strategy with the kind of blinkered, eccentric conviction that characterises many of capitalism’s most successful entrepreneurs. The economy often makes progress through rare, successful attempts to defy collective wisdom. And to defy collective wisdom, it helps to be immune to it.

## ***HANK v Plurb***

“Pluribus” thus provides an interesting prism through which to view the economy. And it is not far removed from what you might find in a textbook. Most macroeconomic models, after all, rely on the idea of a “representative agent”, modelling an entire population as if it acts as one. “We continue to treat economic aggregates as though they correspond to economic individuals,” Alan Kirman of the University of Aix-Marseille once lamented. In many models of the economy, the population is treated as if they had Joined.

That assumption allows economists to concentrate on other things. It also makes their equations easier to handle. Introducing heterogeneity yields models that are awkward and messy, if closer to reality. As Carol finds out, life seems easier when you accept the Plurbs. But such contentment is illusory. They are not willing to let her remain herself. If she does not want to blind herself to that truth, she will have to find a way to turn the aggregates back into individuals. You can’t beat them unless you unjoin them. ■

---

<https://www.economist.com/finance-and-economics/2026/01/08/what-pluribus-reveals-about-economics>

| [Section menu](#) | [Main menu](#) |

# Science & technology

- **An AI revolution in drugmaking is under way**

Pharmaceuticals :: It will transform how medicines are created—and the industry itself

- **Real flying saucers**

Spaceflight :: The latest satellites are flat and circular

- **A clever idea that could help the world grow a lot more food**

Terraforming :: Make the semi-desert bloom by enridging it

- **Where should predators hang out if there are no watering holes?**

Predation tactics :: Salt licks are a good option

- **Can high-intensity interval training get you fit in a hurry?**

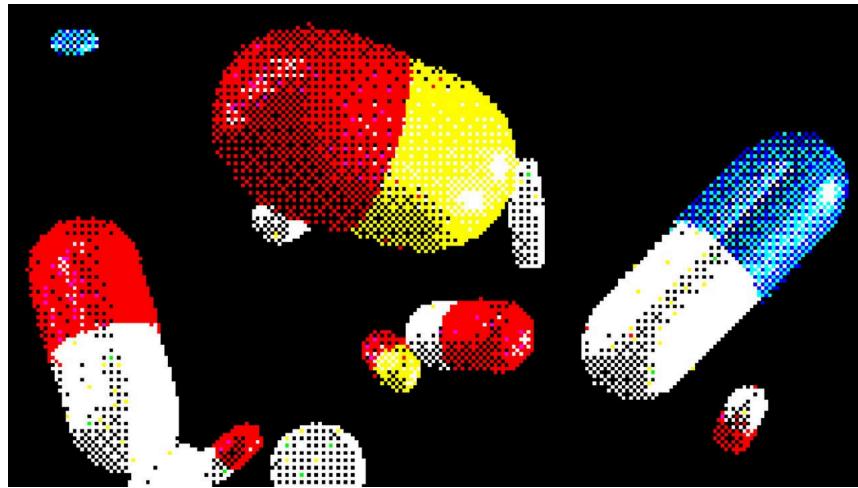
Well informed :: Yes, but be prepared to suffer

**Pharmaceuticals**

## An AI revolution in drugmaking is under way

*It will transform how medicines are created—and the industry itself*

Jan 14, 2026 02:06 PM



PATRICK SCHWAB is not your normal pharmaceutical researcher and his workplace is not your normal pharmaceutical laboratory. It has neither benches nor bubbling liquids. White lab coats are absent, too. Instead, Dr Schwab is dressed entirely in black. But that is fitting attire for one whose workplace is in King's Cross, an area that was once railway yards and industrial buildings but has now, after a makeover, become one of London's most achingly trendy districts.

Dr Schwab works for GSK, a drug company. His job is to reimagine the future of drugmaking using that similarly trendy branch of computer science, artificial intelligence (AI). He is applying this to transferring as much of the load as possible from glassware to computers: *in silico* drug design, rather than *in vitro*.

To this end he is developing a software tool called Phenformer, which he is training to read genomes. By linking genomic information with phenotypes—the biological term for the bodily

and behavioural outcomes of particular genetic combinations—Phenformer learns how genes drive disease. That allows it to generate novel hypotheses about particular illnesses and their underlying mechanisms.

### ***Meet the transformers***

Insilico Medicine, a biotech firm in Boston, seems to have been the first to apply the new generation of AI, based on so-called transformer models, to the business of finding drugs. Back in 2019 its researchers wondered whether they could use these to invent new drugs from biological and chemical data. Their first quarry was idiopathic pulmonary fibrosis, a lung disease.

They began by training an AI on datasets related to this condition and found a promising target protein. A second AI then suggested molecules that would latch onto this protein and change its behaviour, but were not too toxic or unstable. After that human chemists took over, creating and testing the shortlisted molecules. They called the result rentosertib, and it has recently completed successful mid-stage clinical trials. The firm says it took 18 months to arrive at a candidate for development—compared with a usual timeline of four and a half years.

Insilico now has a pipeline of more than 40 AI-developed drugs it is assessing for conditions such as cancers and diseases of the bowels and kidneys. And its approach is spreading. One projection suggests annual investment in the field will rise from \$3.8bn in 2025 to \$15.2bn in 2030.

Tie-ups between pharma companies and AI firms are also becoming common. In 2024 a dozen deals were announced, with a combined value of \$10bn according to IQVIA, a health-intelligence company. And last October Eli Lilly, another pharma giant, announced a collaboration with Nvidia, the firm whose chips are widely used to train and run transformer-based AI models, to build the industry's

most powerful supercomputer, and thus speed up drug discovery and development.

Given the pharmaceutical industry's [weird economics](#)—candidate drugs entering clinical trials have a 90% failure rate, bringing the cost of developing a successful one to a whopping \$2.8bn—even marginal improvements in efficiency would offer big gains.

Reports from across the industry suggest that AI has begun to deliver these. AI-designed drugs are whizzing through the preclinical phase (that before human trials begin) in only 12-18 months, compared with three to five years previously. And the success of AI-designed drugs in safety trials is better too. A study published in 2024, of their performance in such trials, found an 80-90% success rate. This compares with historical averages of 40-65%. That, in turn, boosts the overall rate of getting drugs successfully through the entire pipeline to 9-18%, up from 5-10%.

Designing a new drug generally starts by screening small organic molecules for promising biological activity. AI can sift through libraries of tens of billions of these, testing properties such as potency, solubility and toxicity using software emulations, with no need for real molecules to get anywhere near test tubes. Jim Weatherall, one of those in charge of this activity at AstraZeneca, yet another big drug company, says this sorts the wheat from the chaff twice as fast as before, and that over 90% of the firm's small-molecule discovery pipeline is now assisted by AI.

### ***Trial and no error***

AI is also helping improve trial design. One approach involves AI “agents” that behave as if they think and reason. Back at GSK, Kim Branson, head of AI, gave your correspondent a demonstration of an agent-based system called Cogito Forge. Prompted with a question about biology, Cogito Forge can write its own code to help answer that question, gather appropriate datasets, glue them together and

then create a presentation—complete with charts showing the conclusions it has drawn.

From there it can generate a hypothesis about a disease, including testable predictions, and try to verify or falsify this with a literature search. That search employs three agents: one to look for reasons why the hypothesis is a good one; a second to look for reasons why it isn't; and a third to judge which of the other two is correct.

Another area where AI shows promise is selecting patients for trials. It can analyse candidates' health records, biopsies and body scans to identify who might benefit most from a novel drug. Better choice of participants means smaller—and thus faster and cheaper—trials.

The most intriguing use of AI to improve trials, though, is the creation of synthetic patients (sometimes called digital twins) to act as matched controls for real participants. To do this an AI goes through data from past trials and learns to predict what might happen to a participant if they follow the natural course of their condition rather than being treated. Then, when a volunteer is enrolled in a trial and given a drug, the AI creates a “patient” with the same set of characteristics, such as age, weight, existing conditions and disease stage. The drug's efficacy in the real patient can thus be measured against the progress of this virtual alternative.

If adopted, the use of synthetic patients would reduce the size of trials' control arms and could, potentially, eliminate them entirely in some cases. Their use might also appeal to participants, since the chance of receiving the treatment under test rather than being put into a control group without it would rise.

Work published in 2025 by Unlearn.AI, a digital-twins firm in San Francisco, suggested that this approach could have reduced the size of a control arm in an early Parkinson's disease trial by 38%, and by 23% in a different study on Alzheimer's disease. Furthermore,

early-stage trials in general, which sometimes lack a control arm altogether, could now introduce these digitally to enhance confidence in signs of efficacy, and improve the way subsequent trials are designed.

AI has limits. Many proteins—molecules increasingly deployed as drugs but which are much larger than conventional drug molecules—have a tendency to jiggle around. That makes determining their precise shapes harder. RNA molecules, the basis of a new class of vaccines, are equally tricksy, and the complex membrane-based structures found in cells' interiors more so. But this is an area where understanding is advancing rapidly. AIs **are now being trained** to model interactions between proteins and other molecules, to predict RNA folding and even to simulate cells.

Recursion, a firm in Salt Lake City, has built an AI "factory" in which millions of human cells are pictured undergoing various chemical and genetic changes. That allows AIs to learn patterns connecting genes and molecular pathways. And Owkin, an AI biotech in New York, is training its model on a vast set of high-resolution molecular data from hospital patients.

Tom Clozel, Owkin's boss, argues that by making discoveries which humans cannot, this work is moving towards true artificial general intelligence in biology. That raises the question of whether conventional pharma companies are at risk of disruption by upstart AI firms.

### ***Competition and evolution***

Companies such as OpenAI, which led development of the transformers known as large language models, and Isomorphic Labs, a drug-discovery startup spun out of Google DeepMind, are already training systems to reason and make discoveries in the life sciences, hoping these tools will become capable biologists. For now, drug firms have the advantage of a wealth of data and the

context to understand and use it, so collaboration is the order of the day. OpenAI, for example, is working with Moderna, a pioneer of RNA vaccines, to speed the development of personalised cancer vaccines. But as the new models make biology more predictable the balance of advantage in the industry may change.

Regardless of that, AI has already improved things greatly. If it can wring from late-stage trials the sorts of improvement it has brought to the earlier part of the process, the number of drugs arriving on the market should rise significantly. In the longer run, the possibilities for enhancing human health are enormous. ■

---

<https://www.economist.com/science-and-technology/2026/01/05/an-ai-revolution-in-drugmaking-is-under-way>

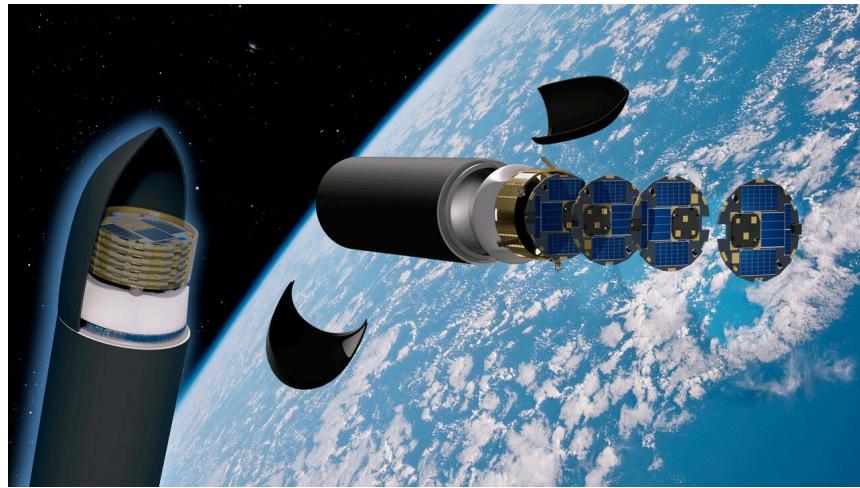
| [Section menu](#) | [Main menu](#) |

**Spaceflight**

## Real flying saucers

*The latest satellites are flat and circular*

Jan 09, 2026 12:40 PM



Identified flying objects

AS THE NUMBER of satellites launched each year increases, so does the value of standardisation. At the moment, the nearest thing the satellite business has to an industry standard are CubeSats. These are boxes assembled from 10cm cubes, and have been around since 1999. They were invented by two Californian professors as a way for students to be able to design scientific experiments that could be launched cheaply into orbit. But they then, as it were, took off for general use. By now, more than 3,000 have been launched. In 2018 two of them travelled as far as Mars, though they did not land there.

But CubeSats have constraints. In particular, the ratio between their surface area (which limits the number of solar cells they can carry) and their volume (into which their electricity-consuming gubbins is packed) leaves them systematically underpowered. Engineers at the Aerospace Corporation, an independent but largely government-funded not-for-profit organisation in Virginia, thus propose an

alternative with a higher surface-area to volume ratio. They call it the DiskSat (the clue to its shape is in the name). Others may think of it as an actual flying saucer.

The first four of these saucers were sent aloft on December 18th, carried in an Electron launcher built by Rocket Lab, a Californian firm that started life in New Zealand. An Electron is 1.2 metres in diameter, meaning the DiskSats themselves, each a metre across and 2.5 cm thick, fitted snuggly inside its cargo hold without wasting space.

Besides having lots of surface (which allows them to be fitted with bigger aerials as well as more solar cells) and a launch-friendly shape, a third benefit is that DiskSats should more easily stay aloft in low orbits, where atmospheric drag is a consideration. They do this by flying edge-first, thus presenting a narrow profile to the (albeit sparse) gas of the thermosphere, as the part of the atmosphere between 85 and 600km above Earth's surface is known.

At the moment, the new quartet are circling in low-Earth orbit, at an altitude of 550km. But the plan is to take two of them down to what is known as very-low-Earth orbit, below 300km, where the thermosphere is thicker, and see how well they do there. That will be of particular interest to the mission's sponsors, America's Space Force. The lower a satellite can go, the better its view of Earth's surface. So, though DiskSats will have many uses, **spying** is likely to be among the first of them. ■

---

<https://www.economist.com/science-and-technology/2026/01/07/real-flying-saucers>

**Terraforming**

# A clever idea that could help the world grow a lot more food

*Make the semi-desert bloom by enridging it*

Jan 12, 2026 07:07 PM



“**BUY LAND**,” the saying goes. “They’re not making it anymore.” The odd drainage-and-reclamation project or new volcanic island aside, that is true. But Moshe Alamaro thinks he has a work-around. He reckons he can take land that is currently of little worth and turn it into something useful and valuable—and that he can, moreover, do so cheaply.

Mr Alamaro is an intriguing character. He started his career at the Massachusetts Institute of Technology but now works independently as what is, in effect, a one-man ideas factory. Proposals he has come up with include stocking up on fresh water for use in summer by [building mountains of ice](#) in winter with snow-making machines of the sort used in ski resorts, [erecting greenhouses next to power stations](#) to benefit from their warm, carbon-dioxide-rich exhaust gases, employing second-hand aircraft engines [to control hurricanes](#) and (separately) [to get rid of smog](#),

and reforesting denuded areas by bombarding them with seedlings contained in biodegradable conical canisters.

The land Mr Alamaro has his eyes on for his latest venture is the sort classified as semi-arid. This has enough moisture to support some vegetation, but not enough to grow crops easily. About 15% of Earth's terrestrial surface falls into this category, while arable land constitutes a mere 10%. If part of the former could be converted into the latter, it would be a big deal.

To understand Mr Alamaro's idea, study the photograph above. It shows part of Idaho. The slope on the left, facing north, is vegetated. That on the right, facing south, is not. The reason is the same as that which makes the poles cold and the tropics hot: the angle of incidence of the sun's rays when they hit the ground. In the Arctic and Antarctic, where the sun is always near the horizon, this angle is shallow. In the tropics, where the sun arcs almost directly overhead during the middle of the day, it is much steeper.

Similarly, in the northern hemisphere, where the sun usually appears in the southern part of the sky, its rays merely graze a north-facing slope while striking a south-facing one full on. That makes a south-facing slope hotter, and therefore drier, than a north-facing one—and the opposite is true in the southern hemisphere. In semi-arid climes, the resulting difference in moisture is often sufficient to discourage or encourage plant growth.

Mr Alamaro's idea is thus almost laughably simple: use earthmoving equipment to reshape semi-arid landscapes into ridges that run east-west and have broad, shallow slopes facing away from the sun and narrow, steep ones facing into it. That done, plant the former with crops. To this end, he has joined with Renato Morbidelli of Perugia University to start ReSlope Global, an organisation that will run two field trials, one in Italy and one in Kenya, each on a two-hectare plot. These will establish both the

cost of reshaping the landscape to Mr Alamaro's requirements, and the optimum way of doing so.

The Italian trial will test the best angle for north-facing slopes in that part of the northern hemisphere. The one in Kenya will be different. Kenya straddles the equator, meaning the sun alternates, over the course of the year, between the northern and southern parts of the sky. Here, the idea is to keep the slopes equal in inclination and area, and grow crops alternately on the north-facing and south-facing sides of a ridge, according to the time of year.

### ***Win some, lose some***

Mr Alamaro's previous thoughts have had mixed success. The idea of pumping power-station exhaust gases into greenhouses has fared well, and aerial reforestation is becoming popular with the advent of drones to carry the seedlings. Tinkering with hurricanes was, however, a bit of an over-reach. And, though smog-dispersal and creating terrestrial icebergs would probably work technically, they have never been implemented. Whether his attempt to re-engineer parts of Earth's surface will succeed remains to be seen. If it does, though, it could be transformative. It might, indeed, give a whole, new meaning to the expression, "a fertile mind". ■

---

<https://www.economist.com/science-and-technology/2026/01/07/a-clever-idea-that-could-help-the-world-grow-a-lot-more-food>

**Predation tactics**

## Where should predators hang out if there are no watering holes?

*Salt licks are a good option*

Jan 09, 2026 12:41 PM



IN A SAVANNAH, a good place for a predator to find food is a watering hole. The game is simple. Sit, wait and ambush any thirsty and unwary herbivore that walks up. Not so in a rainforest. When water is everywhere, watering holes lose their point and predators must find an alternative.

One plausible candidate is salt licks. These are outcrops of salt-rich rock which spare animals the task of obtaining that mineral in sufficient quantities from their food. Lack of dietary salt is a particular problem for herbivores (meat tends to be richer in the stuff than plants are), so they are frequent visitors to salt licks. Rainforests' thick vegetation, though, has made it hard to check if predators exploit this.

To overcome that difficulty Sam Pottie of Climate Corridors, a conservation charity in Washington, has used cameras to supplement human observers. His results, published in *Biotropica*,

show that rainforest predators are, indeed, pretty savvy about the value of salt licks.

Working out of Los Amigos Biological Station in Peru, Mr Pottie and his colleagues set up 56 “camera traps”, as they are known to zoologists, at 19 licks in the rainforests of that country’s south-east. Such traps are equipped with motion detectors that trigger the camera to collect video footage of the action.

Mr Pottie’s camera traps collected an extraordinary trove of wildlife visiting the licks. Deer, peccaries, tapirs, monkeys, rodents, bats and birds all came. And, waiting for them, were the predators.

Tree boas (smaller cousins of boa constrictors) and dwarf caimans (a South American species similar to crocodiles and alligators) proved adept at snatching fruit-eating bats as they descended to reach the minerals. Jaguars attacked peccaries. Vampire bats snuck in and dined on the blood of tapirs distracted by the salt. And ocelots deftly swatted parakeets out of the air or pounced on howler monkeys—though this did not always work out well from the ocelots’ point of view. On one occasion Mr Pottie’s footage showed an ocelot misjudging the size of an adult male howler monkey and being forced to flee with the monkey in hot pursuit.

All told, then, this work shows that salt licks do indeed act as larders for predators in the way watering holes do in savannahs. Expect a whole new wave of wildlife documentaries to hit the screens soon. ■

---

<https://www.economist.com/science-and-technology/2026/01/07/where-should-predators-hang-out-if-there-are-no-watering-holes>

**Well informed**

# Can high-intensity interval training get you fit in a hurry?

*Yes, but be prepared to suffer*

Jan 09, 2026 12:41 PM



IF YOU ASK people why they do not exercise as much as they should, the most common answer is lack of time. The World Health Organisation recommends 75 minutes of high-intensity exercise, or 150 minutes of moderate-intensity exercise, every week, as well as two sessions of strength training. If you're juggling a job, a commute and children, that can be a big ask.

There may, however, be a shortcut. High-intensity interval training (HIIT) promises to get you fit with just a few minutes of work a week. It sounds too good to be true. But the evidence suggests it really works—if, that is, you can stomach the discomfort.

HIIT came to prominence with the work of Tabata Izumi, a sports scientist at Ritsumeikan University in Kyoto. In 1996 Dr Tabata published a study comparing the effects of four minutes a day of maximal-effort training on an exercise bike, five days a week, with a conventional cardio workout of an hour a day on the same bike at

a lower intensity. After six weeks the aerobic fitness of the conventional group had risen substantially. But the fitness of the max-effort group had gone up even more.

There is, though, no such thing as a free lunch. The trade-off for HIIT's low time commitment is a big boost to intensity. When Dr Tabata said "maximal effort", he really meant it. Subjects had to spend 20 seconds going all-out, rest for ten seconds, then do another 20-second burst at full power, repeated seven or eight times. That may not sound too bad, but studies of HIIT talk drily of "feelings of nausea"; anecdotal reports mention vomiting from the effort.

Unlike slow-and-steady cardio training, HIIT stresses all three of the body's main energy systems at once. The aerobic system—which relies on oxygen to metabolise glucose or fats—is the most efficient and the one most targeted by standard endurance exercise. But it also has the lowest power output. During the sprinting phase of a HIIT session, much of the energy therefore comes from the anaerobic glycolytic and phosphocreatine systems. These produce more power, but exhaust their metabolic fuels quickly. During rest, the body works to regenerate those fuels, before the tanks are drained again in the next sprint.

All this seems to trigger the same sorts of biochemical adaptations as standard endurance exercise, plus some others into the bargain. HIIT boosts  $\text{VO}_2$  max—a measure of maximal oxygen consumption, and therefore aerobic fitness—just as much as standard endurance training. But unlike jogging, it boosts the anaerobic systems as well.

If the potential for nausea has started to put you off, then the good news is that less hard-core workouts than the one Dr Tabata invented also seem to work. One study, published in 2010, reported positive effects from eight to 12 sets of 60 seconds of hard (though not maximal) effort followed by 75 seconds of recovery. Another,

published in 2017, noted that doing just two to four sets of less intense HIIT might be enough.

Inspired by such results, and by the understanding that the best exercise regime is one people can stick to, most modern HIIT programmes dial back on Dr Tabata's original. Vomiting, in other words, is not compulsory. So, if jogging is too boring or too time-consuming, HIIT might be the way to go. Just be prepared for a shock to the system. ■

---

<https://www.economist.com/science-and-technology/2026/01/02/can-high-intensity-interval-training-get-you-fit-in-a-hurry>

| [Section menu](#) | [Main menu](#) |

# Culture

- **Do self-congratulating celebrities need more plaudits?**

Plodcasts :: The Golden Globes honour podcasts where stars praise each other

- **Six books to read about Venezuela**

The Economist reads :: They explain the country's slide from democracy to dictatorship

- **Spore of the moment: mushrooms are the latest wellness-food trend**

World in a dish :: They are being mixed into coffee, cocktails and chocolate

- **The lessons of the terrorist violence of the 1970s**

Killing (and dying) for a cause :: A new book offers an engrossing chronicle of a tumultuous period

- **The ice-cool hero of “The Night Manager” saunters to the rescue**

Back Story :: John le Carré's enthralling character saves the show's shaky second season

**Plodcasts**

# Do self-congratulating celebrities need more plaudits?

*The Golden Globes honour podcasts where stars praise each other*

Jan 09, 2026 12:43 PM



THE two biggest awards shows in America are mixing things up for 2026. In March the Academy Awards will present its inaugural Oscar for Best Casting. And on January 11th the Oscars' boozy cousin, the Golden Globes, will also hand out a new prize: Best Podcast.

At first glance, it might seem odd that the Globes—which have celebrated films since 1944 and television shows since 1956—are now judging another medium. But that is to misunderstand the place of [podcasts](#) in the cultural landscape. These days every celebrity worth her larynx has a podcast, or at least appears on them: they have become as essential a stop on the film-promotion circuit as late-night talk shows once were. [Podcasts may also have helped](#) Donald Trump back to the White House: from July 2024 until election day, he appeared on 20 to Kamala Harris's eight, and his were vastly more popular.

It is also to misunderstand podcasts' relationship to the screen. Many films and TV shows are [adapted](#) from hit podcasts. They provided the source material for "[Dirty John](#)", "Gaslit" and "Homecoming", all of which picked up Golden Globe nominations in recent years. In 2023 Amanda Seyfried won Best Actress in a Limited Series for her turn in "The Dropout". (The mini-series and podcast charted the rise and fall of Elizabeth Holmes, the [now-jailed ex-boss of Theranos](#), a blood-testing startup.) And podcasts may have started as an audio medium, but they are [increasingly a visual one](#) as well. YouTube says that 1bn people watch podcast content on the platform every month.

The Golden Globes, then, are not wrong to include podcasts alongside film and television. But their approach is misguided. The six shortlisted shows raise depressing questions about podcasts' evolution—and their future.

"SmartLess" features three famous actors (Will Arnett, Jason Bateman and Sean Hayes) chatting to other famous actors. "Good Hang" features a famous actress (Amy Poehler) chatting to her celebrity friends. "Armchair Expert" features a celebrity actor (Dax Shepard) chatting to other celebrities, with the occasional writer, academic or fan of the podcast thrown in for variation. "Call Her Daddy" features a now-celebrity host (Alex Cooper) chatting to other celebrities, mostly women, with the occasional news-you-can-use episode for the show's largely female audience ("How to Leave a Bitchboy").

"The Mel Robbins Show" is a [self-help](#) extravaganza; its popularity has made the host a celebrity. She talks to other self-helpers about "Why You Feel Lost in Life" and "How to Lose Belly Fat, Sleep Better, & Stop Suffering Now". Rounding out the category is the inevitable bowl of spinach: "Up First" is National Public Radio's daily news podcast. It has as much chance of winning as its hosts do of flapping their cardigan-clad arms and flying to their next breakfast meeting.

Of course, griping at nominees is an awards-season tradition. But the process used to select the nominated podcasts was bizarre. For the Globes' film and television categories, studios and production houses submit titles for consideration. They are then assessed by the Globes' voters: a group of almost 400 entertainment journalists from 95 countries.

To be sure, the podcast ecosystem is more diffuse. It has lower barriers to entry than film or TV. Voters could not be expected to listen to and choose from all 4.5m podcasts. But rather than approach production companies, the Globes asked Luminate, an analytics firm, to come up with a list of 25 of the most popular podcasts, taken from the five most widely used podcast platforms. Voters then selected six titles from that list.

Popularity and excellence have always been two separate, albeit sometimes overlapping, things. The Globes acknowledge this distinction already by offering separate awards for Best Picture and for Box-Office Achievement. They do not base their TV nominations on Nielsen's ratings—otherwise they would have to recognise “*NCIS*” and “*Bluey*” every year.

The types of podcast that made the genre popular still exist, but the Globes' approach means that they have been ignored. The first season of “*Serial*” was acclaimed for its deep reporting on a [murder case](#), for instance, and similar investigative work was evident in “*Missing in the Amazon*”. There was the inventive immediacy of “*Shell Game*”, which examines AI at a personal level, and an illuminating portrayal of a musician in “*Fela Kuti*”. [These podcasts](#) were triumphs of storytelling and sound design.

Perhaps it should surprise nobody that Hollywood-centred voters chose mainly Hollywood-adjacent podcasts. But is it rude to wonder how much time each voter spent actually listening to the nominees? The five non-NPR candidates are loose and lack rigour. They are identical in form: the host(s) and guest(s) spend around an

hour congratulating each other on their kindness, funniness and general wonderfulness. They are light on facts about the world and heavy on personal trivia. Anyone who has ever wondered about Dave Franco's skincare routine (pinched from his wife, may involve snails), how many pictures Julia Louis-Dreyfus has on her phone (56,276) or what Mr Shepard calls breasts (blampers) will have their curiosity sated.

They follow a path blazed by Marc Maron, who recently ended his celebrity-interview podcast, "WTF", after 16 years, and Joe Rogan, the most popular podcaster in the world, whose shows run to an average of two hours and 39 minutes. Similar open-ended talk shows abound; if you include political talk shows, the numbers swell even more. Plenty of these are pleasant enough entertainment for a run or a commute, but instil newfound appreciation for the time constraints imposed on traditional talk-show hosts.

Such programmes are easy and cheap to produce, and guaranteed to be popular as people like eavesdropping on celebrities being themselves. (Some call the relationship "parasocial", which is grad-school lingo for "enjoys listening to".) It is doubtful that most people listen to them intently all the way through: they are background chatter as you complete boring chores. The best moments get clipped and put on YouTube shorts, where they can rack up millions of views.

Why complain about something so many people love? After all, anyone who wants to keep ablamper of the news still has plenty of podcasts to choose from. Is it snobbery? A general suspicion of light-hearted fun? Jealousy that none of *The Economist's* podcasts was nominated? No, possibly and no.

It is instead dismay that a form still so rich with possibility risks being swallowed by a dull conformity. Ellen Horne, who directs the podcasting programme at the Arthur L. Carter Journalism Institute at New York University, worries that the Globes' choices, and the

trends behind them, “will affect what gets cancelled and what doesn’t”. A star host is “a cheap shortcut: you don’t have to spend money building something if you’re just borrowing the celebrity power of a big name.”

The Globes’ foresight is commendable. It is good that they are choosing to recognise a new and important medium. But the Best Film category includes a range of ambitious and original nominees, not just hits. That the podcast category does not is a missed opportunity. ■

---

<https://www.economist.com/culture/2026/01/08/do-self-congratulating-celebrities-need-more-plaudits>

| [Section menu](#) | [Main menu](#) |

The Economist reads

## Six books to read about Venezuela

*They explain the country's slide from democracy to dictatorship*

Jan 08, 2026 01:48 PM



IT MAY BE hard to imagine today, but in the 1960s and 1970s Venezuela was hailed as a model democracy. Then the oil price crashed—and Venezuela's democracy fell with it. Economic growth slowed and Hugo Chávez, an army officer (pictured above), exploited the discontent, staging a failed coup before being elected president in 1998. Charismatic, with the popular touch, he launched a nationalist and socialist revolution. After he died in 2013 his chosen successor, Nicolás Maduro (pictured below), inherited a [rotting system](#) and made it worse. His regime jailed, tortured and killed opponents. Its spectacular corruption and dotty economic policies led to empty shelves, power cuts and inflation that peaked at 130,000%. These books explain Venezuela's slide to dictatorship. Readers will have to wait for accounts of the [Delta Force raid](#) that seized Mr Maduro on January 3rd.

**Authoritarian Consolidation in Times of Crisis.** Edited by John Polga-Hecimovich and Raul Sanchez Urribarri. *Routledge*; 344 pages; \$190 and £145

Mr Maduro has inspired much less ink than his predecessor. This volume of essays looks at how he turned a “hybrid regime” which was losing public support into a full dictatorship. It thus brings the story nearly up to date. Another chapter will be added to that tale when [María Corina Machado](#), the opposition leader who inspired the defeat of Mr Maduro in an election in 2024 and was awarded the Nobel peace prize, publishes “The Freedom Manifesto” next month.

**Comandante.** By Rory Carroll. *Penguin; 336 pages; \$24. Canongate; £10.99*

A compelling portrait of Chávez the showman, rich in telling details, by the *Guardian*’s correspondent in Caracas for much of his rule. He highlights the importance of the president’s hours-long live television broadcasts—social media were then in their infancy—in forging an emotional bond with millions of poor Venezuelans, even as essential services were falling apart and the constitution was bent against the opposition.

**Hugo Chávez and the Bolivarian Revolution.** By Richard Gott. *Verso; 380 pages; \$39.95 and £23.99*

The British author of this readable biography was an avowed sympathiser of Chávez, whom he interviewed, and of Cuba’s communist regime. The book is representative of the enthusiasm that Chávez aroused among paternalist observers safely ensconced in their democracies in Europe who were largely blind to the authoritarianism, corruption and mismanagement of his governments.



**Paper Tigers and Minotaurs.** By Moisés Naím. *Carnegie Endowment for International Peace*; 180 pages; \$24.95

The author was a minister in the second government of [Carlos Andrés Pérez](#), a social democrat, who on being elected in 1988 inherited a bankrupt country and was obliged to impose austerity. This triggered rioting—known as the *caracazo*—in which some 400 people were killed, mainly by the police. In this lucid monograph Mr Naím explains how a technically sound economic programme was vitiated by Pérez’s poor political salesmanship. The *caracazo* inspired Chavéz to prepare his coup attempt of 1992.

**The Silence and the Scorpion.** By Brian Nelson. *Bold Type Books*; 384 pages; \$12.99

A crucial turning-point in the consolidation of Chávez’s rule was a popular uprising against him in 2002 which turned into what he would claim was an attempted coup. In this account of the events—described by *The Economist*’s reviewer as “[superbly researched](#)”—Mr Nelson shows that the army refused to repress the opposition, prompting Chávez’s brief resignation. He returned to power less than 72 hours later, after an opportunist conservative attempted to exploit the power vacuum.

**The Unravelling of Representative Democracy in Venezuela.** Edited by Jennifer McCoy and David Myers. *Johns Hopkins*

*University Press; 376 pages; \$57.95*

This volume of essays by American and Venezuelan experts analyses in detail why a seemingly solid democracy gave way to Chávez's autocracy. Two failings stand out. First, although much money was assigned to social provision, corruption and patronage meant that public services were poor. Second, the armed forces were bought off with perks and privileges and left to run their own affairs. ■

---

<https://www.economist.com/culture/2026/01/07/six-books-to-read-about-venezuela>

| [Section menu](#) | [Main menu](#) |

**World in a dish**

## Spore of the moment: mushrooms are the latest wellness-food trend

*They are being mixed into coffee, cocktails and chocolate*

Jan 14, 2026 11:41 AM



HAS THE festive season left you feeling enervated? Consume Cordyceps to perk up or reishi to feel calm. Looking to get [fitter](#)? Eat maitake for heart health or shiitake to lower your [cholesterol](#). Do you want to be more productive in 2026? Try lion's mane for [boosted brain-power](#).

The internet is abuzz with such tips, for wellness-industry folk aver that some mushrooms really are [magic](#). A class of fungi referred to as “adaptogenic” (meaning they help the body manage stress) and “nootropic” (they improve cognitive function) is all the rage. According to Brightfield Group, a market-research firm, mentions of lion’s mane have more than tripled on Reddit, TikTok and Instagram in the past two years. Searches for “mushroom coffee” have increased by 1,000% on Google since 2022.



Products are sprouting up to meet demand. Supermarkets stock fungi chocolates and sweets. [Marks & Spencer](#), a British retailer, sells lion's mane vanilla lattes and fruit juices. De Soi, a [mocktail](#) company, adds reishi to its “mood boosting”, “stress soothing” drinks. Spacegoods, a British startup, offers an “all-in-one” powder in a variety of flavours. Alice, which produces mushroom chocolate, suggests eating a cube before going to bed: “Nightcap” to promote better sleep or “Happy Ending” to pique [sexual interest](#).

Such products particularly appeal to health-conscious youngsters. According to McKinsey, a consultancy, they are most eager to try edibles that promise to boost energy, [gut health](#) or immunity. But as such products are labelled as food, there is little regulation of their supposedly medicinal compounds. And scientific research offers a more down-to-earth view of these mushrooms’ benefits, says Nicholas Money, a professor at Miami University in Oxford, Ohio. There is no clinical evidence that mushroom drinks have their advertised effects on humans, he argues.

Chemical extracts from lion’s mane, for instance, have been shown to spur the growth of isolated nerve cells in Petri dishes as well as to aid healing in the nervous systems of mice. That suggests possible benefits, but stops well short of proving any effect on mental acuity in humans. Professor Money is also sceptical because of what he sees as a lack of research funding in this area. “If there

was any evidence that they had this effect, pharmaceutical companies would be throwing serious money at them,” he says.

Such mushrooms, then, may be best enjoyed on a plate rather than in your morning brew. (However you consume them, it is inadvisable to forage for them yourself, lest you mistake a poisonous variety for a supposedly curative one.) Shiitake is a tasty ingredient in Asian soups or stews. Lion’s mane has meaty flesh, a **lobster**-like taste and is delicious sautéed. Think of them as food for the soul. ■

---

<https://www.economist.com/culture/2026/01/06/spore-of-the-moment-mushrooms-are-the-latest-wellness-food-trend>

| [Section menu](#) | [Main menu](#) |

**Killing (and dying) for a cause**

## The lessons of the terrorist violence of the 1970s

*A new book offers an engrossing chronicle of a tumultuous period*

Jan 09, 2026 12:44 PM



**The Revolutionists.** By Jason Burke. Knopf; 768 pages; \$40. Bodley Head; £30

THE IDEA was to draw attention to the plight of Palestinians. The defeat of the Arab armies by Israel in the [Six Day War](#) of 1967 had resulted in the displacement of between 300,000 and 500,000 people. So in 1969 the Popular Front for the Liberation of Palestine (PFLP), a Marxist nationalist militant group, hijacked a plane travelling from Rome to Tel Aviv. The aircraft was blown up after landing in Damascus; its passengers were evacuated unharmed. The poster child of the attack was Leila Khaled (pictured), an elfin-faced young woman. A picture of her in a keffiyeh, smiling and brandishing an [AK-47](#), was published all over the world.

The following year another hijacking, this time of an Israeli airliner, went less well for Ms Khaled. Air marshals on board wounded her and killed her Nicaraguan accomplice, Patrick

Argüello, before landing the plane at Heathrow. (She was later released by British authorities in a [prisoner swap](#).) It was part of an audacious multiple-hijacking plan hatched by Wadie Haddad, the PFLP's co-founder. Two other aircraft were flown to Dawson's Field, a strip in the Jordanian desert, and were later joined by a third. The incident triggered a civil war in Jordan. The blowing-up of all three planes was filmed for TV news bulletins, inspiring a generation of terrorists to shoot and bomb their way to notoriety.



In a gripping book Jason Burke, the *Guardian*'s international security correspondent, draws on decades of research as well as interviews with terrorists. He tells the story of the Palestinian Liberation Organisation (PLO), its subgroups and associated network of militant organisations, such as the Red Army Faction (RAF) in Germany, the Italian Red Brigades and the Japanese Red Army. Revolutionaries from Europe flocked to training camps run by Fatah, part of the PLO, to learn the ropes.

The book covers the turbulent period from the late 1960s to the early 1980s. The cold war that pitted the Soviet Union and its satellites against the West shaped the worldview of its characters. But the most notable change over the period was the shift in the terrorists' motivations. The PLO and its offshoots, such as the Black September Organisation (BSO), which carried out a massacre of Israeli athletes at the Munich Olympics in 1972, were never

explicitly religious. But violent Islamism took hold after the Iranian revolution and the Soviet invasion of [Afghanistan](#) in 1979.

### ***On the attack***

Governments had been feeble in the face of the hijackings, assassinations and bombings. They negotiated with terrorists for the release of hostages, provided attackers with safe passage and paid their ransoms. Little was done to improve airport security.

The attack in Munich marked a turning-point. Nine hostages were slaughtered by their captors during a bungled rescue attempt by German police. Increasingly governments whose citizens were in peril would call on special forces to kill terrorists and rescue hostages. The Israelis set the bar high with a daring raid on Entebbe airport in 1976. A year later, German troops successfully stormed a Lufthansa jet that had been diverted to Mogadishu.

It is the character portraits that make this book a page-turner. Andreas Baader of the RAF was “spoiled, arrogant and lazy but with a brooding, scruffy charm”. He had posed for erotic pictures in a gay magazine and adored fast cars. Others saw him as a “bully and a braggart”. He often referred to women as *fotzen* (cunts). In Berlin’s male-dominated communes it was considered “counter-revolutionary” for a woman to refuse sex.

The suave, German-educated Ali Hassan Salameh, the son of a famous Palestinian “martyr”, became an organiser for the BSO, masterminding some of its most brutal (and botched) operations. He led the personal-security force of [Yasser Arafat](#), who called him “my son”. Known for flaunting his access to Fatah’s money, he led the life of a playboy in Beirut, marrying Georgina Rizk, a former Miss Universe, in 1977. He was also a CIA asset whom the agency took to Disney World as a pre-nuptial gift. It did not stop Mossad, Israel’s foreign-intelligence service, from blowing him up with a car bomb in 1979.

But pride of place for sheer vileness must go to Ilich Ramírez Sánchez, or “Carlos the Jackal”. After a privileged upbringing in Caracas, and stints as a student in London and Moscow, he trained with the PFLP in Beirut. In 1975 he led an attack on OPEC’s headquarters in Vienna. Three people were murdered and 40 hostages abducted. (He was accused by Haddad of making off with the ransom payment.)

Ramírez spent the next two decades hanging out in communist-bloc countries and as a guest of the Middle East’s most notorious tyrants, eating in the best restaurants and carrying out bombings and murders both to order and on his own initiative. Extraordinarily vain, he would drive members of his team to distraction by preening for hours on end. He posed as a zealous revolutionary. He was undoubtedly a virulent antisemite. But most of all, he was a narcissist and a cold-blooded killer. (He later boasted that he had murdered 80 people.) In 1994 he was finally captured by French agents in Khartoum while unconscious after surgery on a testicle. He remains locked up in a French jail to this day.

Mr Burke makes a connection between the revolutionists of the era and the young [Osama bin Laden](#). But the apocalyptic millenarians of al-Qaeda, Islamic State and the ideologues of Hamas are not cut from the same cloth. Their mainly secular forerunners had largely political aims. They were committed to the classical terrorist idea that change could be effected through the propaganda of the deed. When confronted with failure, irrelevance and the latent coercive power of the modern state, they either died or faded away.

The same cannot be said of their even more violent successors. Despite defeats, Islamic State remains a threat in Syria and its affiliates are a growing scourge in [Africa](#). Meanwhile, sympathisers, often self-radicalised online and hard for security services to spot in advance, continue to carry out attacks on civilians—especially Jews, as in the recent Hanukkah shooting on Bondi Beach in Sydney. That is one thing that has not changed. ■

---

<https://www.economist.com/culture/2026/01/08/the-lessons-of-the-terrorist-violence-of-the-1970s>

| [Section menu](#) | [Main menu](#) |

**Back Story**

## The ice-cool hero of “The Night Manager” saunters to the rescue

*John le Carré’s enthralling character saves the show’s shaky second season*

Jan 14, 2026 12:20 PM



IT BEGINS WITH the slyly ambiguous title. Superficially, to be a “night manager” sounds servile and tedious. Yet with a moment’s reflection the moniker becomes mysterious, even sinister. “Night” suggests darkness, moral as well as nocturnal. “Manager” hints at the firm grip of someone who handles that turpitude on your behalf: the world’s darkness, and perhaps his own.

A decade after the first season of “The Night Manager” brought [John le Carré’s](#) novel to the small screen, his unrufflable protagonist is back for a second (on BBC iPlayer in Britain and Amazon Prime Video elsewhere from January 11th). Among its other lessons—not least how best to roll the sleeves of deluxe linen shirts—the drama is a study in character, and the varied ways to craft one who captivates and endures.

That [first series](#), a hit in 2016, introduced Jonathan Pine, a British ex-soldier and night manager in upmarket hotels, played by Tom Hiddleston with a feline stride and misleading grin. In an atmosphere humid with omen and intrigue, he became embroiled in a shadow world of subterfuge and gun-running; his foe was the suavely wicked Richard Roper, “the worst man in the world” (and, in the book, a reader of *The Economist*, as villains often are). The TV version had extra homicide and hanky-panky, plus a comeuppance that Roper evades in the illusionless original.



He is missed in the new season, as is his deliciously vituperative henchman, Corkoran, whom Pine bumped off. As the story opens, Pine, now going by Alex Goodwin—the latest but not the last in a dizzying carousel of aliases—is a different sort of manager, overseeing a nocturnal surveillance operation in London. A ghost from the past draws him into the orbit of another charismatic [arms-dealer](#), “Roper’s true disciple”, and away from his desk to an explosion in Spain and a decadent pool party in [Colombia](#).

The new adventure is untethered from the novel, and it shows. It strives to recapture le Carré’s mix of dodgy traders and rogue spies, sexy glamour and filthy cynicism, but too often the plotting and dialogue lack his worldly bite. Eking out a franchise beyond its source material—as in the long TV run of “[The Handmaid’s Tale](#)” or “[Lord of the Rings](#)” spin-offs—can seem venal and unimaginative.

That “The Night Manager” just about pulls it off is down to Pine, a character of genius.

From ancient myths to modern fan fiction, some charmed characters have broken free of their texts and assumed lives of their own, leaping between narratives and art forms. Among the best loved and most resilient are some, such as [Jane Austen](#)’s heroines, whom readers and viewers feel they know intimately, sharing their anxieties and thinking about them after a story ends. These figures can seem as lifelike as real people, or more.



Pine is not one of those. True, in Mr Hiddleston’s lithe turn, he is vividly physical. Like [James Bond](#), a part for which the season of 2016 made Mr Hiddleston a favourite, he has a talent for violence (both dispensing and withstanding it) and a wayward libido. This guy likes women and they like him back, even before he discards his dowdy glasses early in the new series like a hot secretary in a corny film. He can hold his booze and psychotropic drugs.

Yet he also has a sentimental streak, a moral compass and an infernal conscience. Though rarely mentioning them, he is haunted by former lovers, the military father he lost young, and his own grimdest deeds. Even when he isn’t running, which he does a lot, he is a soul in flight. In the book he is glimpsed “lunging up and down the pool like a man who could never get clean”.

And all of this—the appetites, the guilt, the moral drive and the pressures of his deceptions—is suppressed behind his “hotelier’s smile”. For all the derring-do, Pine is a master of self-control, keeping his cool emotionally as well as barely seeming to sweat. He is as much a passive observer as an action hero, with what le Carré calls “the watcher’s stare that stays on you after he’s looked away”.

As Pine/Goodwin/whoever thrashes around in a jungle of conspiracies, the viewer strives to excavate the real him from the swirl of bluffs and impersonations. “You give the air of looking for someone,” a doomed paramour tells him in the novel, “but I think the missing person is yourself.” Rather than a surrogate friend or confidant, he is an avatar for all that is opaque and inscrutable in other people. He shows that some great characters last not because you know them well, but because you can’t. ■

---

<https://www.economist.com/culture/2026/01/05/the-ice-cool-hero-of-the-night-manager-saunters-to-the-rescue>

| [Section menu](#) | [Main menu](#) |

# Economic & financial indicators

- [\*\*Economic data, commodities and markets\*\*](#)

Indicators ::

## Indicators

# Economic data, commodities and markets

Jan 08, 2026 01:48 PM

### Economic data

1 of 2

	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	1.9	2.7	Nov	2.8
China	4.8	Q3	4.5	5.0	0.7	Nov	nil
Japan	0.6	Q3	-2.3	1.3	2.9	Nov	3.2
Britain	1.3	Q3	0.4	1.4	3.2	Nov	3.9
Canada	1.4	Q3	2.6	1.7	2.2	Nov	2.0
Euro area	1.4	Q3	1.1	1.4	2.0	Dec	2.1
Austria	0.9	Q3	1.7‡	0.6	3.9	Dec	3.5
Belgium	1.0	Q3	1.1	1.1	2.2	Dec	3.0
France	0.9	Q3	2.2	0.9	0.7	Dec	1.0
Germany	0.3	Q3	nil	0.2	2.0	Dec	2.2
Greece	2.0	Q3	2.4	2.2	2.8	Nov	3.0
Italy	0.6	Q3	0.5	0.5	1.2	Dec	1.7
Netherlands	1.8	Q3	2.0	1.5	2.5	Dec	3.0
Spain	2.8	Q3	2.5	2.8	3.0	Dec	2.5
Czech Republic	3.0	Q3	3.2	2.5	2.1	Dec	2.4
Denmark	4.0	Q3	9.2	2.8	2.1	Nov	1.9
Norway	2.1	Q3	4.6	1.2	3.0	Nov	3.1
Poland	3.8	Q3	3.6	3.3	2.4	Dec	3.8
Russia	0.6	Q3	0.4	0.6	6.7	Nov	8.8
Sweden	2.5	Q3	4.3	1.8	0.3	Nov	2.7
Switzerland	0.5	Q3	-2.1	1.2	0.1	Dec	0.2
Turkey	3.7	Q3	4.4	3.2	30.9	Dec	34.5
Australia	2.1	Q3	1.6	1.9	3.4	Nov	2.7
Hong Kong	3.8	Q3	2.8	3.1	1.2	Nov	1.5
India	8.2	Q3	8.4	7.4	0.7	Nov	2.2
Indonesia	5.0	Q3	4.1	5.0	2.9	Dec	1.9
Malaysia	5.2	Q3	9.0	4.9	1.4	Nov	1.4
Pakistan	3.7	2025**	na	3.7	5.6	Dec	3.5
Philippines	4.0	Q3	1.6	5.0	1.8	Dec	1.6
Singapore	5.7	Q4	7.8	4.6	1.2	Nov	0.8
South Korea	1.9	Q3	5.4	1.1	2.3	Dec	2.1
Taiwan	8.2	Q3	7.0	7.6	1.3	Dec	1.7
Thailand	1.2	Q3	-2.2	2.0	-0.3	Dec	-0.1
Argentina	3.3	Q3	1.1	4.5	31.4	Nov	41.7
Brazil	1.8	Q3	0.4	2.4	4.5	Nov	5.0
Chile	1.6	Q3	-0.6	2.5	3.4	Nov	4.2
Colombia	3.4	Q3	5.0	2.8	5.3	Nov	5.2
Mexico	-0.1	Q3	-1.1	0.5	3.8	Nov	3.8
Peru	3.4	Q3	5.7	3.3	1.5	Dec	1.6
Egypt	5.3	Q3	39.4	4.3	12.3	Nov	14.1
Israel	3.0	Q3	11.0	3.3	2.4	Nov	3.0
Saudi Arabia	2.6	2024	na	4.4	1.9	Nov	2.1
South Africa	2.1	Q3	2.0	1.4	3.5	Nov	31.9

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

2 of 2

	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 8th	% change on year ago
United States	-3.7	-5.9	4.2	-52.0	-	
China	2.7	-5.6	1.6	26.0	7.00	4.7
Japan	4.3	-2.9	2.1	98.0	157	0.8
Britain	-2.8	-5.5	4.5	-4.0	0.74	8.1
Canada	-1.7	-2.5	3.4	10.0	1.39	3.6
Euro area	3.1	-3.2	2.8	33.0	0.86	12.8
Austria	1.4	-4.5	3.1	17.0	0.86	12.8
Belgium	-0.6	-5.3	3.4	29.0	0.86	12.8
France	-0.3	-5.7	3.5	22.0	0.86	12.8
Germany	5.2	-2.7	2.8	33.0	0.86	12.8
Greece	-5.2	0.6	3.4	13.0	0.86	12.8
Italy	1.2	-3.1	3.5	-17.0	0.86	12.8
Netherlands	7.8	-2.4	2.9	22.0	0.86	12.8
Spain	2.7	-2.8	3.3	21.0	0.86	12.8
Czech Republic	1.2	-2.1	4.3	20.0	20.8	16.9
Denmark	12.5	2.2	2.6	44.0	6.40	12.7
Norway	14.3	9.6	4.1	21.0	10.1	12.5
Poland	-0.6	-7.0	5.1	-89.0	3.60	14.4
Russia	1.8	-2.7	14.3	-85.0	78.2	26.9
Sweden	6.5	-1.3	2.8	45.0	9.19	21.0
Switzerland	4.5	0.5	0.3	-8.0	0.80	13.8
Turkey	-1.2	-3.6	27.3	50.0	43.0	-17.9
Australia	-2.1	-1.8	4.7	37.0	1.49	8.1
Hong Kong	11.9	-4.8	3.2	-73.0	7.79	-0.1
India	-1.1	-4.4	6.6	-14.0	89.9	-4.5
Indonesia	-0.2	-3.1	6.1	-104	16,761	-3.3
Malaysia	2.4	-3.9	3.5	-32.0	4.09	9.5
Pakistan	-1.4	-4.8	11.4	+++	75.0	283
Philippines	-4.3	-5.7	6.0	-16.0	59.3	-1.8
Singapore	17.2	0.5	2.2	-76.0	1.28	6.2
South Korea	5.5	-2.4	3.4	54.0	1,449	0.4
Taiwan	18.2	1.8	1.4	-28.0	31.5	4.1
Thailand	2.6	-5.3	2.1	na	31.3	10.4
Argentina	-2.1	0.3	na	na	1,461	-29.1
Brazil	-3.3	-6.5	13.7	-89.0	5.39	13.4
Chile	-2.4	-2.5	5.4	-54.0	896	12.2
Colombia	-2.4	-7.5	12.5	116	3,749	15.8
Mexico	-0.4	-3.9	8.9	-145	18.0	13.0
Peru	1.9	-2.4	5.8	-86.0	3.36	11.9
Egypt	-2.4	-7.7	na	na	47.3	7.2
Israel	1.3	-4.5	3.8	-69.0	3.17	15.1
Saudi Arabia	-2.3	-5.3	na	na	3.75	nil
South Africa	-0.2	-4.4	8.3	-76.0	16.5	13.7

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

## Markets

	Index Jan 7th	one week	% change on: Dec 31st 2024
In local currency			
United States S&P 500	6,920.9	1.1	17.7
United States NAS Comp	23,584.3	1.5	22.1
China Shanghai Comp	4,085.8	2.9	21.9
China Shenzhen Comp	2,620.5	3.5	33.9
Japan Nikkei 225	51,962.0	3.2	30.2
Japan Topix	3,511.3	3.0	26.1
Britain FTSE 100	10,048.2	1.2	22.9
Canada S&P TSX	32,135.5	1.3	30.0
Euro area EURO STOXX 50	5,923.6	2.3	21.0
France CAC 40	8,233.9	1.0	11.6
Germany DAX*	25,122.3	2.6	26.2
Italy FTSE/MIB	45,558.7	1.4	33.3
Netherlands AEX	979.2	2.9	11.4
Spain IBEX 35	17,596.4	1.7	51.8
Poland WIG	122,425.0	4.4	53.8
Russia RTS, \$ terms	1,105.5	-0.8	23.8
Switzerland SMI	13,324.0	0.4	14.9
Turkey BIST	12,028.8	6.8	22.4
Australia All Ord.	9,018.0	nil	7.1
Hong Kong Hang Seng	26,459.0	3.2	31.9
India BSE	84,961.1	-0.3	8.7
Indonesia IDX	8,944.8	3.9	26.3
Malaysia KLSE	1,676.8	-0.2	2.1
Pakistan KSE	186,518.8	7.2	62.0
Singapore STI	4,747.6	2.2	25.3
South Korea KOSPI	4,551.1	8.0	89.7
Taiwan TWI	30,435.5	5.1	32.1
Thailand SET	1,280.8	1.7	-8.5
Argentina MERV	3,013,957.0	-1.2	19.0
Brazil BVSP*	161,975.3	0.5	34.7
Mexico IPC	64,871.7	0.9	31.0
Egypt EGX 30	41,543.5	-0.7	39.7
Israel TA-125	3,893.9	6.3	60.4
Saudi Arabia Tadawul	10,455.1	-0.3	-13.1
South Africa JSE AS	117,922.6	1.8	40.2
World, dev'd MSCI	4,490.2	1.4	21.1
Emerging markets MSCI	1,463.0	4.2	36.0

### US corporate bonds, spread over Treasuries

	latest	Dec 31st 2024
Basis points		
Investment grade	92	95
High-yield	349	324

Sources: LSEG Workspace; Moscow Exchange; Standard & Poor's Global Fixed Income Research \*Total return index

## Commodities

### The Economist commodity-price index

2020=100	Dec 23rd	Dec 30th	Jan 6th*	month	year
<b>Dollar Index</b>					
All items	142.7	144.6	147.4	5.1	10.3
Food	141.8	141.7	142.2	-0.7	-6.4
<b>Industrials</b>					
All	143.5	147.1	151.7	10.1	28.1
Non-food agriculturals	127.2	128.0	128.4	2.4	-1.4
Metals	147.6	152.0	157.7	11.8	36.7
<b>Sterling Index</b>					
All items	136.0	137.9	140.2	3.5	2.1
<b>Euro Index</b>					
All items	138.5	140.6	144.0	4.5	-2.1
<b>Gold</b>					
\$ per oz	4,460.8	4,358.5	4,479.0	6.2	69.1
<b>Brent</b>					
\$ per barrel	62.4	61.9	60.7	-2.0	-21.1

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/2026/01/08/economic-data-commodities-and-markets>

# Obituary

- **Nuno Loureiro hoped to replicate the energy of the Sun**

The builder of stars :: The fusion pioneer died from gunshot wounds on December 16th, aged 47

The builder of stars

## Nuno Loureiro hoped to replicate the energy of the Sun

*The fusion pioneer died from gunshot wounds on December 16th, aged 47*

Jan 08, 2026 03:16 PM



GROWING UP IN VISEU, a small city in the centre of Portugal, Nuno Loureiro was surprisingly sure about what he wanted to be. Not a policeman or a fireman, like his friends in primary school. He was going to be a scientist. Where this ambition came from he could not tell, though not from his mother, a French teacher, or his father, who was a prosecutor in the city court. Indeed, until he was 17, he had never met a scientist. It didn't matter. By then, he knew he wanted to devote his life to physics.

The corner of that field he soon made his own, as he moved from the Instituto Superior Técnico (IST) in Lisbon to Imperial College in London and, in 2016, to MIT, was the study of plasma: the fourth phase of matter, in which ions and electrons form a sort of super-hot broth that makes up fully 99.9% of the visible universe. It was the stuff of stars. It was also a seething turbulence, the sort seen in

the sea or even in his morning espresso if he stirred in cream, but magnified on a universal scale.

There lay abundant energy. Plasmas were riddled with electrical and magnetic fields that constantly pushed and pulled them in dynamic ways, until they were torn apart and reformed. He liked the example of the solar wind, a highly variable stream of particles ejected by the Sun, which was also the best plasma-turbulence laboratory he had. With a sharp burst of solar wind communications satellites were disrupted, the northern and southern lights appeared, and enough energy could be released to power the whole United States for a day. His doctorate at Imperial had discussed this phenomenon of “tearing modes” in plasma, leading to “magnetic reconnection”, and it quickly became his life’s work.

He loved plasma studies because they involved two worlds: the vast scale of astrophysics and the scale of the laboratory, where doughnut-shaped reactors called tokamaks used magnets to try to hold plasma steady at a temperature of millions of degrees, as in stars. On the one hand, satellites were sending back data from as close as they could get (not very close) to the Sun; on the other he and his students were obsessively tracking the kinetic energy of plasma in a vessel, comparing temperatures at the periphery and the core, trying to construct a numerical model to predict what it might do next. They were willing fusion to occur; but plasma would do its own thing. It presented both a beautiful intellectual challenge and a real practical problem: how all that turbulent energy could be harnessed for the good of humanity.

He did not doubt it could be. If the huge fusion forces observed in the Sun and other stars could be replicated on Earth, they could provide continuous energy without the need for oil or coal. But the challenge of dealing with this wayward matter was enormous. It required the best facilities and the best minds, and it was this that had urged him towards MIT, where he firmly believed the best

minds were. By 2021 he was a full professor there, a smiling, determined figure with a trace of a tight British accent and relatively elegant style, unless he had just emerged from one of his favourite pick-up soccer games. By 2024 he was in charge of the Plasma Science and Fusion Centre, 23,000 square metres of lab space in seven buildings with 250 researchers, staff and students. Before him lay the possibility of changing human history.

He walked into his classes beaming, ready to cover the blackboard with figures. He joked like a friend, but he worked his students vigorously, advising them that if they were not yet the best, they should strive to be. Failure was not to be feared, because it showed they were trying to tackle the really hard problems. He cited the moral of Albert Camus's essay, "The Myth of Sisyphus", in which King Sisyphus in the Underworld was condemned by Zeus to roll a rock continually to the top of a mountain and see it roll down again. Sisyphus was no failure: he was eternally aiming for the heights, and that struggle was enough.

Several prizes came his way, particularly the Presidential Early Career Award for young scientists, presented by Joe Biden. Proponents of net zero watched him with growing excitement. But reliable fusion energy, he had to admit, was still a long way off. The field remained experimental. Sometimes his work even seemed close to warfare. He told his three daughters that his job was fighting numbers, and that he did not always fight as many each day as he liked. When he devised a fluid-kinetic code for plasma dynamics he called it Viriato, after a Lusitanian warrior of the second century BC who had vigorously warred against the Romans. It was tough work by tiny steps, but he was getting there.

Viriato, as it happened, also came from Viseu, where a statue portrayed him squaring up with sword and shield. Professor Loureiro did not return there much once he started his academic wanderings (a source of regret to the municipal assembly, who wanted to name a street after him). His family tended to gather in

Lisbon. It was in Lisbon too, at the IST from 1995 to 2000, that he had learned the true rigour of his subject. He did well there, though he was not top of his class. In that place, with an average of 19/20, was Cláudio Manuel Neves Valente, a quiet and brilliant young man who went on to Brown University but, after a few months, dropped out and disappeared.

When he returned, on December 13th, it was to kill two people and injure nine. Then, on the 15th, still on the run, he found Professor Loureiro's condominium in Brookline. There he fired several bullets into him and fled, later killing himself in another state.

No firm motive was ever established. Professional jealousy seemed plausible, though it was unclear why it erupted when it did. Conspiracy theorists speculated that agents for Big Oil, fearing for their power and profits, had sent someone to pick off Nuno Loureiro as fusion's rising star. His own work might have suggested a completely different thought: that all manner of explosions in the universe could be neither controlled nor explained. ■

---

<https://www.economist.com/obituary/2026/01/08/nuno-loureiro-hoped-to-replicate-the-energy-of-the-sun>