

The Economist

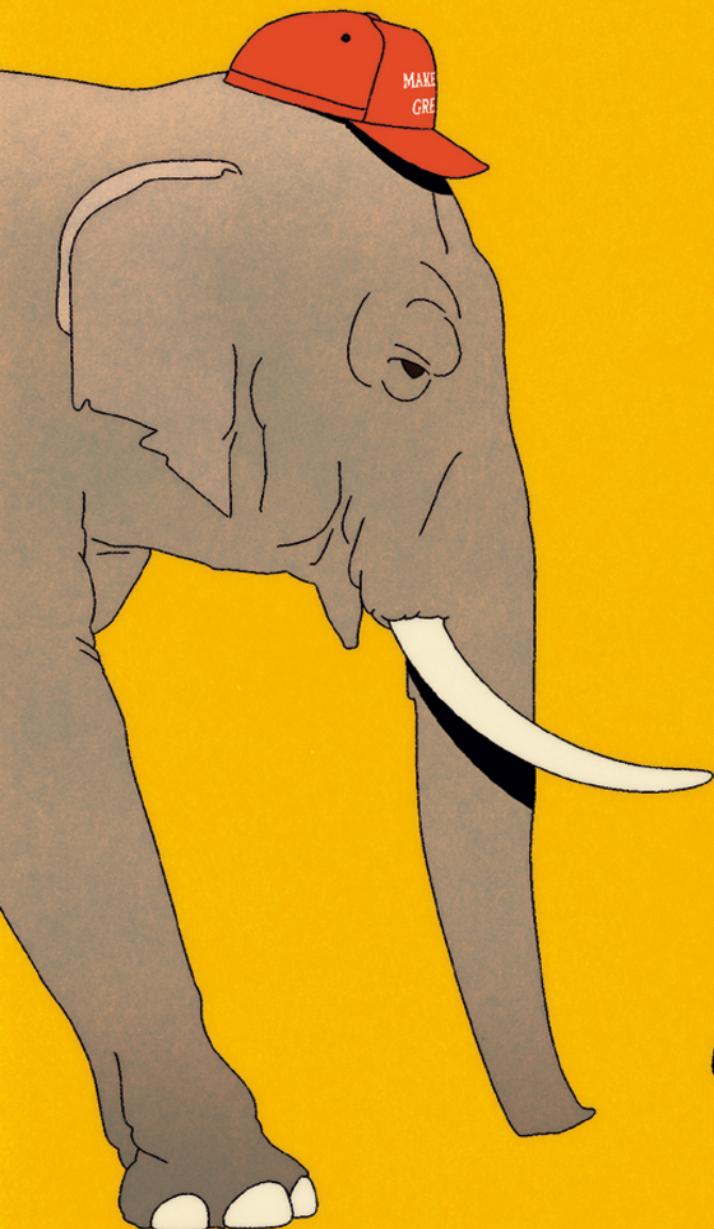
Can Jamie Dimon create a \$1trn bank?

Golden Dome and the battle for space

Poland's remarkable rise

The man with a plan for Vietnam

MAY 24TH-30TH 2025



THE ASSAULT ON AMERICAN SCIENCE



The Economist

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The world this week

Politics

May 22, 2025 12:48 PM



After an 11-week total blockade **Israel** announced that it would allow a minimal amount of food into **Gaza** under pressure from America. A small amount of aid has since entered the strip but the UN said it was “a drop in the ocean”. Meanwhile Binyamin Netanyahu, the Israeli prime minister, said the Israel Defence Forces would be “taking control of all of Gaza”. Israel ordered residents of Khan Younis to evacuate as it prepared to unleash an “unprecedented attack”.

Britain suspended talks on a trade deal with **Israel** and imposed new sanctions on Israeli settlers in the occupied West Bank. Britain, France and Canada told Israel they would take “concrete actions” if it continues an “egregious” expansion of military operations.

Ayatollah Ali Khamenei, **Iran’s** supreme leader, said he was doubtful that talks with America would lead to a nuclear deal and that America had made “outrageous” demands about Iran’s uranium enrichment.

Marco Rubio, the American secretary of state, warned that **Syria** could be weeks away from “potential collapse and a full-scale civil war of epic proportions”, and that its new leaders needed support.

Cyril Ramaphosa, **South Africa's** president, went to the White House, where Donald Trump claimed falsely that white Afrikaner farmers were being targeted in a genocide. In front of TV cameras, Mr Trump forced Mr Ramaphosa and his entourage to watch a video that included incendiary comments from opposition black nationalists in South Africa. The scene was reminiscent of the treatment given to Volodymyr Zelensky when he visited the Oval Office in February.

Ethiopia's federal election board revoked the legal registration of the Tigrayan People's Liberation Front, the ruling party in the troubled region of Tigray and once the country's most powerful political outfit. The board's controversial decision follows months of rising tensions between the TPLF, which is Ethiopia's main opposition party, and the federal government of the prime minister, Abiy Ahmed.

A gunman shot dead two Israelis who worked at **Israel's embassy** in Washington as they left an event at a Jewish museum. The suspect was taken into custody and shouted “Free, free Palestine”. Israel's ambassador said the victims, a man and a woman, were a couple who were about to get engaged. The FBI is considering whether to treat the killings as terrorism.

Donald Trump went to Capitol Hill to persuade Republicans to vote for his **One Big Beautiful Bill Act**, a sweeping piece of **tax-and-spending legislation**. The bill would increase the federal deficit. Citing a “decline in fiscal metrics”, Moody's downgraded America's **credit rating** from AAA to AA1, meaning that for the first time America does not hold a top-notch score from any of the three big credit-rating agencies. Amid worries about America's growing debt, the yield on 30-year government bonds jumped to over 5%,

the highest in 18 months. And stockmarkets and the dollar suffered, too.

America's Supreme Court allowed the Trump administration to end protections against deportation for 350,000 **Venezuelans** who have settled in the country under the Temporary Protected Status programme. The court is still open to appeals against the government in the matter.

Brexit things

Britain's prime minister, Sir Keir Starmer, achieved a [reset in relations](#) with the **European Union** at the first UK-EU summit since Brexit in 2020. The agreement highlighted defence, agri-food products, the movement of younger people and use of e-gates at airports. The deal was welcomed by many businesses and trade groups as it will reduce some trade frictions. But its detractors, notably the British fishing industry (worth less than 0.1% of British GDP), claimed it was a sell-out. Public opinion has warmed to closer ties with the EU since Brexit.

Britain's **net migration** figure fell sharply in 2024 to 431,000, down by half from the 860,000 recorded in the previous year. The official numbers showed that immigration fell to 948,000, from 1.3m in 2023. The statisticians said the change was explained by a decrease in immigration from outside the EU and an increase in emigration from people who had arrived on study visas after the pandemic.

A phone call between Donald Trump and Vladimir Putin that was supposed to press the **Russians** into peace talks with **Ukraine** amounted to [no more than puffery](#). Mr Putin kept to the status quo, repeating his insistence that Ukraine make concessions. Mr Trump seemed to suggest he would not make any further effort to find peace and would leave Russia and Ukraine to it. The day before the phone call Russia launched one of its biggest drone attacks of the

war, which mostly targeted Kyiv. Ukraine and Russia recently held their first direct talks in three years. They lasted for just two hours.

Lithuania filed a lawsuit against **Belarus** at the International Court of Justice in The Hague for facilitating and enabling the smuggling of migrants across their border. The Baltic states and Poland have for years alleged that Belarus and Russia are pushing migrants over their borders to destabilise their countries. Lithuania contends that this does serious harm to its “sovereignty, security and public order, as well as to the rights and interests of the smuggled migrants themselves.”



The first round of **Poland's** saw Rafal Trzaskowski, the liberal mayor of Warsaw, take 31% of the vote, followed closely by Karol Nawrocki, the candidate of the hard right, on 29.5%. Mr Trzaskowski is backed by Donald Tusk, the prime minister. The closeness of the result was a surprise; Mr Trzaskowski had a bigger lead in opinion polls. If he loses in a run-off on June 1st it would complicate Mr Tusk's efforts to pass reforming legislation. The current hard-right president, Andrzej Duda, has blocked some two dozen bills.

In **Romania** a presidential election run-off was won by Nicusor Dan, the centrist mayor of Bucharest, who defeated George Simion, the hard-right nationalist candidate. In the first round Mr Simion had secured twice as many votes as Mr Dan, but in its wake Mr

Simion scared voters away with his hostility to NATO and Ukraine. The previous presidential election in December was cancelled amid claims of Russian interference.

The centre-right government in **Portugal** was returned to power in a general election, though it again fell short of a majority. The hard-right Chega (“Enough”) party, which campaigned on a platform of slashing illegal immigration, surged in the poll, coming only slightly behind the Socialists in the tally of votes and equalling their seats in parliament.

In **Argentina**• the libertarian party of President Javier Milei won the mid-term election for the Buenos Aires city legislature. The leftist Peronists came second and the centre-right PRO party came a humiliating third in its traditional stronghold. Markets cheered. Mr Milei now looks better positioned politically ahead of national mid-terms in October.

El Salvador’s Congress passed a law that imposes a tax on foreign donations to local NGOs. Nayib Bukele, the president, described it as a “foreign agents” bill. That invited comparisons to autocratic regimes such as Russia, Venezuela and notably Georgia that have passed similar legislation amid crackdowns on journalists and pro-democracy organisations.

The relationship is over

The conservative Liberal-National coalition in **Australia** split, ending a pact that had lasted for decades. The coalition was last in government in 2022, suffering another defeat at a recent election. The Liberals, who dominated the pact, take most of their support from urban areas and will now be the sole party in opposition. The smaller National Party gets most of its support from rural areas.

Japan’s government, which has seen its approval ratings sink to record lows, was shaken by the resignation of the farming minister

for claiming he has never had to buy rice because his supporters donate it to him. His comments sparked fury among voters who are having to fork out record prices for the staple food.

<https://www.economist.com/the-world-this-week/2025/05/22/politics>

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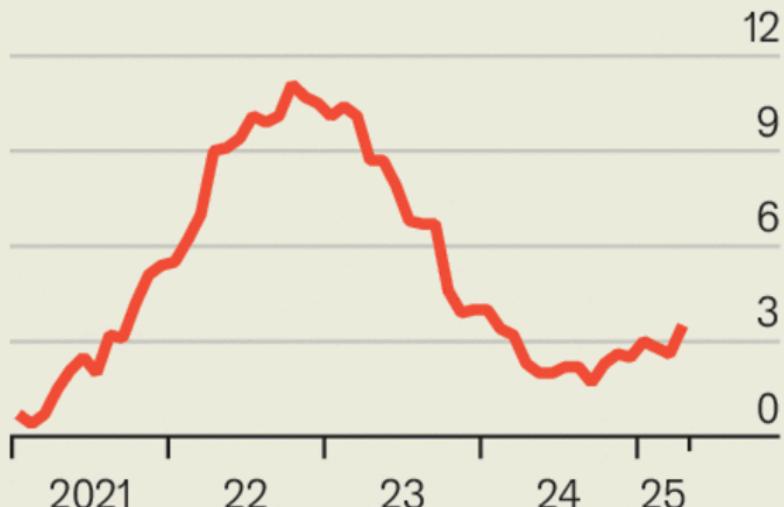
The world this week

Business

May 22, 2025 12:47 PM



Britain, consumer prices % increase on a year earlier



Source: LSEG Workspace

Britain's **consumer prices** soared by 1.2% in April, pushing the annual rate of inflation to 3.5%. One factor behind the jump was a more than 26% rise in water utility bills. Households also felt the pinch from higher energy costs. Rachel Reeves, the chancellor of the exchequer, described the figures as "clearly disappointing".

Traders pared their bets on further interest-rate cuts from the Bank of England.

America's Senate moved a bill forward that would create the first regulatory framework for **stablecoins**, digital currencies that are tied to the value of an asset, usually the dollar. The Democrats had initially blocked the bill over concerns about consumer protections, but in the end enough of them joined Republicans on a procedural vote to advance the legislation to its final stage.

An outage of **Bloomberg's terminals** affected markets for 90 minutes. The terminals are widely used in financial trading and carry data on live pricing. Users pay around \$28,000 a year for each terminal.

Novo Nordisk announced that its chief executive was stepping down. Investors have expressed concerns that the pharmaceutical giant is losing its competitive edge in the weight-loss market to rivals such as Eli Lilly. Novo Nordisk makes the Ozempic and Wegovy drugs. Its share price has slumped down by 30% this year.

CATL made a successful debut on the Hong Kong stock exchange, with its share price rising by 16% on the first day of trading. The Chinese maker of electric-car batteries raised \$4.6bn, which could rise to \$5.3bn if the underwriting banks exercise their options. It is the biggest stock offering in the world so far this year, and the second listing for **CATL**, which first went public in Shenzhen in 2018.

In reverse

Honda became the latest carmaker to cut back its investment in pure electric vehicles because of slowing demand. It also scrapped a target to achieve 30% of its sales in EVs by 2030. The Japanese company is instead ramping up its forecasts for sales of hybrid vehicles.

The member countries of the World Health Organisation formally adopted the first ever **pandemic agreement**, which sets out the tools to combat a global outbreak of disease, including the sharing of vaccines. Once an annex covering data-sharing is agreed on the treaty will be sent to member states for ratification.

In an announcement that could potentially undermine its partnership with OpenAI, Microsoft said that it would add Grok's **artificial-intelligence** models to its Azure cloud-computing platform for developers. Grok is a generative AI created by Elon Musk's startup, XAI, a potential rival to OpenAI. Microsoft is OpenAI's biggest investor and has integrated its models with Azure. But it wants to add other models to the platform so that it eventually becomes the dominant hub for developers.

OpenAI shrugged off the news from Microsoft by announcing it was buying IO in a \$6.5bn deal. IO is a startup founded by Sir Jony Ive, best known for his work on designing Apple's iPhone. OpenAI will work with Sir Jony's team to develop new devices built specifically for AI technology. We can "completely reimagine what it means to use a computer", said Sam Altman, OpenAI's boss.

In Spain the backlash against mass tourism continued apace, as the government ordered **Airbnb** to take 66,000 rental listings off its website for breaking various regulations, such as not identifying whether the property is owned by a person or a company. A court in Madrid agreed that 5,000 listings must be removed immediately. Protests have been held across Spain claiming that holiday rentals are making local housing unaffordable.

A recent cyber-attack on **Marks & Spencer** could cost the company £300m (\$400m) in profit, it said, and operations won't return to normal until July. The British retailer's digital logistics system has been crippled, forcing staff to use pen and paper to replenish its shelves. M&S insists that it has not underinvested in its

cyber-security systems and that the incident was a result of human error. It has not said whether it paid the attackers a ransom.

Shopping baskets

Home Depot bucked a trend among big American retailers and pledged not to raise prices in response to **higher tariffs**. Around half the goods that the DIY chain sells are produced in America and so it is less exposed to the duties than other companies. Target cut its sales forecast but said that raising prices because of tariffs would be a “last resort”. Donald Trump recently told Walmart to “EAT THE TARIFFS” after it suggested it would have to increase prices. “I’ll be watching,” he said ominously.

<https://www.economist.com/the-world-this-week/2025/05/22/business>

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The world this week

The weekly cartoon

May 22, 2025 01:55 PM



Dig deeper into the subject of this week's cartoon

[Israel says it is unleashing an “unprecedented attack”](#) · Israel’s radical new course in Gaza · The war in Gaza must end

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

<https://www.economist.com/the-world-this-week/2025/05/22/the-weekly-cartoon>

Leaders

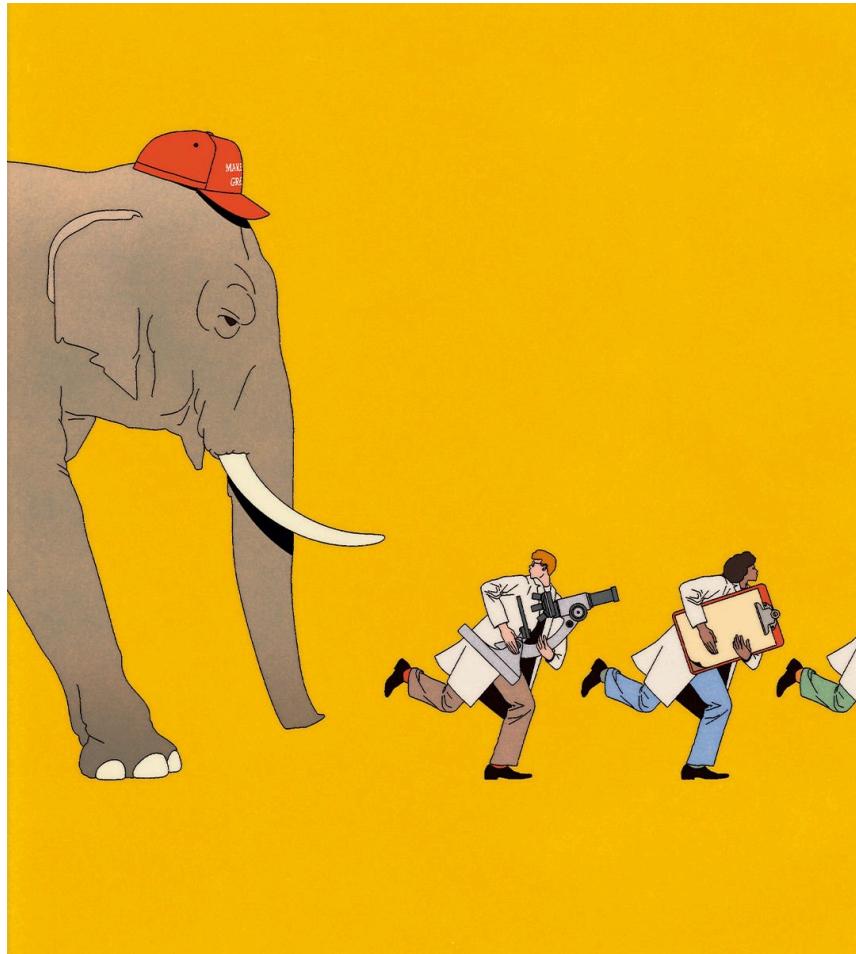
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[Exit, pursued by an elephant](#)

MAGA's assault on science is an act of grievous self-harm

America will pay the price most of all

May 23, 2025 04:46 PM



THE ATTACKS have been fast and furious. In a matter of months the Trump administration has [cancelled thousands of research grants](#)—and withheld billions of dollars from scientists. Projects at Harvard and Columbia, among the world's best universities, have been abruptly cut off. A proposed budget measure would slash as much as 50% from America's main research-funding bodies. Because America's technological and scientific prowess is world-beating,

the country has long been a magnet for talent. Now some of the world's brightest minds are anxiously looking for the exit.

Why is the administration undermining its own scientific establishment? On May 19th Michael Kratsios, a scientific adviser to President Donald Trump, laid out the logic. Science needs shaking up, he said, because it has become inefficient and sclerotic, and its practitioners have been captured by groupthink, especially on diversity, equity and inclusion (DEI). You might find that reasonable enough. Look closely at what is happening, though, and the picture is alarming. The assault on science is unfocused and disingenuous. Far from unshackling scientific endeavour, the administration is doing it grievous damage. The consequences will be bad for the world, but America will pay the biggest price of all.

One problem is that actions are less targeted than the administration claims, as our special Science section this week explains. As Mr Trump's officials seek to stamp out DEI, punish universities for incidents of antisemitism and cut overall government spending, science has become collateral damage. A suspicion that scientists are pushing "woke" thinking has led grant-makers to become allergic to words like "trans" and "equity". As a consequence, it is not only inclusive education schemes that are being culled, but an array of orthodox science. Funding has been nixed for studies that seek, say, to assess cancer risk factors by race, or the prevalence of sexually transmitted diseases by sex.

The attack on elite universities takes this to an illogical extreme. Because the White House sees colleges as bastions of wokeness and antisemitism, it has withheld funding for research at Harvard and Columbia, no matter in which subject. Overnight, projects on everything from Alzheimer's disease to quantum physics have been stopped. When scientists warn of the harm this does, they risk being seen as part of a scornful anti-MAGA elite that has been protected for too long.



More fundamentally, the claim that Mr Trump will stop groupthink is disingenuous. MAGA reserves a special hatred for public-health and climate researchers, whom it regards as finger-wagging worrywarts determined to suppress Americans' liberties—as they did in lockdowns and school closures during covid-19. The consequence is that spending on vaccine and climate research will be gutted most viciously of all. With the stroke of a pen, officials are trying to impose new rules that tell scientists what areas of inquiry they may pursue and what is off-limits—a shocking step backwards for a republic founded on the freethinking values of the Enlightenment.

Meanwhile, genuine problems with the way science works in America are being neglected. Mr Kratsios is right that there is too much bureaucracy. America's best researchers say they spend two out of five days on form-filling and other administrative tasks, instead of in the lab. Research is becoming more incremental. New ways of funding, such as lotteries, are worth trying. So far, however, the White House has not set out plans to make science work better. Indeed, when scientists are uncertain whether their work will still be funded, or if they take to the courts to challenge arbitrary grant terminations, American science becomes less efficient, not more so.

Congress and the courts may yet act to limit the scale and the scope of these anti-science endeavours. Even so, the damage of the past

few months will soon be felt. Savage cuts to the National Oceanic and Atmospheric Administration mean worse weather-forecasting, making it harder for farmers to know when to plant their crops, and for local authorities to prepare for natural disasters. Those to the Centres for Disease Control and Prevention will make it harder to monitor, and thus curb, outbreaks of disease.

There will also be longer-term harm. Although Mr Trump hopes his tariffs will lure businesses to invest in America, their research spending is unlikely to fill the same gaps as publicly funded basic work, much of which may not be commercialised for years, if ever. As funding is frozen, the danger of a brain drain looms. In the first three months of the year the number of applications for overseas jobs from American scientists rose by a third compared with the same period in 2024; foreign researchers applying to come to America fell by a quarter. The country's reputation for welcoming talent will not be so easily regained. If the belief that academic freedom is curtailed takes hold, the scientists who remain could self-censor their lines of inquiry for years to come.

The consequences will be felt around the world. America is the planet's biggest backer of public research; it is home to half of all science Nobel laureates and four of the ten best scientific-research universities. The [knowledge uncovered by American scientists](#) and resulting innovations such as the internet and mRNA vaccines have been a boon to humanity. When America retreats, everyone is robbed of the fruits of this ingenuity.

Exit, pursued by an elephant

It is America, however, that will feel the pain most of all. At the beginning of the 20th century there was no branch of science in which Uncle Sam led the world. At the century's end there was none where it did not. America's triumphs—its economic prowess, and its technological and military might—were interwoven with that scientific success. As America pulls back, it will [cede ground](#)

to authoritarian China· as a scientific superpower, with all the benefits that confers. MAGA’s assault on science is not just about DEI, nor is it about universities. It is first and foremost an act of self-harm. ■

<https://www.economist.com/leaders/2025/05/22/magas-assault-on-science-is-an-act-of-grievous-self-harm>

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Vietnam

The man with a plan for Vietnam

A Communist Party hard man has to rescue Asia's great success story

May 23, 2025 02:41 PM



FIFTY YEARS ago the last Americans were evacuated from Saigon, leaving behind a war-ravaged and impoverished country. Today Saigon, renamed Ho Chi Minh City, is a metropolis of over 9m people full of skyscrapers and flashy brands. You might think this is the moment to celebrate Vietnam's triumph: its elimination of severe poverty; its ranking as one of the ten top exporters to America; its role as a manufacturing hub for firms like Apple and Samsung. In fact [Vietnam has trouble in store](#). To avoid it—and

show whether emerging economies can still join the developed world—Vietnam will need to pull off a second miracle. It must find new ways to get rich despite the trade war, and the hard man in charge must turn himself into a reformer.

That man, To Lam, isn't exactly Margaret Thatcher. He emerged to become the Communist Party boss from the security state last year after a power struggle. He nonetheless recognises that his country's formula is about to stop working. It was concocted in the 1980s in the *doi moi* reforms that opened up the economy to trade and private firms. These changes, plus cheap labour and political stability, turned Vietnam into an alternative to China. The country has attracted \$230bn of multinational investment and become an electronics-assembly titan. Chinese, Japanese, South Korean and Western firms all operate factories there. In the past decade Vietnam has grown at a compound annual rate of 6%, faster than India and China.

The immediate problem is the trade war. Vietnam is so good at exporting that it now has the fifth-biggest trade surplus with America. President Donald Trump's threat of a 46% levy may be negotiated down: Vietnam craftily offered the administration a grab-bag of goodies to please the president and his allies, including a deal for SpaceX and the purchase of Boeing aircraft. On May 21st Eric Trump, the president's son, broke ground at a Trump resort in Vietnam which he said would "blow everyone away".

But even a reduced tariff rate would be a nightmare for Vietnam. It has already lost competitiveness as factory wages have risen above those in India, Indonesia and Thailand. And if, as the price of a deal, America presses Vietnam to purge its economy of Chinese inputs, technology and capital, that will upset the delicate geopolitical balancing act it has performed so well. Like many Asian countries it wants to hedge between an unreliable America and a bullying China which, despite being a fellow communist state, has long been a rival and now disputes Vietnam's claim to

coastal waters and atolls. The trade and geopolitical crunch is happening as the population is ageing and amid rising environmental harm, from thinning topsoils in the Mekong Delta to coal-choked air.

Mr Lam made his name orchestrating a corruption purge called “the blazing furnace”. Now he has to torch Vietnam’s old economic model. He has set expectations sky-high by declaring an “era of national rise” and targeting double-digit growth by 2030. He has made flashy announcements, too, including quadrupling the science-and-technology budget and setting a target to earn \$100bn a year from semiconductors by 2050. But to avoid stagnation, Mr Lam needs to go further, confronting entrenched problems that other developing countries also face as the strategy of exporting-to-get-rich becomes trickier.

Vietnam’s growth miracle is concentrated around a few islands of modernity. Big multinational companies run giant factories for export that employ locals. But they mostly buy their inputs abroad and create few spillovers for the rest of the economy. This is why Vietnam has failed to increase the share of the value in its exports that is added inside the country. A handful of politically connected conglomerates dominate property and banking, among other industries. None is yet globally competitive, including Vietnam’s loss-making Tesla-wannabe, VinFast, which is part of the biggest conglomerate, Vingroup. Meanwhile, clumsy state-owned enterprises still run industries from energy to telecoms.

To spread prosperity, Mr Lam needs to level the playing field for smaller firms and new entrants. That means hacking back a bewildering licensing regime and allowing credit to flow to small firms by shaking up a corruption-prone banking industry. Legislation issued this month abolishes a tax on household firms and strengthens legal protection for entrepreneurs. That is a step in the right direction, but Mr Lam also needs to free up universities so that ideas flow more easily and innovations thrive.

This is where it gets risky. Vietnam's people would without a doubt benefit from a more liberal political system. But although that may also help development, China has shown that it may not be essential—at least not immediately. What is crucial is facing down powerful vested interests that hog scarce resources. A good start would be forcing the oligarchs to compete internationally or lose state support, as South Korea did with its *chaebols*. Often they are protected by cronies and pals within the state apparatus and the Communist Party. Encouragingly, Mr Lam has already begun a high-stakes streamlining of the state, including by laying off 100,000 civil servants. He is also halving the number of provinces in a country where regions have sponsored powerful factions within the party. And he is abolishing several ministries. All this will modernise the bureaucracy, but it is also a brilliant way of making enemies.

The autocrat's dilemma

The danger is that, like Xi Jinping in China, Mr Lam centralises power so as to renew the system—but in the process perpetuates a culture of fear and deference that undermines his reforms. If Mr Lam fails, Vietnam will muddle on as a low-value-added production centre that missed its moment. But if he succeeds, a second *doi moi* would propel 100m Vietnamese into the developed world, creating another Asian growth engine and making it less likely that Vietnam will fall into a Chinese sphere of influence. This is Vietnam's last best chance to become rich before it gets old. Its destiny rests with Mr Lam, Asia's least likely, but most consequential, reformer. ■

<https://www.economist.com/leaders/2025/05/22/the-man-with-a-plan-for-vietnam>

A big baleful bill

The Senate should vote down Donald Trump's reckless tax cuts

If it does not, a collision with the bond markets awaits

May 22, 2025 03:26 PM



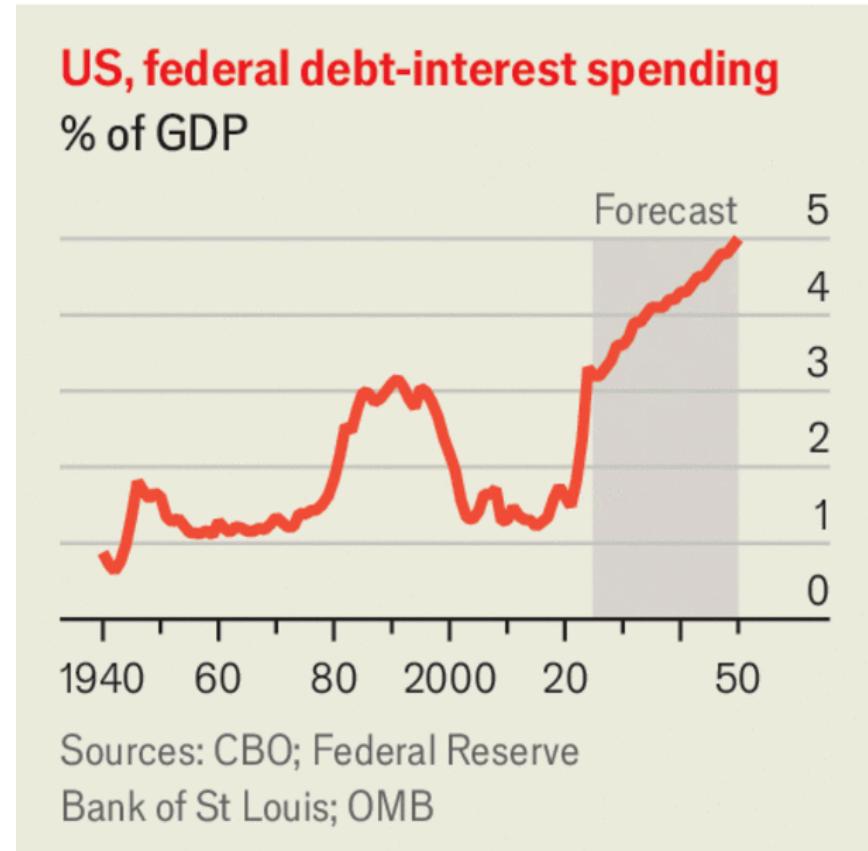
COMPLACENT ABOUT being the world's haven, America has been budgeting without any sense of restraint. Over the past year the federal government has borrowed a staggering \$2trn, or 6.9% of GDP, even though no crisis has drained its coffers. On May 16th Moody's, a rating agency, stripped the country of its last headline triple-A credit score. Yet on May 22nd the House of Representatives passed, by just one vote, President Donald Trump's "big, beautiful" budget bill, which cuts taxes and raises deficits. Reflecting the rising fiscal risk, the yield on 30-year Treasuries has risen to 5.1%, the highest since 2007, amid a sell-off

America has more fiscal leeway than other countries, but the Republican Party seems determined to test its limits. Net federal debts have grown to 100% of GDP, a near-trebling over two decades, meaning that the Treasury will soon pay more than \$1trn per year in debt interest, almost as much as it spends on health care for the old. Politicians who should be debating how to tighten their

belts are instead poised to raise borrowing still further. Unless they think again, they risk stoking a crisis.

Some Republicans pretend that their budgeting is sound, but they are guilty of a sleight of hand. The bill's main effect is to take the temporary tax cuts from Mr Trump's first term and make them permanent. A continuation of the status quo, they argue, is not a new expense. The bill also adds new tax cuts which, to keep down costs, will supposedly expire in 2028. In other words, sunset clauses for new tax cuts seem to count as a saving, but stopping scheduled sunsets comes free. To this fantasy, the bill adds cuts to clean-energy subsidies and [Medicaid](#), health insurance mostly for the poor, to produce a slight fiscal tightening.

In reality the bill makes it more likely that America will exhaust its fiscal space. Today's official forecasts, which suggest that net debt interest could soon hit a record high as a share of GDP and then keep rising, are bleak—and they assume that the 2017 tax cuts expire and that deficits will narrow. The new law would ensure that deficits stay around 6-7% of GDP, raising forecast debt in 2034 by about \$3trn. And if new temporary tax cuts become permanent, the cost could exceed \$4trn. These measures include tax exemptions for tips and overtime pay that were promised by Mr Trump during his election campaign. Once enacted, they will be hard to get rid of, whatever the law says.



Republicans hope that two things will fill this giant hole. One is [tariff revenues](#). This may be partly true, but their estimated proceeds range from \$1.4trn-2.9trn over a decade. Moreover, the figures include reciprocal duties that are on hold pending talks to reduce them, after their announcement caused a mini-run on dollar assets.

The other great Republican hope is economic growth. Yet today's bill is far less pro-growth than Mr Trump's past tax reforms, which included a big permanent corporate-tax cut. The tip and overtime exemptions are gimmicks. The bill even includes a big increase in the deduction that high earners can claim on account of their state and local tax bills, which in effect subsidises lower levels of government to raise the taxes they levy. When combined with Mr Trump's tariffs, the overall effect on growth will be negative. Moreover, whereas in 2017 a deficit increase arguably provided a helpful stimulus, there is less slack in the economy today, meaning that more spending is likely to be offset by higher interest rates.

Junkie debt

The bill now passes to the Senate, which should vote against it. The belief that deficits will never matter is dangerous, especially as doubts mount over the country's commitment to economic stability and low inflation under Mr Trump. America needs lower spending and higher taxes to bring down borrowing. When politicians do not face up to reality, the bond market eventually forces reality upon them—and that could prove sudden and painful. ■

<https://www.economist.com/leaders/2025/05/20/congress-should-vote-down-donald-trumps-reckless-tax-cuts>

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Ever closer negotiation

The best part of the UK-EU deal is a system for doing more deals

Sir Keir Starmer's "reset" is still a hard Brexit. It will need softening

May 22, 2025 12:47 PM



FANS AND FOES of this week's [agreement](#) between Britain and the European Union have made hugely exaggerated claims about it. Sir Keir Starmer heralded it as historic and the start of a new era. The prime minister's opponents accused him of betraying Brexit or of killing it altogether. The truth is that the deal sensibly, if modestly, reduces some of the worst trade frictions introduced after Britain's exit from the EU five years ago. And it adds a new pact to work together on rebuilding Europe's defences, an urgent task given Russian aggression and American equivocation. But this "reset" is neither historic nor an act of betrayal. Brexit remains "hard".

Alongside defence, the main agreement was for Britain to align with EU food standards, thereby easing frictions that have hit exports hard. Linking carbon-adjustment and electricity schemes will also help trade. A planned youth-mobility programme should benefit both sides, as will Britain's promise to consider rejoining the Erasmus+ student-exchange scheme. The same goes for closer co-operation on data exchange through the Europol policing

agency. Sir Keir reckons the overall package may boost Britain's economy by about £9bn (\$12bn) in 2040: that is only 0.3% of GDP, but for a sluggish economy it is [still welcome](#).

This being a trade negotiation, both sides made concessions. Sir Keir rolled over the EU's access to British fishing waters for 12 extra years, to 2038, outraging many fishermen. His alignment with EU food regulations means accepting rules which Britain has very little say in making, and some role for the European Court of Justice. Against this, aligning with food rules simplifies trade between Great Britain and Northern Ireland. And Britain retains the freedom to strike trade deals with third countries, as it has just done with America and India.

The claim by Kemi Badenoch, leader of the Conservatives, that this is a sell-out is absurd. Sir Keir has stuck to all three red lines that Labour put in its party manifesto last year: no single market, no customs union and no free movement of people. Indeed, for most of the period after 2016, when Britain voted to leave the EU, this version of Brexit would have been deemed to be "hard" not "soft". Voters were sold a vision in which swashbuckling post-Brexit Britain would be global and deregulated at the same time as it set its own rules to control trade and immigration. Acknowledging that this outcome was always a fantasy is not a betrayal, but the welcome intrusion of reality.

Ms Badenoch is also ignoring a shift in public opinion. Most voters now think the vote to leave was a mistake. A majority, even in Nigel Farage's Reform UK, favour closer relations with Brussels. So do most business groups.

EU leaders seem pleased not because they think they have won a battle but because they want closer relations with an important partner. This is clearest in defence, since building a credible European system of security requires not just more money but also the full participation of one of the continent's military powers.

Warmer relations also increase the chances of further improvements in the Brexit deal.

What next? This week's agreement is really a road map to a deal: years of negotiations now lie ahead. Perhaps its best feature was to establish a system of annual summits, with working parties implementing future deals. This framework could eventually even lead to a re-examination of Sir Keir's red lines. A future government may have a mandate to trade off sovereignty against membership of the customs union.

The direction of travel towards a closer relationship is now set. Other countries in Europe that are not members of the EU are working their way along a similar course. Norway is starting a new debate about joining the club. The Swiss have spent over 30 years negotiating every detail of their relationship. Post-Brexit Britain must get used to that, too. ■

<https://www.economist.com/leaders/2025/05/21/the-best-part-of-the-uk-eu-deal-is-a-system-for-doing-more-deals>

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Donald Trump's Golden Dome

The plan to protect America by shooting down missiles mid-air

It's not as outlandish as it sounds

May 23, 2025 03:27 PM



IN THE 1980S scientists working on Ronald Reagan's Strategic Defence Initiative proposed what seemed like a madcap scheme to defend America. Thousands of interceptor satellites would orbit Earth and attack enemy missiles as they took off. The idea fizzled out. It has been resuscitated by Donald Trump, who on May 20th said that his Golden Dome missile-defence shield would cost \$175bn in total, take two to three years to complete and offer "close to 100%" protection.

Mr Trump's vision sounds just as fantastical as Reagan's. "We call it super technology," he declared. "Nobody else has it." But in essence, the Golden Dome is not as outlandish as it might once have been. In fact, done well, it could become a useful part of America's defensive arsenal.

In the 1980s putting sensors into space and building miniature computers to sit inside thousands of interceptors was very

expensive. Now, thanks in part to Elon Musk and his company SpaceX, launch costs have fallen dramatically. The Congressional Budget Office (CBO), a non-partisan think-tank, estimates that the [cost of developing a constellation](#)· that could defeat one to two intercontinental-range ballistic missiles (ICBMS) has fallen by 30% to 40% compared with estimates in 2004 and 2012.

The Golden Dome idea also promises to be more useful—which is why the Biden administration began work on the space-based sensors that would track cruise missiles and the digital pipes that pass tracking data from satellite to satellite. America's adversaries increasingly wield missiles that can take more circuitous routes to the continental United States, circumventing the radars and interceptors designed for attacks coming over the polar region. In addition, the threat to America used to come solely from nuclear-armed missiles. It now includes non-nuclear conventional missiles that might target ports, air bases and other military infrastructure.

Inevitably, Mr Trump's claims are exaggerated. No missile-defence system will ever offer blanket protection. America would need 36,000 space-based interceptors to defeat just ten North Korean ICBMS, allowing for 30 seconds of decision time, according to the American Physical Society, a group of physicists. Countering larger salvoes from Russia and China, and covering every corner of American soil, would cause those numbers to mushroom. So, too, would the cost. Even a modest shield, designed to parry a couple of ICBMS, could cost \$161bn-542bn over 20 years. That is an enormous sum at a time when the modernisation of nuclear forces is also expected to demand \$946bn by 2035.

In practice, Mr Trump should be more modest in his ambitions—and not only because of the cost. In his executive order in January, he demanded a system that could defend against any foreign aerial attack. In his announcement this week, he promised that cruise, ballistic and hypersonic missiles would all be destroyed. If so, it would be destabilising. Fearing that their nuclear deterrent forces

might become ineffective, China and Russia would seek to expand their arsenals—in China’s case even faster than today—or to build weapons that would give American leaders even less warning time.

In reality, some Russian and Chinese nuclear-armed ICBMs would always get through. However, that does not mean homeland missile defence is pointless. In recent years, Israel, Ukraine and India have all shown how blocking even a modest share of incoming projectiles can limit the damage and buy some decision-making time for political leaders—who might otherwise feel compelled to fire back at once. ■

<https://www.economist.com/leaders/2025/05/22/the-plan-to-protect-america-by-shooting-down-missiles-mid-air>

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Don't throw it away

How Poland can keep its place at the heart of Europe

If it turns inward, the country and continent will lose out

May 22, 2025 03:08 PM



TWICE IT VANISHED from the map, swallowed up by its rapacious neighbours. After it emerged from the second world war as a Soviet satellite, it endured decades of oppression. Today, Poland has transformed itself into Europe's most overlooked military and economic power—with a bigger army than Britain, France or Germany and living standards, adjusted for purchasing power, that are about to eclipse Japan's. Yet, just when Poland should stand proud and tall once more, is it about to throw away its influence?

That is the question Poles face in the [decisive run-off vote](#) to elect their president on June 1st. One vision, from the candidate of the Law and Justice (PiS) party, is a brand of right-wing nationalism that feeds off conflict with Poland's neighbours and the European Union. The other, from the centre, is that, in a dangerous world, Poland needs Europe to magnify its strengths, just as Europe needs Poland as a source of security and economic dynamism.

Unfortunately, at the moment the right may have the upper hand.

For the past three decades, Poland has shown how much a country can achieve by European integration and good economic policy. Since 1995 income per person has more than trebled. Since it joined the EU in 2004 Poland has never known recession apart from briefly at the height of the covid-19 shutdown. During those two decades, its average [annual growth has been almost 4%](#).

The fruits of that growth are on display across the country. Warsaw, the capital, boasts Europe's tallest building outside Russia, the Varso tower; and below it bustles with designer shops and cafés, IT startups and fashion houses. Out in the once-neglected countryside fine roads, often built with EU money, criss-cross vistas of well-tended fields, farms and new houses.

Poles used to flock abroad to find work, but for some years now home has been a stronger draw. Manufacturing is booming, thanks to Poland's proximity to Germany, continuing to do well even as its western neighbour, like much of Europe, has stagnated. When Germany, under its new chancellor, Friedrich Merz, starts a planned new burst of infrastructure and defence spending, Poland is likely to be a beneficiary.

Long attuned to the threat from Russia, Poland has used its wealth to enhance its security. It now musters the largest army in Europe after Russia, Ukraine and Turkey, and the third-largest in NATO. It spends well over 4% of its GDP each year on defence, far above the

2% that has been the NATO target since 2014, and plans to raise that to over 5% next year.

This has translated into influence. These days the group that counts in European security is sometimes dubbed the four musketeers: the young addition to Britain, France and Germany is Poland, like the superlative swordsman d'Artagnan. Tellingly, its prime minister, Donald Tusk, travelled to Kyiv earlier this month with his three counterparts to stress that Europe is ready to stand by Ukraine even as America's commitment has weakened. Poland's stance is in sharp distinction to the rest of the "Visegrad Four". Hungary under Viktor Orban and Slovakia under Robert Fico have both taken the side of Russia rather than Ukraine; and the Czech Republic is expected to tilt in that direction after elections in October.

Given Poland's record, much of it achieved during the total of ten years in which PiS has been in power, you might conclude that it could continue its renaissance with either candidate in June's run-off election—especially as the role of president in Poland is less powerful than that of prime minister. However, that would be a mistake.

Under the constitution, the president's veto can be overridden only by a three-fifths majority in the Sejm, the lower house, which Mr Tusk does not command. The current president, Andrzej Duda, is a former PiS politician who has blocked or delayed many of the new government's reforms and is now termed out. PiS wants his successor to be Karol Nawrocki, a fierce ideologue who would be even less accommodating than Mr Duda. Mr Nawrocki is almost certain to use his powers to block Mr Tusk's agenda, so as to pave the way for a PiS victory in the next parliamentary elections. To win the presidency, he would depend on support from far-right parties that exploit growing anti-Ukrainian feelings; one is openly antisemitic.

This matters because Mr Tusk is trying to unravel PiS's capture of the state while it was most recently in office, from 2015 to 2023. In that time, while pursuing mostly sensible economic and security policies, PiS systematically took over independent institutions, including the judiciary, the media, the civil service, the central bank and the banking system. PiS's fights with Brussels over the rule of law caused Poland to be temporarily shut out of some of the EU's aid programmes.

By contrast, Mr Tusk is a committed European—he previously served as the president of the European Council in Brussels. Under him Poland has co-operated with other European countries on security, diplomacy and defence to the benefit of all. Were Poles to use the presidential election to vote in Rafal Trzaskowski, a Tusk ally who is Warsaw's mayor, EU co-operation would be easier and Poland's influence would grow further.

The world has changed since Mr Tusk took over. With another Donald back in the White House, the task of building up Europe's strategic autonomy is not just a luxury but an urgent necessity. Poland could not only set an example in security, but also serve as a powerful voice for supporting Ukraine and deterring Russia. Economically, Poland is an example to central and eastern European countries; and Mr Tusk could be a proponent of the economic reforms the EU desperately needs.

Don't throw it away

Next week's election is finely balanced. In the first round the candidates of the hard right took around 52% of the vote. Were [Mr Nawrocki](#) to win the second round, both Poland and Europe would suffer. Europe would lose a source of dynamism, and Poland would risk losing the place at the heart of Europe it has worked so hard to claim. ■

<https://www.economist.com/leaders/2025/05/22/how-poland-can-keep-its-place-at-the-heart-of-europe>

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Letters

• **Poland and the threat from Russia**

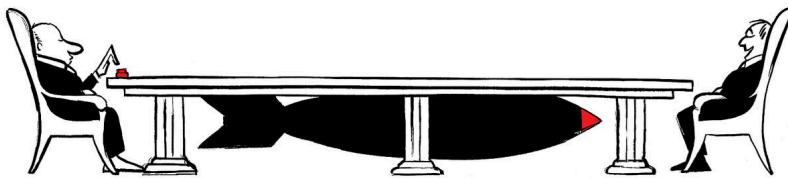
A selection of correspondence :: Also this week, the Church of England, adventures in Sudan, Canada, IT projects, clean air

A selection of correspondence

Poland and the threat from Russia

Also this week, the Church of England, adventures in Sudan, Canada, IT projects, clean air

May 23, 2025 11:21 AM



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On the front line

You underscored [the urgency of European resolve in the face of the threat from Russia](#) (“What Putin wants”, May 10th). Yet you mistook realism for extremism when criticising Poland and the Baltic states for taking the Russian threat “to the other extreme”. It is not Poland that lends weight to Vladimir Putin’s propaganda, rather it is appeasement, dressed up as nuance. In 2022, when Russia invaded Ukraine, European leaders said they should have listened to the Poles. We would rather not have that same bitter satisfaction twice. History has taught us not to confuse a dictator’s age with his appetite, nor to build detente on the ruins of other countries’ sovereignty.

If Mr Putin's war is ideological, as you admit, then so too must be Europe's defence. It should not be rooted in wishful thinking, but in moral clarity and strategic spine. Poland does not fear shadows, it recognises patterns.

PIOTR WILCZEK
Ambassador of Poland
London

The perspective of the Baltic states has been shaped by history, geography and experience, and has a clear understanding of authoritarian ambitions. If we are to be labelled extremists, let it be for recognising early the true nature of the Kremlin's intentions and for taking the necessary steps to defend our people, our values and our democratic way of life.

It is not the principled position of the Baltic states that has hardened NATO's posture. It is Russia's consistent destructive behaviour.

Events over the past decade have shown that the real failure has not been excessive vigilance, but the lack of it. Were more countries as "extreme" in their assessments and actions, perhaps neither Ukraine nor the rest of Europe would be facing the threats we see today.

LINA ZIGMANTAITÉ
Chargée d'affaires
Embassy of Lithuania
London

The Church of England

I am happy to say that your vivid picture of the apparent [decline of the Church of England](#) is not borne out by the facts ("Churchgoing, going ... gone?", May 10th).

Although there is always real sadness when a church closes, it is a tribute to the dedication of clergy and an army of passionate volunteers that we can maintain our commitment to being a Christian presence in every community. In fact, closure is relatively rare in the Church of England. In the past 11 years 197 consecrated places of worship closed. This is out of 16,000 church buildings. And this takes no account of new congregations launched or once-closed churches that have reopened.

In my own diocese I think of The Well church in north Swindon, a new congregation which had been meeting in a school hall but has just moved into a new building. And on the former airfield at Filton in Bristol where supersonic jets were developed, we have established a new church for the new population, Concord church.

In fact across the country, the numbers in the pews have grown for each of the past four years and the number of people who are part of a local Church of England congregation stands at over a million once again. Far from the gloomy picture portrayed, I see a much more hopeful one.

RT REV'D VIVIENNE FAULL

Lead bishop for Church of England buildings and Bishop of Bristol



A great Sudanese adventure

Your article on [the old White Nile ferry](#) rekindled memories of my trip from Juba to Kosti in 1971 (“Sunken and rusting”, May 3rd). The ferry consisted of a classic river steamer with houseboats lashed all round to maximise the number of passengers. This made for a bulky journey, especially near Juba where the river was narrower. We crashed from bank to bank, mostly as a clumsy means of making a bend. After a couple of days we entered the Sudd, considered to be Earth’s largest swamp, which Sir Samuel Baker, an explorer, called “a veritable Styx”. Yet our experienced captain could pilot us downriver at night with just a searchlight to remind him of the main channel.

On the upper deck I observed crocodiles and spectacular sky-filling displays of lightning.

CHASE UNTERMEYER

Houston

Liberal spending plans

You noted [Mark Carney’s plans to jump start Canada’s economy](#) by lowering taxes, slashing red tape and investing in infrastructure (“To govern in econometrics”, May 3rd). What goes unmentioned is that the new prime minister also intends to run substantial budget deficits that over the next three years are projected to be higher than under Justin Trudeau.

Mr Carney proposes an “operating” budget for ongoing costs and a “capital” budget for so-called investments. But these investments will be financed by borrowing, adding to the debt burden that younger Canadians like myself and my infant son will bear for decades. Deficits also risk fuelling inflation at a time when restraint is needed, not stimulus.

Mr Carney likes to say “elbows up”, a term he has borrowed from ice hockey. Canadians might prefer he kept his elbows down, and

his spending too.

SAHIL CHHABRA

Tecumseh, Canada

Search for the guilty

Bartleby is right that IT (May 10th). But he is wrong to think they would also improve if more time was spent on planning. When people think they should have spent more time planning their IT project what they really mean is: “I wish I knew then what I know now”. It won’t fix the problem. People mean different things when they discuss this. And a multi-year plan simply can’t predict how tech will evolve during the lifetime of your project. In Mike Tyson’s phrase, everyone has a plan until they get punched in the face.

The broader tech industry has worked out that the best way to manage IT projects is to have a plan, to accept that the plan is likely to be wrong and therefore work to get your tech out in front of selected users quickly. Then take the punch in the face that your customers will inevitably give you with good grace and use what you learned to adapt the plan.

Large IT projects with extensive planning phases are doomed to underperform their more agile alternatives. A more iterative approach stands a greater chance of success.

ALAN BUXTON

Rickmansworth, Hertfordshire

When an architect designs a skyscraper she knows in advance where she’d like to put the elevators and the heating and ventilation. The whole building can be shown on a sheet of paper and built accordingly.

Software application designers enjoy no such luxury. Managers and end users really have no idea what they're actually going to want a new application to do until they start seeing it do something new or differently. And then come the four most expensive words in project management: "While you're at it..."

TOM SHORT

San Rafael, California

The terminology in IT is revealing. The customer is a "user". But the users really do not know what they want nor do they have the ability or skills to lay out their specifications clearly. No one fully understands the existing systems or the ramifications of any changes, let alone all of the business rules being implemented. Of course, the new head of IT always knows best and that the previous head was useless.

And then there is the wonder of estimating timelines. Many, many times I was asked to come up with a quick "no binding" estimate. I would always pause and think out aloud, "Hmmm, let me see, how long will it take me to do something I have never done before."

DOUGLAS MUSTAINE

Paarl, South Africa

Asking a software expert to estimate the cost of a project is akin to asking Shakespeare how long it will take to write "Romeo and Juliet". There is no answer until it's done.

TIM MORRIS

Hutton Magna, Durham

Bartleby associated the success or failure of IT projects with British football teams (Spurs equalled disappointment, for example). The column should have been delayed to include a reference to projects

that exceed expectations. After their FA Cup Final win on May 17th, Crystal Palace would have been the perfect example.

DAVID MEADER

Sydney

It's all relative

“How dirty are electric vehicles?”, you asked (April 19th). I am reminded of the quote from Lee Iacocca when he was at Ford: “How much clean air do we need?”

JAMES WOOSTER

Lake Tapps, Washington

<https://www.economist.com/letters/2025/05/22/poland-and-the-threat-from-russia>

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By Invitation

- **An influential voice from the right laments Trump's attack on universities**

Die, DEI :: One version of thought control is being replaced with another that is worse, argues Richard Hanania

- **Europe can't defend itself properly without projecting soft power, argues Jerzy Pomianowski**

Empires of the mind :: Investment in supporting democracy in its neighbourhood and beyond is not charity. It serves strategic interests

Die, DEI

An influential voice from the right laments Trump's attack on universities

One version of thought control is being replaced with another that is worse, argues Richard Hanania

May 23, 2025 04:50 PM



ON HIS SECOND day in office, President Donald Trump issued an executive order ending affirmative action in government contracting. I took it as a sign that my work over the years advocating against DEI (diversity, equity and inclusion) programmes and broad interpretations of the Civil Rights Act of 1964 had made a difference, particularly my 2023 book, “The Origins of Woke”, and my participation in Project 2025, the presidential-transition project for Trump 2.0.

Unfortunately, it is now clear that, rather than sticking to the principles of colour blindness, merit and individual liberty that I believe in, the Trump administration seeks to implement its own version of thought control and federal-government overreach.

This can be seen most clearly in the letter of demands the administration sent to Harvard on April 11th and its announcement

that it was cutting off research funds to the university. The letter stated that Harvard must cease all DEI and affirmative-action policies in hiring, promotions and admissions.

So far, so good. It was the Civil Rights Act and later Title IX that were used to force race- and sex-conscious policies onto universities and private business in the first place. Beginning under Richard Nixon, the attitude was that if higher-education institutions wanted federal funding, they had to play by the government's rules. In an Orwellian twist, the Civil Rights Act's prohibition on discrimination was read as a charter to all-but-mandate race and sex preferences in hiring and admissions. By trying to undo some of the damage, the Trump administration is acting in accordance with the 14th Amendment of the constitution, the Civil Rights Act and Supreme Court precedent.

Yet on top of sensible proposals, the administration made a series of radical and unprecedented demands. It called for the audit of entire fields of study, in part on the grounds that they "reflect ideological capture". Even more far-reaching is a requirement that steps be taken to achieve viewpoint diversity across academic fields and departments. The administration cites no law here. While the Civil Rights Act banned discrimination based on certain protected characteristics, political ideology is not one of them. Harvard, as a private university, is therefore free to be as liberal and anti-Trump as it wants.

It gets worse. At the same time as the administration accuses Harvard of being ideologically captured, it demands new ideological screening of foreign students, so as not to admit antisemites, supporters of terrorism or "students hostile to the American values and institutions inscribed in the US Constitution and Declaration of Independence". Given how much Americans debate their values and constitutional principles, there is no way such a requirement can be anything but an ideological litmus test for who gets to study at Harvard.

Even if the law did allow such steps, there is a direct contradiction between the goal of viewpoint diversity and the principle of merit, which the administration is claiming to defend. We all have an interest in our top institutions selecting students and faculty based on intelligence, competence and their fit within a programme. Having ideological litmus tests for professors and scientists would do more damage to the principle of merit than race and sex preferences ever have, given how few individuals with advanced degrees identify as conservatives. A study in 2022 showed that among donations by scientists to the two major political parties in federal elections, less than 10% went to Republicans. Are we to give the small minority of Trump supporters in science something approaching half the available jobs in the name of equity? It is hard to imagine a DEI programme that is more radical than that.

It is understandable where the concern with ideological diversity comes from. Conservatives have been discriminated against by universities through practices like diversity statements, which screen for the acceptance of certain left-wing ideas. That said, the theory that one needs present discrimination to overcome past discrimination is the precise logic of DEI. Conservatives in that case understand that the cure can be worse than the disease, as forcing factors unrelated to merit into the processes of hiring and admissions ends up creating more unfairness and resentment. Moreover, certain fields have nothing to do with politics at all. There are few reasons to worry about a left-wing bias in mathematics. The position that there is no such thing as politically neutral scholarship is another terrible idea from the left that conservatives would be better off not borrowing.

Harvard is now suing, and is likely to win, if only because the administration did not follow proper procedures to cut off funding. Yet the damage to American institutions is likely to be long-lasting. The careers of young scientists have been thrown off track, as research into topics as important as curing cancer and reversing ageing has been frozen. American science will be in a perilous state

as long as this administration sees universities as enemies that need to be destroyed, rather than institutions that can be reformed within the confines of existing law.

Conservatives have been correct to criticise and fight against DEI programmes and other perversions of civil-rights law. They have been winning this battle politically, in front of judges, and in the court of public opinion, and I am proud to have played a part in the process. It is now time to reject the nihilistic approach that seeks to dismantle institutions via demands that are both illegal and unworkable. Harvard may never be an institution where MAGA has a large constituency. Accepting that is necessary for being at peace with the idea of America as a pluralistic society.■

Richard Hanania is the founder and president of the Centre for the Study of Partisanship and Ideology.

<https://www.economist.com/by-invitation/2025/05/13/an-influential-voice-from-the-right-laments-trumps-attack-on-universities>

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Empires of the mind

Europe can't defend itself properly without projecting soft power, argues Jerzy Pomianowski

Investment in supporting democracy in its neighbourhood and beyond is not charity. It serves strategic interests

May 22, 2025 12:48 PM



IN 1941 WINSTON CHURCHILL established the Political Warfare Executive, a clandestine organisation dedicated to waging psychological warfare against the Axis powers. This unit produced and disseminated propaganda aimed at damaging enemy morale and bolstering resistance throughout occupied Europe and within Nazi Germany. Churchill understood what we risk forgetting today: “The empires of the future are the empires of the mind.”

More than eight decades later, European leaders have agreed to defend European values, freedom and democracy by rearming the continent. Rightly so. Deterrence proved effective during the cold war. Democracy and strength do not contradict each other. Yet, as the continent builds its military capacity, some fundamental questions remain about the role of soft power in a comprehensive security and defence strategy.

Is the projection of soft power vital to European defence? In other words, can Europe defend its values and way of life without winning the hearts and minds of those subjected to aggressive toxic narratives from autocratic leaders like Vladimir Putin? Can it manage migration when corrupt neighbouring regimes weaponise refugee flows? Can it ensure sustainable economic prosperity when it works in partnership with countries that lack judicial independence and rule of law?

Support for democracy is a founding value of the European Union, but it is also necessary for Europe's long-term stability, prosperity and global influence. As it faces mounting threats to democracy at home and abroad the EU must champion democratic values worldwide and integrate them into all of its policies.

The wake-up call is clear. The transatlantic alliance is fraying. Europe can no longer count on America to guarantee its security, even as the world experiences a daunting wave of authoritarianism: the V-Dem Institute, a research outfit, estimates that today 72% of the world's population live in autocracies, up from 48% ten years ago.

Europe and America have long worked together to provide foreign assistance that promotes democratic values, respect for human rights and the rule of law, through programmes that build trust through people-to-people relations. Now, though, sharp cuts to foreign-aid budgets across Europe and the collapse of American foreign-assistance funding are undermining Western democracies' collective ability to project soft power.

Foreign aid lays the groundwork for a strong security architecture by building both deep understanding of local contexts and trust with like-minded individuals, including those living in autocratic states. Reducing defence strategy to tanks and bunkers is strategic myopia.

Support for democracy has traditionally constituted a very small portion of foreign-assistance budgets, yet it engages far more closely with local actors than other initiatives. Slashing budgets for things like promoting independent media, increasing government transparency and reforming law enforcement risks creating a vacuum which anti-democratic voices can fill. It also undermines trust in the values promoted by the West.

Today, not only autocrats but also democratically elected leaders in Africa and Asia are questioning whether they need to embrace what the autocrats refer to as “Western values” to drive economic development. Many are, for instance, unwilling to vote against China at the UN Human Rights Council because they count on Chinese investment. This is not new, of course. What is new is that they now see a collective West that is withdrawing its support.

As Churchill recognised from ancient military principles, it is better to fight on enemy territory than at home. The battle of winning the hearts and minds of those living in Russia, China, Iran and other authoritarian states must remain an integral part of our defence strategy. The evidence shows that supporting democracy works: the broadly democratic transitions of former communist countries, including my native Poland, stand as testament.

Today’s iron curtain is built from social-media algorithms used by “troll armies” and new kinds of propaganda that exploit basic human emotions. Yet despite the tech revolution and the shifting of the global economy’s tectonic plates, autocracies still operate in familiar ways. Just like during the cold war, they seek to control citizens and isolate populations by limiting the flow of information and ideas, forcing individuals to rely solely on the state and stymieing civil society.

The delivery of foreign assistance is by its nature multi-layered and highly contextual. In Moldova, for instance, guaranteeing access to reliable information and electoral integrity are more urgent than

they might be elsewhere, as the country faces intense pressure from Russia ahead of elections in September. The potential closure of Radio Free Europe/Radio Liberty owing to a withdrawal of funding by the Trump administration is another pressing concern. It would leave millions across Eastern Europe, Central Asia and many other parts of the world without access to independent information and debate. Is it acceptable that China, Russia and Iran fill this void?

Any ground lost today will be far more difficult to recover in the future. Although Europe cannot fill the immense hole left by America's retreat, it can fill strategic gaps, by focusing on neighbouring countries and those that are candidates to join the EU. Not doing so would make Europe more vulnerable to external threats.

More dictators abroad will inevitably lead to deteriorating regional economies, increased migration, more serious security challenges and less stable democracies at home. Foreign assistance is too often mischaracterised as charity when, at its base, it serves the strategic interests of those who provide it. Though perhaps an unpopular sentiment, the reality is clear: there is a self-interest inherent in foreign assistance. By helping others, Europe is helping itself. ■

Jerzy Pomianowski is executive director of the European Endowment for Democracy and a former deputy foreign minister of Poland.

<https://www.economist.com/by-invitation/2025/05/19/europe-can-t-defend-itself-properly-without-projecting-soft-power-argues-jerzy-pomianowski>

Briefing

- **Vietnam's economy is booming, but its new leader is worried**

Dawn or dusk? :: Export-led growth may soon run out of steam

- **Vietnam, squeezed between America and China, looks for new friends**

Wooing the world :: It might even try to invigorate ASEAN

Dawn or dusk?

Vietnam's economy is booming, but its new leader is worried

Export-led growth may soon run out of steam

May 23, 2025 02:44 PM | Hanoi and Ho Chi Minh City



IT IS A contrarian argument from an improbable contrarian. Vietnam's economy may be the envy of South-East Asia, having averaged 6% annual growth over the past 15 years, but it is in urgent need of radical reform. So, at any rate, asserts To Lam, who spent eight years running Vietnam's ruthless security services before becoming general secretary of the Vietnamese Communist Party last year. He is busy sacking civil servants and amending economic laws in pursuit of a “revolution” to “liberate all productive forces”. “Time does not wait for us,” he warned his comrades soon after taking charge.

Vietnam's economy has come a long way since the Vietnam war ended 50 years ago, leaving an already poor country in ruins. At first the victorious communist regime tried to “liquidate” the private sector. Shortages, rationing and hunger followed. In the 1980s the Soviet Union's economic troubles meant less aid for Vietnam, exacerbating the malaise. Annual inflation reached 454%

and half of Vietnamese were living in poverty. The death of one of Mr Lam's predecessors in 1986 paved the way for a new general secretary to legalise private enterprise and embrace market forces.

Renewing the renewal

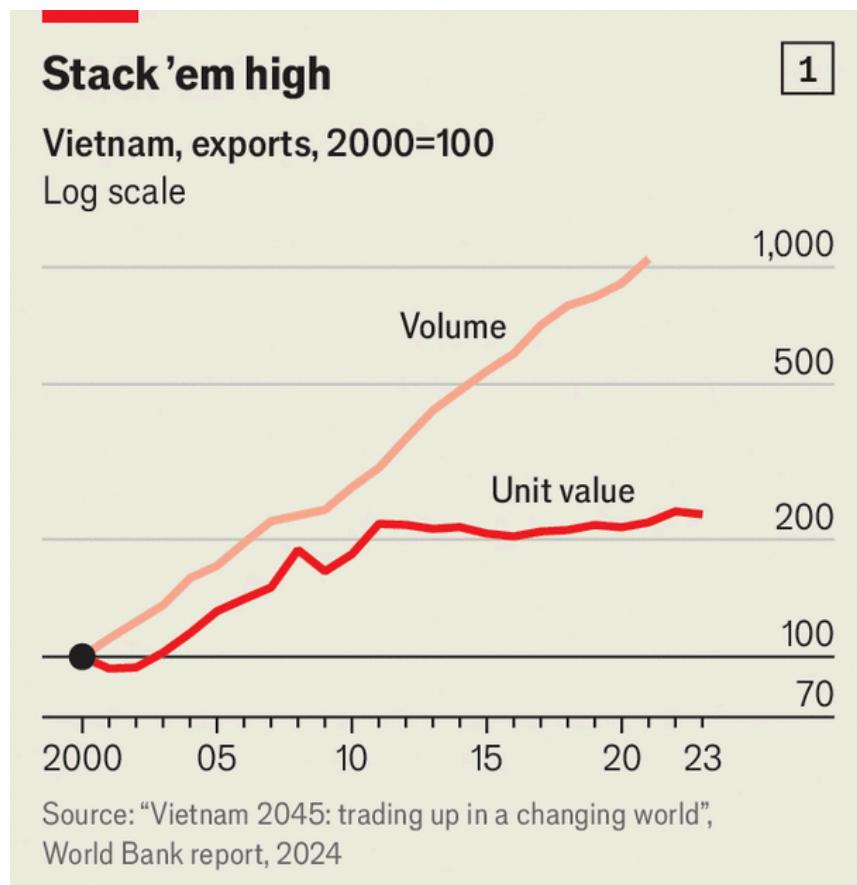
Doi moi or “renovation” has been an astonishing success. Over the past 40 years GDP per person has increased 18-fold and poverty has plummeted. Foreign investors, attracted by Vietnam’s cheap labour, political stability (it is a single-party, authoritarian state), proximity to Asian suppliers and generous incentives for manufacturing, have built lots of factories assembling consumer goods for export. A trade deal with America, accession to the World Trade Organisation and, more recently, multinationals’ desire to diversify away from China have provided further reasons to invest.

Yet the forces that have propelled Vietnam’s boom are slowing or reversing. The pool of cheap workers is dwindling and wages are rising. Instead of largely free trade with America, Donald Trump is threatening tariffs of 46%. It is getting harder to [maintain good relations](#). With both America and China, Vietnam’s second-biggest trading partner. And there has been relatively little spillover from the foreign-owned factories to the rest of the economy. Vietnam risks becoming stuck as an assembly hub, adding little value to components manufactured elsewhere. Shifting onto a more promising developmental path will not be easy—and Mr Lam is staking his tenure on it.

Foreign factories are the linchpins of Vietnam’s recent prosperity. Annual foreign direct investment (FDI) reached \$19bn in 2023. Foreign enterprises accounted for a fifth of GDP that year, up from 6% in 1995. The biggest is Samsung, whose complex in Pho Yen, a factory town near Hanoi, employs some 160,000 workers, who assemble the bulk of Samsung’s smartphones. The FDI boom, in turn, has produced a surge in exports, which have risen eight-fold since 2007, to \$385bn a year. Foreign firms account for just 10% of

employment and 16% of investment, but 72% of exports. Samsung alone accounts for 14%.

Yet Vietnamese workers are simply assembling parts made, by and large, in China or South Korea. Even as export volumes have ballooned, the average unit value has stagnated (see chart 1). Vietnam adds less value to its exports than do nearby Malaysia and Thailand. Because final assembly is labour-intensive, productivity is low. Vietnam's output per hour worked is 37% below the average for upper-middle-income countries in Asia. Over 90% of jobs in manufacturing require few or no skills.



Local firms struggle to meet the standards necessary to take part in global supply chains. Multinationals in Vietnam source the lowest share of local inputs of any country in East and South-East Asia. Despite Samsung Electronics' huge presence in Vietnam, none of its core suppliers is a homegrown Vietnamese firm, noted a recent article in *Guancha*, a Chinese news outlet, that was widely read

among the Vietnamese elite. The small number of Vietnamese firms that do supply global manufacturers mainly provide simpler materials, such as cardboard and plastics.

Meanwhile, Vietnam has reached the “Lewis turning point”, at which developing economies exhaust their rural labour surpluses and wages begin to rise swiftly. Between 2014 and 2021, over 1m agricultural jobs disappeared each year despite a growing labour force; in 2022-23 the pace decelerated to 200,000. Labour costs in manufacturing are already higher than in India or Thailand and are set to climb by a further 48% by 2029, according to the Economist Intelligence Unit, our sister company. Vietnam could soon end up too expensive for labour-intensive manufacturing yet too technologically unsophisticated to do much else—a classic middle-income trap.

Other obstacles to growth loom. It is not just unproductive rural workers that Vietnam is running short of: the total workforce aged 15-64 will peak around 2030, according to Vu Thanh Tu Anh and Dwight Perkins, two economists. Ho Chi Minh City and Hanoi, which together generate over a quarter of Vietnamese output, are among the most flood-prone cities in the world. The rich farmland of the Mekong Delta, Vietnam’s breadbasket, is shrinking by 500 hectares a year. Most threatening of all are Mr Trump’s tariffs: Michael Kokalari of VinaCapital, an investment firm in Ho Chi Minh City, estimates that they would reduce long-run growth by 2.5 percentage points a year.

Mr Lam evinces a keen understanding of these challenges. “Do not let Vietnam become an assembly-processing base... while domestic enterprises learn nothing,” he urged in January. He wants to make local firms more innovative and productive. Earlier this month the Politburo approved a big tax break for spending on research and development. It also adopted special incentives for local firms working with foreign investors. The private sector, Mr Lam says, is

“the most important driving force of the national economy”. He wants to lift its share of output to 70%, from around 50% today.

Life is not easy for Vietnam’s private sector, *doi moi* notwithstanding. Regulations are complex, enforcement is opaque and the state dominates banking and so controls access to credit, too. All this tends to benefit big, politically connected businesses. Rigged bids for public procurement, sweetheart land deals and cut-price loans are rife. Successful businessmen, in turn, are expected to contribute to society. Moving capital outside Vietnam is frowned upon. In 2021 Nguyen Thi Phuong Thao, the billionaire founder of Vietjet, a private airline, promised Linacre College at Oxford University £155m (\$215m at the time) to rename itself Thao College. The donation never materialised, presumably because the government blocked it.

Pham Nhat Vuong, Vietnam’s richest man, made his first fortune hawking instant noodles in Ukraine in the 1990s. He sold his restaurant business to Nestlé and invested the proceeds in Vietnam’s luxury property market. His company, Vingroup, soon became the country’s biggest developer. It then parlayed that business into a sprawling conglomerate, which does everything from designing smartphones to setting up schools. A subsidiary called VinFast is South-East Asia’s biggest homegrown electric-vehicle maker. It sold nearly 100,000 EVs in 2024.

Vietnam’s politicians admire South Korea’s *chaebols* and would like local conglomerates to evolve in a similar manner. But though the state showered *chaebols* with largesse, its support was time-bound and tied to success in export markets. In 1999 politicians allowed Daewoo Group, then the third-biggest *chaebol*, to collapse.

None of Vietnam’s conglomerates, in contrast, is globally competitive, in part because the state holds rivals at bay. Vietnam’s EV charging network is compatible only with VinFast’s cars. Yet VinFast has lost \$9bn since 2021 producing EVs, many of which are

sold to other businesses owned by Vingroup. The government is considering shoring up Vingroup by giving another subsidiary, VinSpeed, a \$60bn contract to build a high-speed railway.



As well as exposing conglomerates to more competition, Mr Lam will have to find ways to invigorate Vietnam's smaller firms. Lacking the political clout of state-owned enterprises, conglomerates and foreign investors, they have trouble getting access to land, credit and permits. Banks tend to insist on property or durable-goods inventory as collateral for loans, says Chad Ovel of Mekong Capital, a private-equity firm in Ho Chi Minh City. Few are willing to lend against projected future cashflows.

Small businesses also face a shortage of talent. Partly this is because the state hoovers it up: over half of state employees have tertiary degrees, versus around 15% at foreign-invested firms and 5% at domestic firms. But the bigger reason is the education system. Attainment lags behind other countries in Asia (see chart

2). Unlike China, Singapore or South Korea, Vietnam has no world-class universities, and its best institutions rank below their counterparts in India or Malaysia. Most Vietnamese universities are state-run and the curriculum is watched closely by communist apparatchiks. Even engineering students must spend as much as a quarter of their time taking mandatory classes on Marxism-Leninism and Ho Chi Minh thought, complains a Vietnamese academic.



It can't carry the whole economy

Despite ambitions to build a semiconductor industry, Vietnam has only 5,000 or so chip engineers. By 2030 it will need 15,000 chip designers and 10,000 assembly engineers, according to a recent forecast. There are also too few linkages between universities and industry, such as internship programmes, says Thomas Vallely, the founder of Fulbright University Vietnam.

Improving life for small businesses will also require a leaner, more capable state. This is where Mr Lam has been boldest. He has abolished five ministries and eliminated an entire layer of the bureaucracy, at the level of Vietnam's 705 districts. He is reducing the number of provinces from 63 to 34. All this is eliminating 100,000 jobs from the civil service. He has decreed that there should be a 30% reduction in red tape.

At the same time Mr Lam wants to build administrative capacity. He has called for higher pay for capable civil servants. Some of his changes seek to reverse the legacy of “blazing furnace”, an anti-corruption campaign initiated by his predecessor. Over 330,000 party members were prosecuted or punished and tens of thousands resigned. The effect was to make bureaucrats drastically risk-averse. Mr Lam has instead sought to engender an atmosphere of tolerance of mistakes.

Stepping back to get ahead

Deeper political questions remain unanswered. For Vietnam to grow quickly, the state must become not just more efficient, but also less controlling. Take the digital economy, one of Mr Lam’s highest priorities. Despite a shortage of software engineers, Vietnam has a surprisingly peppy startup scene. Yet the government censors the internet and keeps tech firms on a tight leash. The state-owned firm that dominates power generation struggles to supply reliable electricity. Construction began in April on Vietnam’s first “hyperscale” data centre. But it is not being built by a giant of the industry like Amazon or Alibaba. Instead Viettel, another state firm, is in charge. A new R&D centre for AI and semiconductors in Danang has been set up by FPT, a conglomerate whose telecom arm may soon be majority-owned by Vietnam’s Ministry of Public Security, which Mr Lam used to lead. It is hard to imagine Vietnam becoming a digital powerhouse with the government so firmly in control of so much of the digital economy.

For now, Mr Lam’s position seems secure. He has elevated allies to important posts and is pushing through sweeping reforms with little discernible resistance. A party conference in January, at which he will seek to extend his tenure, may give dissenters a chance to weaken his position, however. Mr Lam has shown he understands the task ahead of him. He has yet to prove he is capable of completing it. ■

Correction (May 23rd 2025): A previous version of this article wrongly said that FPT, a tech conglomerate, was poised to be owned by Vietnam's Ministry of Public Security (MPS). In fact, MPS is acquiring shares in FPT Telecom, an entity run by FPT but in which it is a minority shareholder. We apologise for conflating the two.

<https://www.economist.com/briefing/2025/05/22/vietnams-economy-is-booming-but-its-new-leader-is-worried>

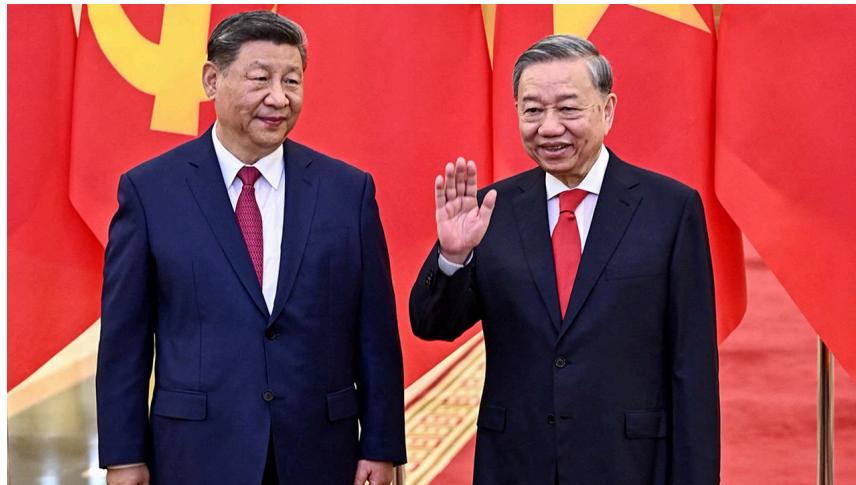
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Wooing the world

Vietnam, squeezed between America and China, looks for new friends

It might even try to invigorate ASEAN

May 23, 2025 02:46 PM



THE FIRST Asian leader to reach Donald Trump by phone after he announced “reciprocal” tariffs in the Rose Garden on April 2nd was To Lam, the general secretary of Vietnam’s Communist Party. He offered to eliminate all tariffs on American goods. Mr Trump praised Mr Lam in a subsequent post on social media. Mr Trump’s tone changed a few days later, however, when Mr Lam welcomed Xi Jinping, China’s leader, to Hanoi for his second state visit in three years. Mr Trump declared that the pair were meeting to work out, “How do we screw the United States of America?”

Few countries are as caught up in the geopolitics of the moment as Vietnam. It lies between America and China in many supply chains. The two countries are its two biggest trading partners. It is a communist dictatorship like China, but also spars with China over fishing and mineral rights in the South China Sea.

Under Mr Lam's predecessor, Nguyen Phu Trong, who died last year, Vietnam pursued "bamboo diplomacy"—bending, but not breaking when bigger powers huff and puff. Other non-aligned countries have struggled, but Vietnam has emerged mostly unscathed. Though it has refused to condemn Russia's invasion of Ukraine, for example, it gets none of the opprobrium reserved for the likes of India and South Africa.

How has Vietnam been able to do it? "They're a bit of a special case, because they have enormous moral capital," says Andrew Goledzinowski, until recently Australia's ambassador in Hanoi. Mr Lam has also energetically pursued new trade, defence and diplomatic relationships, visiting 13 countries since becoming general secretary in August.

What does Mr Lam hope to achieve by all this globe-trotting? The priority seems to be to reduce Vietnam's reliance on America and China. Closer economic co-operation with the European Union, with which it already has a free-trade agreement, would help offset reduced exports to America. Russia could help it develop cheap nuclear plants. South Korea, already a big investor, could also provide affordable weapons.

Mr Lam is looking to other middling powers, too, whether fellow free-traders in the Trans-Pacific Partnership or to a less open economic bloc, [ASEAN](#). Vietnam has been a fairly passive member of the group, says Nguyen Khac Giang of the ISEAS-Yusof Ishak Institute, a think-tank in Singapore. But could Mr Lam try to liberalise [ASEAN](#), which set up a free-trade area in the late 1990s but has done little to dismantle the non-tariff barriers that undermine it?



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Reduction Redux

What happens if the Inflation Reduction Act goes away?

Evaluating the effects of scrapping green subsidies in Washington

May 22, 2025 08:15 PM | NEW YORK



“IT’LL BE somewhere between a scalpel and a sledgehammer,” was how Mike Johnson, speaker of the House, described the emerging Republican approach to the Inflation Reduction Act (IRA), Joe Biden’s signature climate law. Pressure from companies and congressmen with clean-energy projects [benefiting from its subsidies](#) in their districts (most are found [in Republican counties](#)) suggested surgical precision would prevail. But relentless pressure to abolish the IRA from the president, who is a [fan of drilling, baby, drilling](#) and denounced the law as the “Green New Scam”, pointed instead to brute force. The president reinforced this by dropping in on a private party caucus on May 20th to strong-arm waverers and threaten dissenters with a MAGA primary challenge. “They won’t be Republicans much longer...they’d be knocked out so fast,” he declared.

The House has already approved a draft law that, when it comes to the IRA, looks more like a sledgehammer. Next the Senate will get

to work on its proposal. The two versions will then be reconciled by committee. The White House wants the compromise deal ready by July 4th, though August seems more realistic (a collapse of the whole effort remains possible, too). All this sausage-making raises two questions for energy policy. Is the [IRA](#) dead? And if it is, will that end America's clean-energy boom and [herald a sooty recarbonisation of the economy?](#)

At first glance the bill seems more scalpel-like. The House proposal phases out renewable subsidies between 2029 and 2032, in line with the [IRA](#)'s original timeline. It includes seemingly innocuous rules on which institutions are eligible for tax credits and keeping China out of the energy supply chain.

The original law aimed to make clean energy politically popular in America by [subsidising domestic manufacturing](#) of solar panels, wind turbines and other components. Voters might not prioritise reducing carbon emissions, the theory went, but they do like domestic manufacturing. There ought to be some overlap with the new orthodoxy on economics.

Because the cost of tax credits depends on private investment plans, estimates of the bill's effect come in a range rather than a dollar amount. The American Action Forum, a conservative think-tank, reckons the bill would trim about 60% of the [IRA](#)'s tax credits, saving \$515bn by 2034. The Cato Institute, a libertarian think-tank which previously warned that the [IRA](#)'s uncapped provisions could cost \$4.7trn by 2050, has called the Republican effort too timid. That makes it sound as if it falls short of the president's aim to kill the [IRA](#).

Look closer, though, and the proposal brims with rules designed to stifle clean energy. "It is a sledgehammer masquerading as a scalpel," says Abigail Ross Hopper, head of the Solar Energy Industries Association, a lobby group. Wood Mackenzie, an energy consultancy, argues that the details will undermine the business

case for “the vast majority of clean energy projects in the United States”.

Three provisions in particular stand out. First, the bill kills “transferability”. The IRA incentivised companies with a wide range of tax liabilities to invest in clean energy. The new bill eliminates this sweetener, even for technologies like nuclear power and carbon capture that are generally favoured by Republicans.

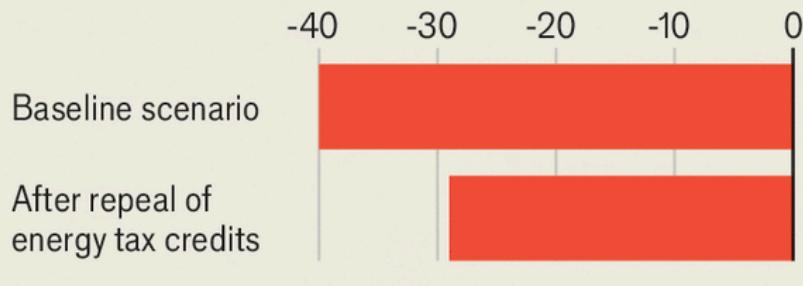
Second, provisions regarding “foreign entities of concern” (read: China) are written with calculated vagueness. While Biden-era rules narrowly restricted imports of Chinese battery cells, the new legislation is at once sweeping and impenetrable. Credits appear denied if “any component, subcomponent, or applicable critical mineral” is “extracted, processed, recycled, manufactured, or assembled” with forbidden foreign connections. Various such provisions guarantee years of regulatory confusion. Higher tariffs on Chinese-made components would come on top of that.

The third change is the timing of payments. Currently, projects qualify for tax credits from when construction begins but earn them only when operational. The new proposal awards credits only after operations begin. Given the [vagaries of permit-granting](#), it can take years to start generating power. That will make it harder for new projects to earn credits.

Together, these provisions make the House proposal “unworkable”, says Rich Powell, head of the Clean Energy Buyers’ Association (CEBA), a trade group representing large electricity users (which include America’s big tech companies). Studies commissioned by CEBA predict that the repeal effort will lead to sharp increases in electricity prices, by roughly 10% in 2026 for industrial and commercial customers. Mr Powell warns that it “will make it harder to stand-up US manufacturing in clean energy,” which ought to bother a president obsessed with factory jobs.

Emission impossible

United States, reduction in greenhouse-gas emissions*, 2005-35, %



Source: Rhodium Group

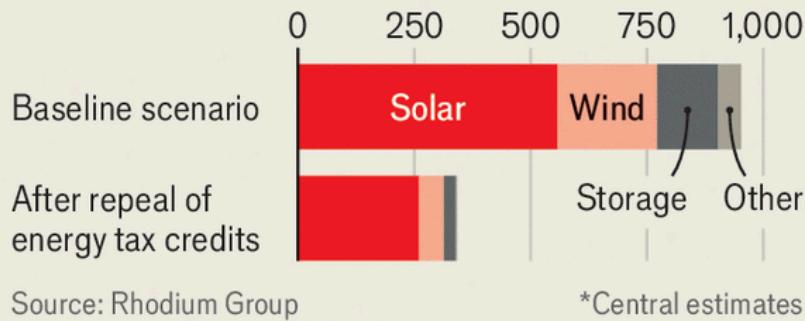
*Central estimates

If the outlook for the IRA seems bleak, what does that mean for energy and carbon emissions in America? Analysis by the Rhodium Group, a research firm, suggests that, under the IRA, America was on track to slash its greenhouse gases by 40% from their 2005 level by 2035. With a de facto repeal it will slow down, but may still manage a reduction of nearly 30% below the same benchmark (see chart 1). Even taking account of oil-friendly provisions in the current budget bill, such as the end of credits for purchasing electric vehicles and a repeal of more stringent fuel-economy standards for petrol vehicles introduced by the Biden administration, America will continue to decarbonise. Clean energy supply will continue to grow, but at a slower pace than it would have with the IRA.

The reason, explains Kevin Book of ClearView Energy Partners, a research firm, is that tax credits are only one factor. State-level regulations like “renewable portfolio standards” play an important role. Not only will these not be abandoned with the IRA, they may be strengthened in Democratic states. Such a “rollback rebound” took place in response to the first Trump administration’s attempted assault on green energy.

Giga, what?

United States, cumulative clean-energy additions to the national grid*, 2025-35, gigawatts



Price helps, too. The International Energy Agency, an official body, estimates that unsubsidised renewables already compete with, or beat, new fossil-fuel plants in many parts of America. Rhodium projects 342GW of renewable capacity will still be added by 2035, producing as much electricity (after accounting for intermittency) as roughly 100 nuclear plants.

John Ketchum, the CEO of NextEra Energy, a big utility, recently offered investors this dose of what he called energy pragmatism. “Renewables are here today. You can build a wind project in 12 months, a storage facility in 15, and a solar project in 18 months.” Gas turbines, by contrast, require four years or more to build, obtain permits and connect to the grid.

Last year, 90% of new power capacity in America came from carbon-free sources. Fresh data from the early days of Mr Trump’s second term confirm that over half of all electricity in March came from non-fossil sources for the first month on record. These may be dark days for green energy on Capitol Hill. Slowing the rate of decarbonisation is bad news. But sunlit uplands do still beckon. ■

Editor's note: This story was updated after the House passed Republicans' draft budget bill.

<https://www.economist.com/united-states/2025/05/21/what-happens-if-the-inflation-reduction-act-goes-away>

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Of volts and jolts

California has got really good at building giant batteries

At peak times they provide 30% of the state's electricity

May 30, 2025 10:11 AM | MOJAVE

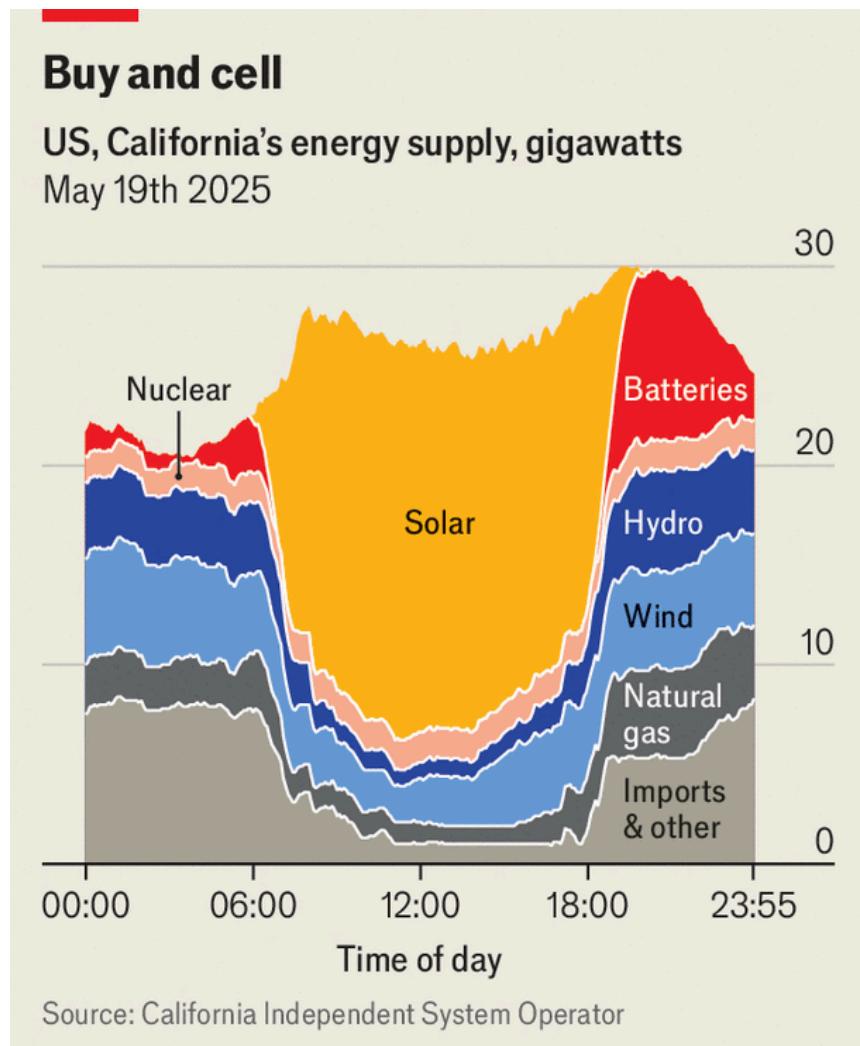


Listen for the rattle

A RENEWABLE ENERGY corridor is rising in eastern Kern County, California—where the Mojave Desert meets the Sierra Nevada mountains. Among the wind turbines, solar panels and Joshua Trees are giant batteries that look like shipping containers. Tesla workers tinker with the ones at the Eland solar and storage project, developed by Arevon Energy. They wear sun hats and boots and warn your correspondent to watch out for rattlesnakes.

The amount of battery power in California rose from 500 megawatts (MW) in 2018 to nearly 16,000 in 2025. Nearly a quarter of America's battery capacity is in California alone, according to BloombergNEF, a research firm. Texas is not far behind. The battery boom tells a story of solar power's supremacy. In the middle of the day, when the sun is strongest, as much as three-quarters of the state's electricity can come from solar. Batteries charge in the afternoon when solar power is cheap, and release energy in the

evenings when Californians get home and crank up their air conditioners. At their daily peak, around 8pm, batteries can provide as much as 30% of the state's electricity.



California and Texas supercharged their battery power in ways that exemplify the states' different approaches to energy markets. As per usual, the Golden State relied on regulation. In 2013 the California Public Utilities Commission (CPUC) ordered the state's three big investor-owned utilities to procure 1,325 MW of energy storage by 2020 to help meet renewable targets and stabilise the grid. That goal was easily met. "Our system is much better positioned now, particularly to deal with extreme weather events", says Elliot Mainzer, chief executive of the California Independent System Operator, which manages electricity across the state's grid.

In Texas, developers spied an opportunity for energy arbitrage. Operators could profit by buying cheap solar power and selling it at a higher cost later in the day. In 2024 Texas surpassed California to become the fastest-growing storage market.

The sun doesn't always shine and the wind doesn't always blow. Batteries help plug the gap. Mark Jacobson, an engineering professor at Stanford University, found that most days this year contained periods when solar, hydropower and wind, helped by batteries, met 100% of California's demand—even though just 54% of the state's electricity generation comes from renewables. Because most lithium-ion batteries are designed to provide four hours of power, they do not yet replace baseload generation from gas, nuclear or geothermal.

The battery bonanza may slow down. Donald Trump's tariffs on China, where the battery supply chain is concentrated, and the gutting of the Inflation Reduction Act's [clean-energy tax credits](#) would be a double whammy. These changes will hurt renewables' ability to meet demand as power-hungry data centres come online, argues Kevin Smith, the boss of Arevon. Additionally, a recent fire at a battery facility in Moss Landing, on California's coast, has spooked communities. One Monterey County supervisor called it “a Three Mile Island event”. Such incidents are relatively rare, but the CPUC has set new safety standards to try to assuage fears. After a few heady years, the battery industry may soon need a jolt. ■

<https://www.economist.com/united-states/2025/05/22/california-has-got-really-good-at-building-giant-batteries>

Rash decisions

How much worse could America's measles outbreak get?

Our charts show how falling vaccination rates could lead to a surge in cases

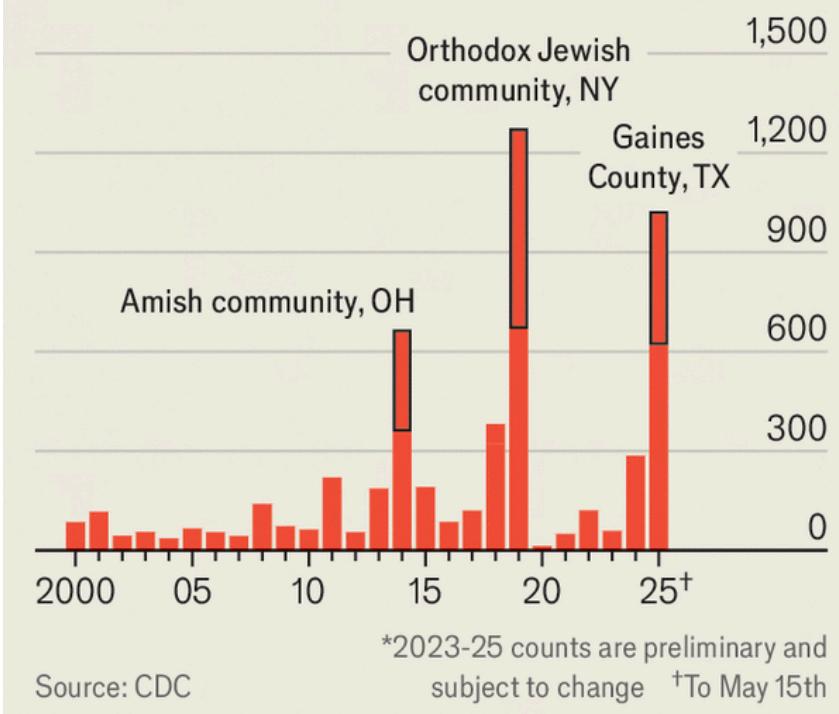
May 22, 2025 04:35 PM



AMERICA'S MEASLES outbreak is alarming for several reasons. What began as a handful of cases in Texas in January has now exceeded 800 across several states, with many more cases probably going unreported. It is the worst outbreak in 30 years and has already killed three people. Other, smaller outbreaks bring the total number of cases recorded in 2025 so far to over 1,000. But above all, public-health experts worry that the situation now is a sign of worse to come. Falling vaccination rates and cuts to public-health services could make such outbreaks more frequent and impossible to curb, eventually making measles endemic in the country again.

Spot check

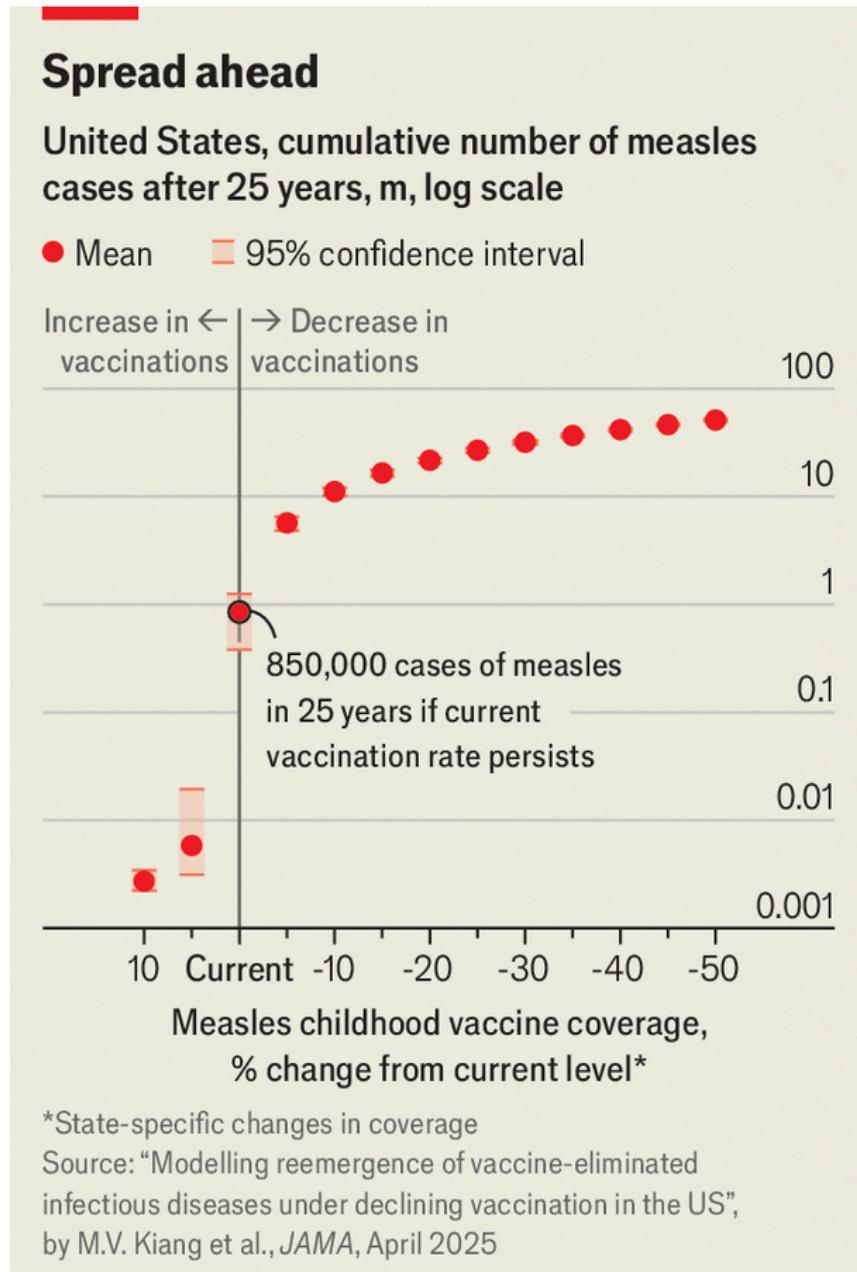
United States, measles cases*



Currently, measles is considered “eliminated” in America, meaning that outbreaks start from imported cases and end within 12 months (to be endemic, a disease must be present in a country year-round). Typically, imported cases lead to just a few new infections because vaccination rates in most places are high enough to prevent further spread. Occasionally, though, imported cases will hit a pocket—such as a neighbourhood or county—where too few people are jabbed. If that is a crowded area with many children per family and lots of social mingling (at church, for example) an outbreak can grow very big very fast. The largest outbreaks of the past 20 years have all been in such places: close-knit religious communities, such as Amish or Orthodox Jewish ones, where misinformed fears about vaccine safety had taken hold.

The hotspot of the current outbreak is a Mennonite community in Gaines County, Texas. More than 400 cases have been reported in the county so far. Its source (or “patient zero”) has not been identified, but measles cases linked to that outbreak have turned up

in nearby counties and in several other states. Cases in Gaines County exploded because only 81% of children starting school there have received the MMR vaccine (which gives protection against measles, mumps and rubella). With a disease as contagious as measles, 95% vaccine coverage is needed to stop it from spreading.



Few places have vaccination rates as low as in Gaines, but the number of counties where too few children have had the MMR jab is growing. In February researchers from Johns Hopkins University published an analysis of MMR rates in kindergarten-age children in

the 37 states that make county-level data available. They found that in the 2022-24 school years, two thirds of counties had MMR rates lower than 95%. Worryingly, the data show a widespread decline in vaccination. Around a third of the counties that are now below the threshold had been above it in the 2017-2020 school years, and the median county vaccination rate has fallen in most states. One of the largest drops is in Wisconsin, which is among the most permissive states for vaccine exemptions in schools—no county in Wisconsin has an MMR vaccination rate above 85%.

What will be the outcome of falling vaccination rates? A study published in *JAMA*, the journal of the American Medical Association, in April, estimated that, if current childhood vaccination rates remain unchanged, after two decades measles will probably become endemic in America again. Under these circumstances, there will be an estimated 850,000 measles cases in the next 25 years, and around 850 deaths. If, however, the MMR rate in each state falls by 10%, the point when measles becomes endemic will arrive earlier and there could be 11m measles cases in the 25-year period. In that scenario there would be around 11,000 deaths from the disease, each of which could have been avoided. ■

To read a more detailed story visit our [Graphic detail page](#).

<https://www.economist.com/united-states/2025/05/22/how-much-worse-could-americas-measles-outbreak-get>

DeDOGEd

A court resurrects the United States Institute of Peace

Elon Musk's protégés may win by losing

May 26, 2025 02:55 AM | WASHINGTON, DC



Peace on the Potomac

THE NIGHT the United States Institute of Peace (USIP) was taken over, March 17th, staffers from Elon Musk's Department of Government Efficiency (DOGE) walked round its headquarters smoking cigars and drinking beers while they dismantled the signage and disabled the computer systems. The takeover of the USIP building in Washington, DC, earlier that afternoon was one of the more notable moments of President Donald Trump's revolution in the capital, because the think-tank is not actually part of the executive branch. The Institute's board and president, George Moose, a veteran diplomat, were summarily fired. He and other senior staff were ultimately forced out of the building at the behest of three different police agencies. Then a DOGE staffer handed over the keys to the building to the federal government.

All this was illegal, according to Judge Beryl Howell, of the Washington, DC district court, in a ruling on May 19th. Judge

Howell declared that the dissolution of USIP was “effectuated by illegitimately-installed leaders who lacked legal authority to take these actions”, and so was “null and void”. The result implies that Mr Moose is once again the president, and the board reinstated. The building, which was paid for partly with private money, must be returned. So too must the Institute’s \$25m endowment (of which around \$15m was donated privately). USIP staffers, almost all of whom were fired in late March, must decide if they want their jobs back. George Foote, USIP’s lawyer, says he expects the government to appeal. A White House spokeswoman called the ruling the result of a “rogue judge”, and said it “will not be the last say on the matter”.

USIP was created in 1984 by a bipartisan group of members of Congress, including two war veterans, as a research organisation devoted to peacebuilding. Its board is appointed by the president, on the advice of the Senate, but according to the law establishing it, USIP is an “independent, nonprofit, national institute”. According to Mr Foote, “it was important to the founders that they not have an organisation tucked into the State Department or built into the White House.” This status, Mr Foote argues, gives its staffers a degree of freedom in their research and advice that officials in the State Department would not have. Since its foundation, its work has extended beyond research into matters like negotiating local peace deals in Iraq or Nigeria. Much of its \$55m budget was spent on grants to charities.

The fact that USIP might become a target of the Trump administration was foreseeable. Last September the Heritage Foundation, a Republican-aligned think-tank with close links to Mr Trump’s team, criticised the organisation. USIP’s staff, Heritage said, mostly donated to Democrats; the institute’s work, Heritage argued, had expanded beyond what was mandated by law—defence-adjacent research—into international development. Yet Heritage called on Congress to restrict its funding and hold

hearings to look at its bias. It did not suggest the president could just shut it down.

In her judgment, Judge Howell argued that the government chose “blunt force, backed up by law enforcement officers” to impose its legal view that the president has almost unlimited power over almost anything the government funds. In reality, she concluded, not everything funded by Congress is part of the “executive branch”, and so the government’s sweeping assertion of absolute power is unjustified. In effect she ruled that the legislature retains the right to restrict the president’s power over certain institutions. This, Mr Foote argues, has implications that go beyond USIP. It is a “victory for the rule of law”, he says.

Goodwill toward men

What will happen now? Before March, it seemed unlikely that Congress would have agreed to shut down USIP. The organisation had Republican supporters, and indeed, under the continuing resolution passed that month, it is fully funded until September. Assuming a higher court does not overrule Ms Howell, USIP will be revived. Now that the organisation has become such a partisan cause, however, Republicans in Congress may feel the need to close it by legal means. In the budget bill they are preparing, Congress could fairly easily cut the institute’s funding to the bone. It could also allow Mr Trump to appoint new board members and complete the closure that way.

Still, for now, USIP is back. On a rainy afternoon on May 21st, a small group of its staffers walked back into their headquarters. There was no serious physical damage, they said, but it will take time to discover which of the computer systems remain intact and restart work. For now, “we intend now to resume our stewardship and custodianship of the building,” said Mr Moose. “It’s a very meaningful place.” ■

<https://www.economist.com/united-states/2025/05/22/a-court-resurrects-the-united-states-institute-of-peace>

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More than a feeling

The MAGA revolution threatens America's most innovative place

Cuts to funding risk hobbling Boston's science establishment

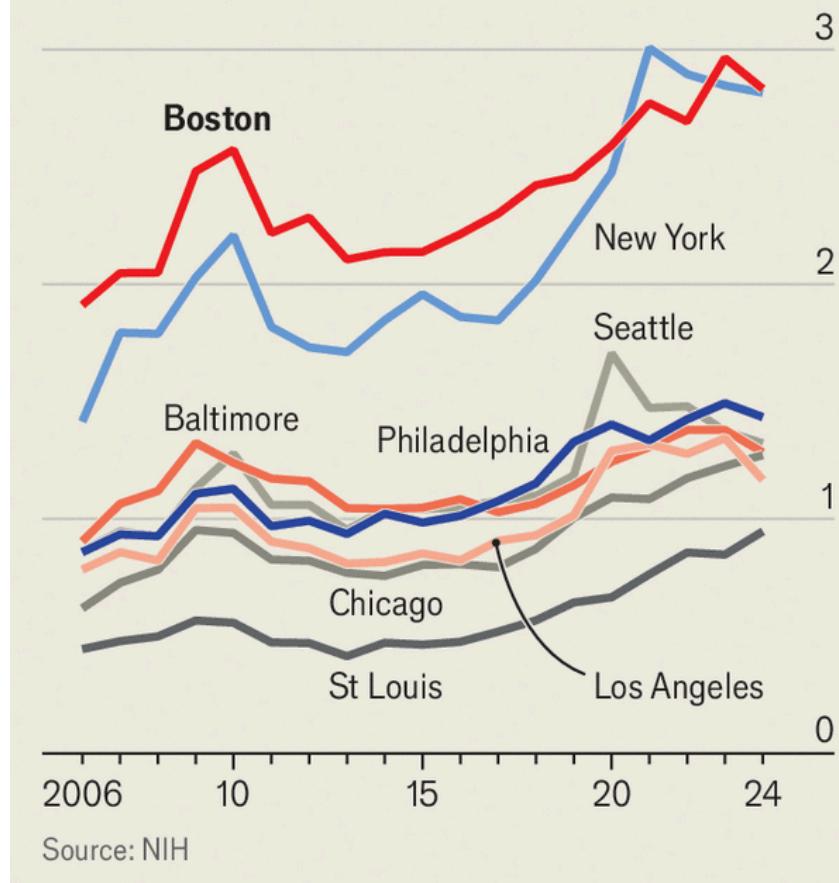
Jun 24, 2025 08:30 PM | BOSTON



SCIENCE SOMETIMES advances not by design but by happenstance. Thirty years ago a graduate student in chemical engineering at the Massachusetts Institute of Technology (MIT) was describing a bottleneck in his work over drinks at a bar in Cambridge, Massachusetts. A Harvard student heard and suggested a solution using microchip manufacturing technology that his lab had recently developed. The casual exchange led to a collaboration under the guidance of Donald Ingber, a Harvard cell biologist, that eventually helped pioneer organ-chip technology—lab-grown models of human organs on tiny chips. Dr Ingber would go on to found a biotech firm in Boston that commercialised the technology.

Big red monster

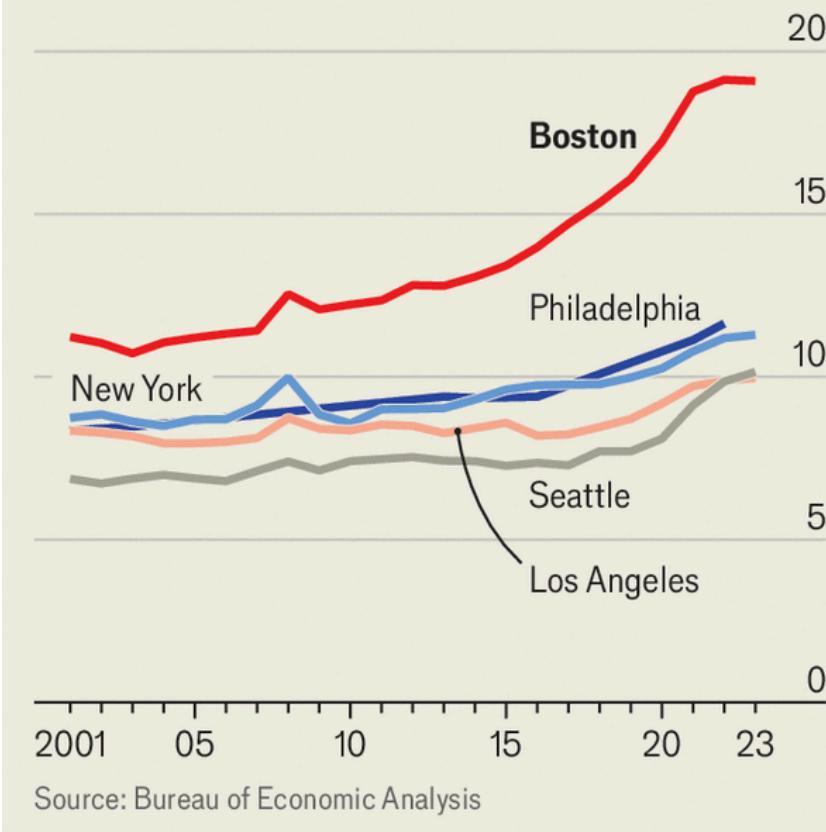
Selected US cities, National Institutes of Health funding, \$bn



The story's arc is very Boston: federally funded academic research and serendipitous encounters among brainiacs spawning innovation and biotech firms. If science has a centre of gravity it is along the Charles river, which snakes between Boston and Cambridge, where MIT, Harvard, world-class hospitals and venture-capital firms all share a riverbank. Yet that same concentration of science makes the area vulnerable to politics. President Donald Trump's policies on universities and his administration's proposed cuts to science funding threaten not only Massachusetts's sprawling research and biotech ecosystem, but also the country's competitive edge in innovation.

Pipettes and Patriots

Selected US metro areas, professional, scientific and technical services, % of GDP



For 17 of the past 19 years universities and hospitals in Boston have received more funding from the National Institutes of Health (NIH) than those anywhere else (see chart). Roughly one in eight of America's top 40 research universities call the Boston area home. Of all these institutions no place has drawn Mr Trump's ire quite like [Harvard](#). Just hours after Harvard's president refused to comply with federal demands to restructure the university, Dr Ingber was among the first of its scientists to receive a stop-work order on his grants. Then on May 5th Linda McMahon, the education secretary, sent a rambling letter to Harvard with an extraordinary threat: the university will no longer receive any new federal research grants.

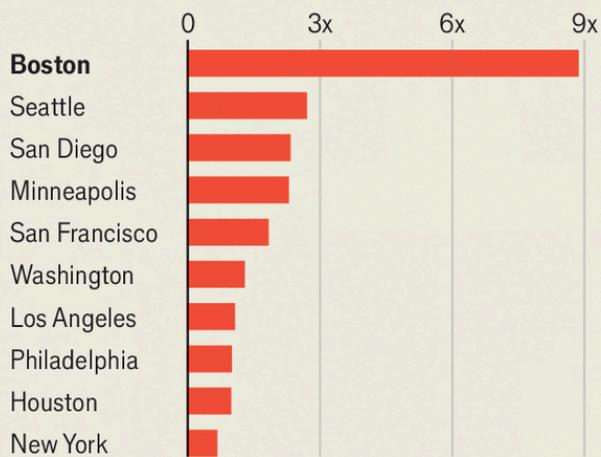
White coats and red sox

Selected US metro areas, prevalence of professions compared to the national average

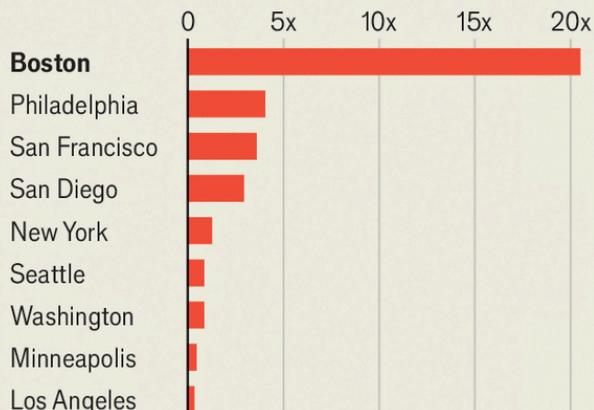
Medical scientists*



Bioengineers



Biochemists/biophysicists



*Excluding epidemiologists

Source: Bureau of Labour Statistics

Like a keystone species, Harvard supports research and development far beyond its campus; unsettle Harvard, and the effects will be felt widely. Its federal grants often depend on collaborations among universities and hospitals across the region. Among the economies of America's 20 largest metro areas, none has a greater share dedicated to the sciences and related industries (see chart). This patch of land is home to more biotech firms than anywhere else in the world.

The University of Massachusetts (UMass) medical centre, 40 miles west of Cambridge, is a juggernaut in RNA research, a field that underpins some of the most promising therapeutic advances. UMass has already paused PhD admissions and laid off employees at its biomedical-sciences institute. "What science has in common with business is that we don't do well with uncertainty in our external environment," says Phillip Zamore, a biologist who heads the university's RNA Therapeutics Institute. "We can handle uncertainty in an explanation for nature, but it's terrifying to think 'how am I going to pay my postdoc?'" he adds. Most of his graduate students go into biotech.

Some consequences will be harder to measure. Biotech and pharmaceutical firms rely on a stream of discoveries from federally funded university labs doing open-ended research. Much of this research initially has no obvious commercial use. But the more federal money flows into university labs, the greater the chance that scientists will stumble upon discoveries that industry can turn into the next life-saving drug. Sekar Kathiresan, the head of the Boston-based biotech firm Verve Therapeutics, expects to spend \$2bn developing a drug that could treat heart disease, which is the leading cause of death in the world. "The technology we're using to turn off a cholesterol-raising gene in the liver to lead to lifelong cholesterol-lowering", he says, was made possible by scientists at the Broad Institute in Cambridge who invented base editing in 2016. "Generous federal funding for science is critical for the next generation of ideas and cures," he adds.

With the fight raging most fiercely inside Massachusetts, the state has in many ways led the resistance to Mr Trump's funding cuts and [woo-woo approach](#) to science. Since February the state's attorney-general has filed two lawsuits against cuts to NIH funding. Others have joined both suits. Harvard, too, is pushing back in court. As one of the most progressive places in the country, Massachusetts is anathema to Trumpism, notes Michael Goldman, a longtime Democratic operative in the state. "But the British couldn't break Boston, the New York Yankees couldn't break Boston and neither can Trump," he says. It is not just Bostonians who should hope he's right. ■

<https://www.economist.com/united-states/2025/05/18/the-maga-revolution-threatens-americas-most-innovative-place>

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Lexington

Joe Biden did not decline alone

His party and the press lost altitude along with him

May 22, 2025 12:48 PM



ACCEPT, FOR a moment, Joe Biden’s contention that he is mentally as sharp as ever. Then try to explain some revelations of the books beginning to appear about his presidency: that he never held a formal meeting to discuss whether to run for a second term; that he never heard directly from his own pollsters about his dismal public standing, or anything else; that by 2024 most of his own cabinet secretaries had no contact with him; that, when he was in Washington, he would often eat dinner at 4.30pm and vanish into his private quarters by 5.15; that when he travelled, he often skipped briefings while keeping a morning appointment with a makeup artist to cover his wrinkles and liver spots. You might think that Mr Biden—that anyone—would welcome as a rationale that he had lost a step or two. It is a kinder explanation than the alternatives: vanity, hubris, incompetence.

In fact, by March 2023, there were times, behind the scenes, when Mr Biden seemed “completely out of it, spent, exhausted, almost gone”, according to “Original Sin”, by Jake Tapper, of CNN, and

Alex Thompson, a reporter for *Axios*. In one encounter in December 2022, he did not remember the name of his national security adviser or communications director. “You know George,” an aide prodded Mr Biden in June 2024, coaxing him to recognise George Clooney, who was starring at a fundraiser for him.

Mr Biden’s aides tried to compensate by walking beside him to his helicopter, to disguise his gait and catch him if he stumbled, and by using two cameras for remarks to be shown on video so they could camouflage incoherence with jump cuts. Jonathan Allen, a reporter for NBC, and Amie Parnes, a reporter for the *Hill*, describe in “Fight” how aides would tack down fluorescent tape to guide the president to the lectern at fund-raisers. Once the most loquacious of politicians, Mr Biden ended up clinging to brief texts on teleprompters for even casual political remarks.

Such in-plain-sight accommodations point to what is slightly ridiculous about the present exercise of exposing Mr Biden’s decline. It was obvious to many people: to donors, to some Democratic politicians on the rare occasions they met him and, most important, to Americans, who saw through his pretence long before June 2024, when he fell apart in debate with Donald Trump. In April 2023, only a third of voters told Pew Research that they thought Mr Biden was “mentally sharp”.

For that reason, focusing on Mr Biden’s health is useful now less to tell a cautionary tale about his own decline, made even more melancholy by his cancer diagnosis, than one about the decline of his party and the press. “Fight” details how, after Mr Biden failed in debate, party leaders struggled to prevent the electoral catastrophe they foresaw. Even the most influential of Democrats, Barack Obama, who is portrayed as lacking confidence in both Mr Biden and Vice-President Kamala Harris, emerges in this account as ineffectual as he belatedly seeks some sort of “mini-primary”.

The parties have become so weak that whoever becomes their nominee can dominate them. Mr Biden's vanity, and that of his family and closest aides, overrode common sense about whether he should seek a second term. Few Democrats spoke up about his infirmity while he was in office. With few exceptions, journalists from left-leaning news organisations, quick to deplore Mr Trump's behaviour, competed to expose Mr Biden's frailty only once Democrats were pushing him out. Journalists from right-leaning news organisations are still pounding away at Mr Biden's mental or ethical lapses; they show less interest in Mr Trump's.

"We got so screwed by Biden as a party," David Plouffe, the rare Democrat in either book willing to attach his name to such criticism, told the authors of "Original Sin". Mr Plouffe helped run Ms Harris's campaign for president after she replaced Mr Biden. Mr Plouffe describes as "one of the great lessons from 2024" something that only a condescending, insular political organisation could possibly need to learn: "never again can we as a party suggest to people that what they're seeing is not true". (Regular readers may recall that Lexington, and *The Economist*, urged Mr Biden not to run again back when he was riding high, after the Democrats overperformed in the midterms of 2022.)

Many Democrats who condemn Republican congressmen for lacking the courage to oppose Mr Trump and call out his lies might instead pause to consider their own weakness, calculation or inattention. Even after that shocking debate, Democratic leaders who insisted Mr Biden was fit for a second term included not just Ms Harris but Governor Gavin Newsom of California, Governor J.B. Pritzker of Illinois and Representative Alexandria Ocasio-Cortez of New York, all possible presidential candidates. Have they since absorbed Mr Plouffe's lesson?

A bridge, abridged

It's the easy one. The party will probably not nominate an oldster again any time soon. Neither book shows that Mr Biden's age led to policy failures by degrading his decision-making, as opposed to his communication skills (as essential as breath to a president). Regardless, nominating a young candidate won't resolve the party's confusion. The hard questions for Democrats are not about Mr Biden's age but about how they should face the other challenges he struggled with, including immigration, the deficit and the implementation of his own infrastructure plan.

Revisionist historians may someday emphasise Mr Biden's legislative achievements. But those cannot compensate for his hubris. Having once declared himself a bridge to a new generation, he became, instead, just a bridge "from one Trump term to the next", the authors of "Fight" conclude. This may not be merely a story of the decline of a man, his party and the media. It may turn out to be about the decline of American democracy itself. ■

<https://www.economist.com/united-states/2025/05/19/joe-biden-did-not-decline-alone>

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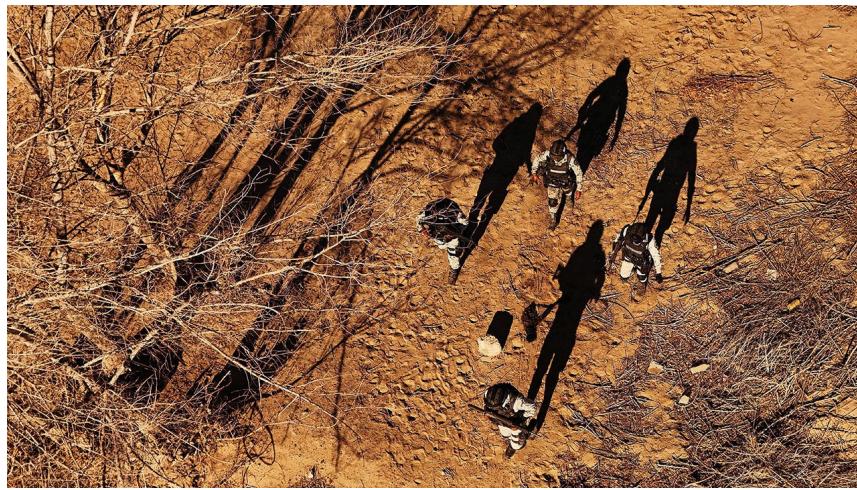
Argentina economic reform :: Lower inflation brings popularity. Popularity brings power, which helps with lowering inflation

Mexico's resilient gangs

Mexico battles the MAGA movement over organised crime

To keep America at bay Claudia Sheinbaum takes on Mexico's gangsters

May 22, 2025 02:26 PM | Tijuana



CLAUDIA SHEINBAUM came to power in October promising to tackle Mexico's entrenched, murderous gangs. Her record was convincing. As mayor of Mexico City she curbed violence by using data and improving policing. She has started applying similar methods on a national scale.

Crime-weary Mexicans welcomed the intelligence-led crackdown. Ms Sheinbaum has enjoyed high approval ratings. But her assault on the gangs has always had a second audience: America's President Donald Trump and MAGA Republicans who see Mexico as a source of their country's problems. Ms Sheinbaum is bent on convincing Mr Trump that she has the gangs in hand. Officials in Washington have been considering drone strikes on Mexican drug labs and cross-border raids by special forces without consulting Mexican officials. That would sorely diminish Ms Sheinbaum at home.

Short of military action, Mr Trump has not been holding back. Citing the need to stem flows of migrants and fentanyl into the United States, his government in February designated Mexican gangs as foreign terrorist organisations and slapped tariffs on Mexican exports.

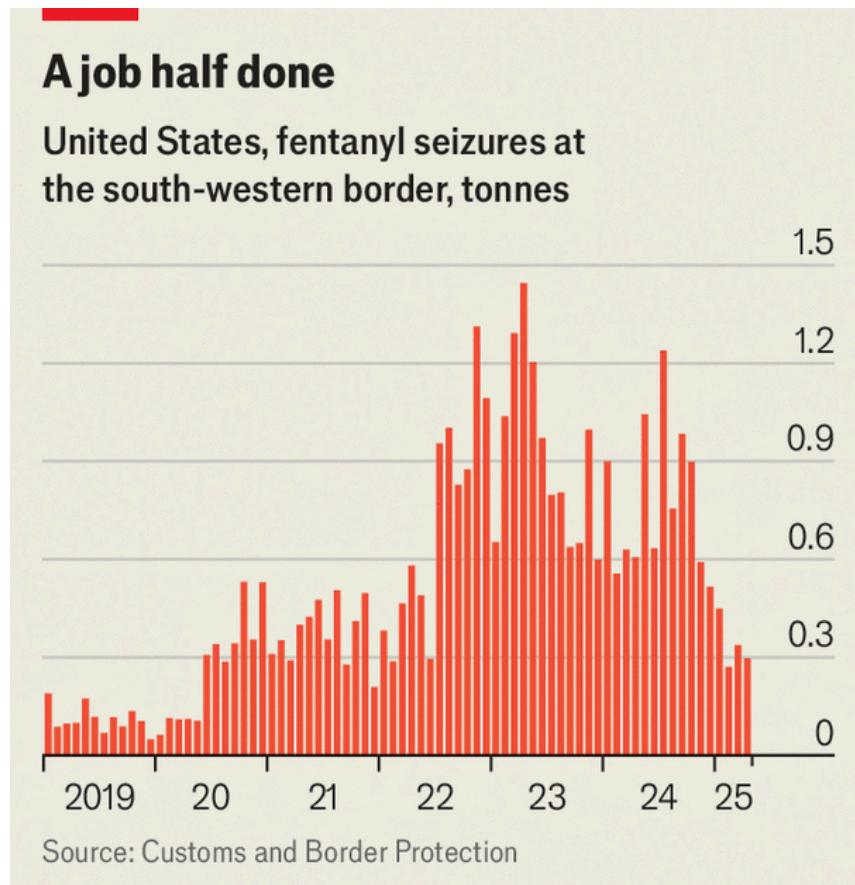
More recently, American attention has intensified. The Trump administration appears to be making plea deals with members of the Sinaloa Cartel, Mexico's largest gang, without the knowledge of Mexico's government. Details are not public. On May 11th the governor of Baja California, a Mexican border state, announced that her American visa had been revoked, as had her husband's. (She says the decision is administrative and implies no misconduct.) A list of other Mexican officials reportedly facing similar treatment is circulating. Authorities in the United States have not explained, but the revocations are thought to result from American suspicions that Mexican officials are colluding with gangsters.



The change of gear has jolted Mexico. Officials worry that it will not be possible to squash the gangs fast enough to keep MAGA at bay, despite dramatic changes in the past six months. Ms Sheinbaum has abandoned the security policy identified with her predecessor, Andrés Manuel López Obrador, of “hugs not bullets”. His approach assumed that poverty was the root cause of crime, and that the best way to curb it would be through government-led

social schemes. In practice, Mr López Obrador mostly let the gangsters prevail.

Ms Sheinbaum has instead pushed intelligence gathering and co-ordination between different branches of Mexico's security apparatus. She has also started to negate some of Mr López Obrador's militarisation of the police, which critics say led to brutality and shoddier detective work. Her security secretary, Omar García Harfuch, is hiring investigators for a new police agency which, along with a new special-forces branch, should eventually bring 15,000 officers under his command.



The government says it has made 20,000 arrests for serious offences since October, seized 154 tonnes of illegal drugs and confiscated over 10,000 firearms. This far outstrips the rate of seizures and arrests under Mr López Obrador. Recovery of stolen fuel, a black-market business worth hundreds of millions of dollars, has also increased. Quotidian co-ordination with the United States

has improved. In February both countries agreed that border patrols would meet more often and share more information. The number of migrants nabbed crossing the border illegally has plummeted since Mr Trump's election, as has the amount of fentanyl being seized by US Customs and Border Protection.

Tijuana, just south of the border with California, is a good place to see Ms Sheinbaum's new model in action. General Gilberto Landeros, security minister of Mexico's Baja California state, says local, state and federal security teams meet daily to co-ordinate operations. Better data are helping, he says. After it became clear that more murders were happening during officers' meal breaks, schedules were adjusted to provide constant cover. Vetting of municipal police is under way: around a third of officers have been reviewed so far, with 35-40% failing to meet standards. They will be asked to leave the force.

In Sinaloa province, Mexican troops have largely contained an ongoing war between two factions of the Sinaloa Cartel. The border is less porous, says someone involved in the fentanyl trade there. It has been challenging to make "arrangements" with officials, he says.



It is too soon to see the impact of Ms Sheinbaum's policies in the crime statistics. The official murder rate has been falling since 2018, when it peaked at 30 per 100,000 people; last year it was 19

per 100,000. Some of this fall is probably illusory; there has been a sharp rise in disappearances, mostly murders without a body. And on nearly every other measure, from extortion to robbery, crime has risen. On May 20th two government officials were shot dead in Mexico City, a highly unusual crime in the capital. Although the amount of fentanyl seized at the border has gone down, drug seizures in general doubled between February and April, suggesting the gangs may be turning to other products to offset the fentanyl crackdown.

Security, fast and slow

Tackling these problems involves much more than fighting crime: it would appear to entail restructuring Mexican society. The gangs no longer simply run drugs and smuggle migrants into the United States. They also control or take a cut of legitimate businesses, such as avocado-growing, fishing or stalls selling tortillas. This merger of crime with the legal economy goes hand in hand with deep corruption. Mr Trump's claim of an "intolerable alliance" between Mexico's federal officials and its gangs is an exaggeration. But Crisis Group, a think-tank based in Brussels, has documented local-government officials' collusion with gangsters. So far Ms Sheinbaum seems either unwilling or unable to pursue crooked officials.

As the slow work of excising organised crime from society continues, the administration in Washington is stepping up the pressure. Once made in private, calls by hawks in the MAGA camp for military intervention have grown louder. The Pentagon has tripled the number of active-duty troops on the border and has deployed drones, spy-planes and armoured cars. "If you take [Trump] at his word—as we do—it's a real threat," says a Mexican official.

Mr Trump may be losing patience. In April Ms Sheinbaum refused his offer to send troops into Mexico. In response he said: "She is so

afraid of the cartels that she can't even think straight." Military action by the United States would be expensive, and not necessarily effective. If some big gangs were clobbered by American strikes, those left unscathed would probably expand, triggering more brutal turf wars. "Anyone who understands the details knows how unviable [intervention] is," says another Mexican official.

Ms Sheinbaum's plan could certainly be improved, for instance through a greater focus on dismantling the financial networks behind the gangsters, says Francisco Rivas of the National Citizen Observatory, a Mexican think-tank. A shortage of money is another problem. Mexico's spending on security was already the lowest relative to GDP of any country in the OECD, a group of mainly rich countries, when Ms Sheinbaum cut it by 36%. An economy shaken by Mr Trump's trade attacks and a political system that favours handouts and nationalistic projects will make it hard to find more cash. Her plan may keep Mr Trump's drones at bay. Eliminating Mexico's gangsters will be harder. ■

<https://www.economist.com/the-americas/2025/05/20/mexico-battles-the-maga-movement-over-organised-crime>

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A losing battle

Wildfires devastated the Amazon basin in 2024

They wiped away all progress governments had made to curb deforestation in recent years

May 22, 2025 04:52 PM | Bogotá



SMOKE CHOKED Earth's lungs last year. Of the 51,000 square kilometres (an area the size of Costa Rica) of mature tropical forest destroyed in Latin America in 2024, wildfires accounted for 60%, a record high. The area destroyed was 142% larger than in 2023, wiping out progress that Brazilian and Colombian governments had made in curbing deforestation.

These sobering data were published on May 21st by Global Forest Watch (GFW), a monitoring service run by an NGO called the World Resources Institute which uses satellite data to measure tree loss. Climate change is raising temperatures and drying the air, turning the rainforest into a tinderbox. Last year was the hottest on record, with the effects of warming compounded across the Amazon rainforest basin by the El Niño weather phenomenon. When farmers set fires to clear space for growing soyabeans or grazing cattle, the blazes often spiralled out of control. GFW calculates that fires released 1.15 gigatonnes of carbon dioxide into the

atmosphere, more than all of South America generated by burning fossil fuels in 2023.

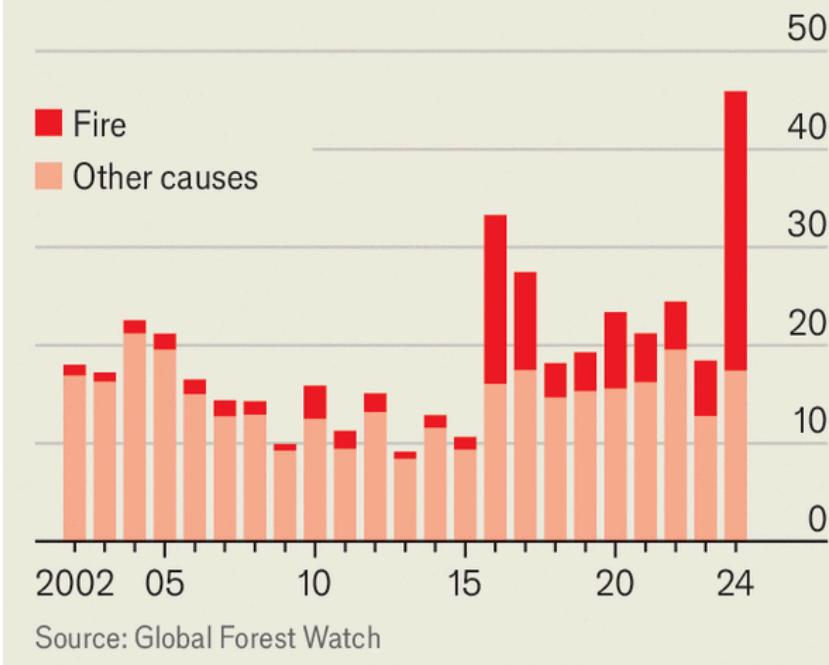


Brazil, where most of the Amazon sits, lost more tropical forest than any other country, around 28,200 square kilometres. That was also the most Brazil had lost since 2016. The numbers are a blow to the environmentalist president, Luiz Inácio Lula da Silva, known as Lula. Although critics point to contradictions in his green agenda, his efforts to protect the Amazon had been working. Deforestation had dropped by a third between 2022 and 2023.

But Lula's policies proved to be less potent than climate change. Brazilians had been excited by recently published data suggesting that deforestation fell again in 2024, but those data do not account for fires as GFW data do. Last year Brazil suffered the deepest drought since records began. Wildfires were particularly ferocious and difficult to fight. They caused 60% of the deforestation in the Brazilian Amazon. Such conditions are likely to worsen in future.

Burning up

Primary-forest loss in Brazil, Bolivia, Colombia and Peru, '000 km²



Brazil's search for economic growth is adding to the Amazon's woes. States bordering the Brazilian Amazon have been rolling back protections in order to boost agricultural output. In October legislators in Mato Grosso removed tax breaks for companies that commit to trade soya without deforestation. Last month, lawmakers in neighbouring Rondonia passed an "amnesty law" to forgive past deforestation. The message for ranchers is that land can be grabbed with impunity, all but encouraging slash-and-burn expansion.

To see what an unencumbered boom in beef and soya production looks like, Brazilian policymakers should look across their south-western border at Bolivia. Bolivia's leaders have spurred industrial farming on deforested land for years through loan programmes and tax breaks. In 2019 the government lifted a ban on beef exports and approved legislation encouraging farmers to expand the agricultural frontier with fire. Beef exports and forest destruction surged in tandem. Deforestation in Bolivia has increased more than five-fold since 2019, according to GFW. Cattle-ranching was responsible for

57% of all deforestation in the country between 2010 and 2022, according to a recent study. Punishment is rare. Of the 136 cases authorities opened on illegal land-clearing in 2024, just six ended in a sentence.



As a result, Bolivia lost 14,800 square kilometres of forest in 2024, the second-most of any country, up 200% from 2023. It lost more than the Democratic Republic of Congo did, despite having just 40% of its forested area. Fires drove nearly two-thirds of the damage, according to GFW.

Bolivia's leaders were not the only group who gave in to the lure of turning rainforest into cash. Peru's government amended its forestry law in 2024 with a view to expanding agriculture, in effect offering amnesty to those who had cleared land illegally. Tropical forest loss in the country rose by 25% in 2024, partly as a result. In Colombia, rebel groups are cashing in on record-high gold prices by mining ore from beneath cleared forest. They are also expanding coca plantations. Loss of primary forest rose by 49% last year. The high level of deforestation is a consequence of deteriorating security.

Even the most pristine parts of the Amazon are threatened. Guyana, which has lots of untouched forest, wants the world to pay to keep its biodiverse, carbon-rich rainforests standing. Yet deforestation there rose by 275% in 2024 (albeit from a low base) owing to

wildfires and illegal gold mining. Against climate change, even the best intentions can be easily dashed. ■

<https://www.economist.com/the-americas/2025/05/21/wildfires-devastated-the-amazon-basin-in-2024>

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Argentina economic reform

An election win boosts Javier Milei's reform project

Lower inflation brings popularity. Popularity brings power, which helps with lowering inflation

May 22, 2025 12:47 PM | MONTEVIDEO



Shouting in the city

IN MOST OF the world mid-term elections for half of the seats in a city hall would be ignored by presidents and markets alike. Not so in Argentina. Javier Milei, the libertarian president, made his spokesperson his party's leading candidate in elections held on May 18th in Buenos Aires. He cast the capital's ballot as a referendum on his government. His party won 30% of the vote, compared with 27% for the leftist Peronists and 16% for the centre-right PRO, the party of a former president, Mauricio Macri. Argentine shares soared in response and sovereign bonds rose. Having beaten Mr Macri in his stronghold, Mr Milei intends to sideline him entirely, trying to subsume the PRO ahead of national mid-terms in October.

Argentine politics have been in flux since Mr Milei won the presidential race in late 2023 running as an angry outsider. He has

slashed spending and brought raging inflation sharply down. In April he partially floated the peso. Yet Argentina has a history of woeful economic policy, and Mr Milei's steps are not enough. A reformer also has to show repeatedly that he can keep the Peronists out. A struggling government and resurgent Peronists, even in minor elections, can spook markets and send the economy spiralling. This week's win is a boost, though despite compulsory voting, turnout was at a historic low of 53%.

Two conclusions emerge. One is that politics will probably get angrier and dirtier. Mr Milei's style is to rage against perceived enemies; the press is now a prime target. "People don't hate journalists enough," is his new catchphrase. Mr Milei also made his spokesperson the lead candidate while keeping him in post and giving him juicy announcements close to the election. More worrying was a fake video, generated using artificial intelligence, purporting to show Mr Macri urging people to vote for Mr Milei's party in order to block the Peronists. It was shared on election eve by social-media accounts close to the president, including one widely reported to belong to his powerful spin doctor.

The second is that the government will continue to think that bringing inflation down is the path to electoral success—and will bet everything to that end. That is why after allowing the peso to float within a band, prompted in part by the IMF, the government has done all it can to keep the peso strong, avoiding a depreciation that would push inflation up. Interest rates remain high, while the government has tweaked rules to encourage foreigners to convert dollars into pesos in order to profit from a form of carry trade. A temporary tax break is pushing soyabean exporters to sell their harvest fast, also boosting the peso. The central bank has declared it will not buy dollars to rebuild its reserves until the peso touches its limit of 1,000 to the dollar, and has allegedly fiddled in the futures market to strengthen it. To the same end the government is expected to announce a loosening of rules on tax evasion,

encouraging Argentines to bring an estimated \$270bn hidden in mattresses back into the formal economy.

The approach is working, for now. Post-float depreciation was modest. Monthly inflation fell to 2.8% in April. Mr Milei may benefit from a flywheel effect whereby markets cheer his victory, which in turn boosts sovereign bonds and confidence in the peso, further staving off an inflationary depreciation. If inflation keeps falling he could win handsomely in October.

But flywheels can break down. The peso remains very strong, and so vulnerable to a depreciation, especially once the harvest ends in July. (Mr Milei surely hopes to delay any reckoning until after the mid-terms.) Boosting the peso makes exports less competitive. The central bank's refusal to buy dollars to rebuild net reserves comes as it needs \$5bn-odd by mid-June to meet the demands of the IMF's new programme. It is preparing to borrow to do so, but that only delays the problem. The other risk is that the Peronists, who increased their seat share in Buenos Aires, do well in the mid-terms. That could spook people into dumping the peso, thus prompting inflation. For now such worries have not punctured Mr Milei's euphoria. ■

<https://www.economist.com/the-americas/2025/05/22/an-election-win-boasts-javier-mileis-reform-project>

Asia

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Deterring China :: US Marines are training to defend Taiwan in a new way
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Banyan :: The group has helped keep countries from each others' throats

Do it with conviction

How to fix India's sclerotic justice system

There are plenty of ideas but not enough action

May 23, 2025 02:59 AM | Delhi



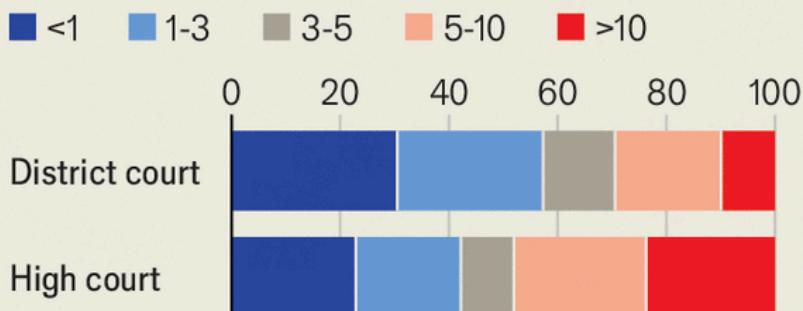
IN MOST FAITHS judgment is delivered in the afterlife. India's judiciary seems to have adopted a similar approach. Earlier this year in the central city of Bhopal, a newspaper revealed that a case filed in 1959 was still winding its way through a local court—despite the accused and witness having died many years ago. For Bhushan Gavai, the Supreme Court judge who was appointed as India's chief justice on May 14th, this is a familiar problem that has vexed all his predecessors.

India's judicial system is painfully slow. Across the country more than 50m cases are awaiting a verdict. Of those, nearly a third have been pending for more than five years (see chart), while around half have been delayed by at least three years. Outside a district court in Saket, a suburb of Delhi, Seema Chauhan, a 34-year-old, arrives for a hearing in a domestic-violence case, only to find out that there has been an adjournment from the judge for a later date. But for Ms Chauhan, that is not news: her case started in 2016.

Exhibit A

Indian judiciary, share of pending cases, 2025*, %

By duration, years



Judiciary score, 2024, 1=best

- Overall civil justice ● Overall criminal justice
- Civil justice speed ● Criminal justice speed



*At May 19th

Sources: Indian Department of Justice; World Justice Report

All this has meant India has consistently fared worse on composite measures of justice than several of its peers, including Indonesia, China and Vietnam, according to the World Justice Project, a research outfit. On a specific indicator of judicial speed, India ranked 131st out of 142 countries, below Pakistan and Sudan. According to the India Justice Report, a non-profit, the courts' backlog is expected to increase by at least 15% by 2030. India's

judiciary is not in a “mere state of stasis but a downward spiral”, says Gautam Patel, a former judge of the Bombay High Court.

Several factors explain the judiciary’s malaise, but they all are rooted in weak management. At every level, judges are hindered by archaic rules. Mr Gavai, the new chief justice, will only have six months in his role before mandatory retirement rules force him out. His successor will only enjoy the post for around a year. Mr Patel, the former high court judge, complains that he has had to assess district judges on their punctuality and courteousness, despite never seeing them in court.

The judiciary is also overworked and understaffed. Nearly a third of judge positions and a quarter of support staff roles in high courts are vacant. But filling vacancies alone is not enough. Even at full strength, the caseload would never be cleared because of new cases constantly being filed. In 2024 the lower courts disposed of 23m cases, even as 25m were added. Our calculations suggest clearing the backlog would also require a 40% productivity increase, sustained over five years.

The consequences of this malaise are vast. Around 75% of India’s prisoners are awaiting trial, the sixth-highest share in the world. Judicial delays also have enormous economic impact. In addition to legal expenses, people like Ms Chauhan face the opportunity cost of forgone wages. These alone amount up to at least 0.5% of GDP in a year, according to work by DAKSH, an Indian legal think-tank.

Firms are even bigger economic victims. Many are dragged into long disputes, often over basic contracting issues. In 2019 the World Bank estimated that enforcing a contract in India can take roughly 1,500 days (a little less than four years), compared with less than 500 in the rich world and China. India’s courts are no longer an instrument for resolving disputes between parties, but one for buying time, says Arghya Sengupta, founder of the Vidhi Centre for Legal Policy, another think-tank.

Clogged-up courts could lead to corruption. In March, officials responding to a fire at the house of Justice Yashwant Varma, a judge in Delhi's High Court, discovered among the burnt items currency notes worth 150m rupees (\$1.8m). Mr Varma is under investigation by the Supreme Court for possible corruption, but denies any impropriety. Critics, however, think that graft thrives in dysfunctional systems.

One solution is to outsource the court's administrative work away from judges to management specialists. Other countries with similar common-law systems, such as Australia, Britain and Canada, have used agencies to improve judicial performance. In Kenya, reforms introduced in 2011—which instructed judges to organise more pre-trial conferences and set case deadlines—have reduced the country's backlog. Crucially, such reforms do not require constitutional changes, nor do they compromise the judiciary's independence.

Another solution, which has been implemented, is specialised courts. But these too are already burdened with the same problems. For instance, more than 200,000 cases, involving claims of at least 18trn rupees, are piled up in various debt-recovery tribunals across the country. Meanwhile alternative dispute mechanisms, such as arbitration and mediation, that let parties settle matters between themselves outside court, are still under-developed.

Defining independence

Little has changed because judicial delays are not a big political issue, according to Dr Sengupta. “We've long assumed courts will manage themselves,” he says. In 2014 the ruling Bharatiya Janata Party (BJP) tried to involve the government in judicial appointments, which are controlled entirely by the courts and long considered opaque. The BJP's proposal triggered a backlash from judges and was eventually struck down by the Supreme Court on the ground that it undermined the judiciary's independence. But

independence, Dr Sengupta points out, should not mean “insulation”.

And although the judiciary has resisted government intervention in judicial appointments, critics argue it is hardly insulated from political influence. Lately, several decisions have seemingly favoured the government. In a recent interview, Prashant Bhushan, a Supreme Court lawyer and anti-corruption activist, claimed that “post-retirement jobs awarded to judges by the government” severely undermined judicial independence by creating perverse incentives for sitting judges.

Still, there are reasons to be optimistic. For all its faults, Indians are more confident in their courts than Americans, Britons and Japanese, according to Gallup, a pollster. And there is some evidence to suggest that, on the whole, the judiciary is fair. In a recent study, a team of economists from the Development Data Lab in Washington found no evidence that judges in India exhibit bias towards groups from their own communities, based on an analysis of more than 5m Indian criminal cases between 2010 and 2018.

Some courts have also shown they can improve their performance. Southern India dominates a national ranking of judicial performance put together by the India Justice Report. As in other domains, this superiority is thanks to better governance. Southern judiciaries use budgets more efficiently, invest more in court infrastructure and maintain better staff-to-case ratios than their northern counterparts.

They have also used technology, which perhaps offers the biggest opportunity for improving the judiciary. The High Court of Kerala, for example, has pioneered machine-learning examination of filings to speed up judges’ work and a case-management system that tightens schedules. If AI can help sort out this very human problem, then India stands to benefit. ■

Correction (May 23rd, 2025): An earlier version of this story said Chief Justice Bhushan Gavai's successor would get three months in the post. He will actually have around a year.

<https://www.economist.com/asia/2025/05/22/how-to-fix-indias-sclerotic-justice-system>

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Deterring China

America's new ship-killer missiles come to the Philippines

US Marines are training to defend Taiwan in a new way

Jul 01, 2025 11:23 AM | Basco



Island hopping

ON APRIL 22ND a Chinese aircraft-carrier strike group sailed within three nautical miles of the Philippines' northernmost islands. It was an unusual show of force. China's reason for sabre-rattling was clear: in late April, America flew a new short-range missile system to Basco, in the Batanes island chain, for the first time.

The system's deployment was the most important addition to annual military exercises held by America and the Philippines. The director of the exercise, Brigadier General Michael Logico of the Philippine army, was on hand as the missile system was deployed. "I always see this as a positive, when China reacts to us. It only means that we have probably done something worthy of their attention," he says.

The airfield at Basco is a short, gently sloping runway on a mountainous postage stamp of an island. But the Batanes are key

terrain, the closest that America can get to Taiwan on the territory of an ally. And it is here that the United States Marine Corps is rehearsing for the first time a new way of defending Taiwan, in the hope that it will deter China from ever attempting to seize the self-governing island by force.

At the centre of the new strategy is the Navy Marine Expeditionary Ship Interdiction System (NMESIS). The missile system is not the hardest-hitting weapon in America's arsenal. But it is small, light, easy to move and hard to find. Mounted on the back of a modified and remote-controlled version of the Humvee, it can hide in the steep emerald hills of the Batanes.



In last month's exercise America spread its marines throughout the Batanes, as it might do if it feared a Chinese attack on Taiwan. In

that scenario, marines would be in place to fire NMESIS at Chinese vessels in waters south of Taiwan, or even those landing on its southern beaches. In doing so, they could block Chinese ships from breaking out beyond what strategists call the first island chain, the long archipelago extending from Japan to Taiwan to the Philippines to Borneo. Such an approach would limit China's options in an invasion or blockade, and allow America to surge forces into the Western Pacific without having to fight its way in.

The marines in the Batanes know that they will be vulnerable to China's own missiles. That is why a big part of their mission is to remain undetected before firing. Even if China were to take out some of the batteries on the islands, it could not be confident that it had got all of them. "Chinese military planners do not like uncertainty," says T.X. Hammes, a retired colonel at the National Defence University in Washington. Small units like these "create uncertainty because they are mobile".

To deter an attack on Taiwan, American war-planners are focusing on creating uncertainty throughout the Western Pacific. Each of America's armed services is studying how they can spread their forces out so as to survive an onslaught. For each service, it is a big shift, requiring an overhaul of their doctrine and equipment.

The strategy is not without its challenges. First, there are questions about whether China could detect signals from the marines' electronics, allowing it to take them out before they get a shot off. "Our electromagnetic signature is very low," says Colonel John Lehane, the commander of the 3rd Marine Littoral Regiment, which brought NMESIS to the Batanes. Keeping it that way will require constant updates.

Mobility is another work in progress. The marines' strategy sees them moving from island to island, dodging missiles, in a smaller and faster new vessel called the light amphibious warship. But shipbuilding delays in America mean that none has yet been built.

For now, moving NMESIS around requires hitching a ride on older, larger amphibious ships or C-130 aircraft based at vulnerable airfields.

Colonel Hammes questions whether the Batanes are where the marines should be. The islands are closer to Taiwan than Luzon, the Philippines' biggest island. But they are small, which might make it easier for China to find marines on them. Better, he says, to stay on Luzon, with more places to hide. That would require longer-range missiles. The marines are working on firing Tomahawk cruise missiles from the same chassis as NMESIS, which would increase its range from 185km to over 1,600km.

Then there's the question of politics. The marines' strategy relies upon access to the territory of allies such as Japan and the Philippines. It also assumes that their supply lines would be cut early in a conflict, and that they might need to rely on the support of the local community. America remains popular in the Philippines, its former colony. But many local officials in the northern Philippines are unhappy about the American military presence, fearing that they will get caught in the crossfire.

The pro-American president, Ferdinand Marcos junior, is term-limited, so he cannot run in the next presidential election in 2028. His vice-president, Sara Duterte, is the frontrunner. Mr Marcos and Ms Duterte fell out shortly after taking office, and he had been seeking to oust her in a trial in the nation's Senate. But in midterm elections on May 12th, voters denied Mr Marcos the two-thirds majority required to remove her.

Ms Duterte is the daughter of Rodrigo Duterte, who as president from 2016 to 2022 limited the Philippines' military co-operation with America and cosied up to China. Her father is now awaiting trial at The Hague on charges of crimes against humanity committed in a brutal drug war during his presidency. But if Ms

Duterte wins the same office, she could reorient the Philippines' foreign policy yet again.

There remain doubts, too, about Donald Trump's willingness to defend Taiwan and allies like the Philippines. But the marines are focused on honing their craft, not politics. "The more we do it, the better we get at it," says Lieutenant General Michael Cederholm, who heads the marines' largest combat formation, while flying back from observing the deployment of NMESIS in the Batanes. "And today we got a little better and a little stronger." ■

<https://www.economist.com/asia/2025/05/22/americas-new-ship-killer-missiles-come-to-the-philippines>

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Meet the Viet Kieu

Vietnam's diaspora is shaping the country their parents fled

As well as sending remittances, many are returning to their homeland

May 23, 2025 10:06 PM | HO CHI MINH CITY



FIFTY YEARS ago Thinh Nguyen left his homeland aboard an American navy ship. Some of his compatriots escaped in helicopters. Tens of thousands fled in makeshift boats. Many more, including Mr Nguyen's father and brother, were left behind as troops from North Vietnam stormed into Saigon, then the capital of American-backed South Vietnam. The chaotic evacuation marked the end of the Vietnam war, badly damaged American credibility and left Vietnam in Communist hands. It also helped create one of the world's biggest diasporas.

Today, the Vietnamese diaspora is a force of around 5m people, living and working everywhere from America to eastern Europe. They also do a lot for Vietnam. They send back roughly \$16bn of remittances a year, one of the highest hauls in Asia and greater than the diasporas of Indonesia or Thailand. But far more than their money, the people themselves are transforming the home country.

Half a century on, Vietnamese emigrants and their children are coming back, bringing with them not just wealth but also the skills and education they have picked up abroad. Hundreds of thousands of overseas Vietnamese, who are known as “Viet Kieu”, visit their homeland every year. Official data on how many stay permanently are scarce, but many do.

The flow began slowly in the 1990s, when memories of war were still fresh. The government started to encourage Viet Kieu to return, describing them as “an inseparable part of the Vietnamese nation”. Some came back to start businesses after the Communists opened up the economy through market reforms called *doi moi*. Mr Nguyen, who had worked in Silicon Valley, returned in 2002 to found a software company. Vietnam was “the new El Dorado” and “startup heaven”, he says, because costs were low. His return coincided with a thaw in relations with America, which helped Vietnam develop its successful, export-oriented economic model.

In the years since Mr Nguyen arrived, [Vietnam’s economy has boomed](#). Last year it grew by 7%, faster than any other country in Asia. Companies such as Samsung and Apple have set up in Vietnam, which is now a crucial cog in global supply chains, exporting everything from smartphones to trainers. The diaspora is returning to take up opportunities in these bustling tech and manufacturing industries, as well as many others. They can use their upbringing abroad to their advantage: some American-Vietnamese work for Intel, which assembles chips in Vietnam.

Viet Kieu also come to connect with their roots. Having grown up abroad, they want to see what their homeland is like and improve their language skills. It is not always an easy transition. John Vu, a 33-year-old who grew up in America, moved to Saigon—known today as Ho Chi Minh City—in 2019 and organises meet-ups for Viet Kieu. He says some complain that “they stand out like a sore thumb” and that locals speak English to them even when they try to

speak Vietnamese. Younger returnees also face resistance from their parents, who knew a different Vietnam.

Celebrations for the 50th anniversary of the end of the Vietnam war—which the government calls “Reunification Day”—were complicated for some Viet Kieu. On April 30th tens of thousands of Vietnamese gawped at fireworks and fighter jets soaring above tanks and troops in Ho Chi Minh City. Mr Nguyen stayed at home. To him, having lived through the fall of Saigon, “it is not a cause for celebration.” But younger Viet Kieu, as well as many local Vietnamese, do not have the same painful memories. Mimi Vu (no relation), who moved from America several years ago, was among those who felt “happy the country is united”. Some, though, were just happy to get a few days off work. ■

<https://www.economist.com/asia/2025/05/22/vietnams-diaspora-is-shaping-the-country-their-parents-fled>

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Banyan

On its own terms, ASEAN is surprisingly effective

The group has helped keep countries from each others' throats

May 22, 2025 03:21 PM



IT HAS AT times been hard for Banyan to be a fan of the Association of South-East Asian Nations (ASEAN). *The Economist* is plain-spoken; the ten-country club has an irritating habit of talking around the big issues. We are not the only ones who have been frustrated by the bloc's reserve. Activists decry its refusal to condemn the human-rights records of its more abusive members. China hawks bristle at its reluctance to call out by name its pushy neighbour to the north. It is not much of an economic bloc. When ASEAN convenes in Kuala Lumpur this week for its twice-annual summit, Banyan may sympathise with those complaining that it isn't doing what they want it to do—or appearing to do very much at all.

For all that, ASEAN gets too little credit. Judged not by the yardsticks of others but rather according to the interests of its own members, it is often quietly effective. On flashpoints, such as the South China Sea and the civil war in Myanmar, members have diverse views. Yet membership of the bloc at least keeps them from

actively working against each other's interests. ASEAN's grey, consensus-based incrementalism is never going to shake the world. Without it, though, the region would be more divided or exploited by bigger powers.

What do critics get wrong about ASEAN? One common claim is that its positions are invariably reduced to the views of the most timid or the most stubborn member. That is not quite right. Increasingly, the bloc tends to coalesce around the median stance of its members. Take the contest over the South China Sea. The Philippines has sought to get the organisation to object strongly to China's bullying of its vessels. But other members do a lot of business with China and care much less about distant maritime disputes. Landlocked Laos, in thrall to China, seeks to get the group to blame America for tensions.

ASEAN hasn't backed the Philippines' view—but it hasn't adopted the position of Laos, either. It criticises aggression in the South China Sea. Even though it is mealy-mouthed about naming China as the aggressor, there is no mystery about the culprit's identity. Requests by Laos and other China dependants to blame “outside powers” (ie, America) for the tensions are routinely rejected.

Another common criticism is of the bloc's principle of “non-interference”: the idea that member countries will not get involved in each other's domestic affairs, however brutally managed they may be. Yet this view is out of date. After Myanmar's army seized power in 2021 and started massacring civilian protesters, some ASEAN members, among them Indonesia, Malaysia and Singapore, were outspoken in their objections to the coup. They helped persuade fellow members to ban the junta chief, General Min Aung Hlaing, from the group's summits, while calling firmly for an end to the violence. ASEAN will not formally expel the junta—or seat its pro-democratic opponents, for that matter. Myanmar's lower-ranking officials still attend some meetings. The junta has not been

suspended. But it can no longer veto decisions and its views carry little weight.

One reason the club is willing to freeze Myanmar out is because it helps keep bigger countries outside ASEAN constructively engaged with the region. The club has become an unrivalled convener in Asia of bigger powers. America, China, India and Russia all send top leaders to the annual East Asia Summit, hosted by whichever country happens to be holding ASEAN's rotating chair. ASEAN shapes the summit agenda, as well as the language used to address big regional problems. This is a crucial aspect of its soft power.

Two other points are often missed, but are key. First, in a region rife with family political networks, familiar ties among leaders count. Family political dynasties nearly always bode ill for governance at home. But, like it or not, the fact that six of the nine leaders coming to Kuala Lumpur are the children of former leaders who once made deals over golf means there is a degree of ease in the new generation's dealings with each other.

Second—and try not to yawn—but a crucial and rarely acknowledged corps of regional diplomats keeps the ASEAN show on the road. Unseen, they lend ASEAN vital ballast and, not least, deepen familiarity among neighbours who once had remarkably little to do with each other. If ASEAN has kept its relevance, it is to them that much of the credit goes.■

<https://www.economist.com/asia/2025/05/22/on-its-own-terms-asean-is-surprisingly-effective>

China

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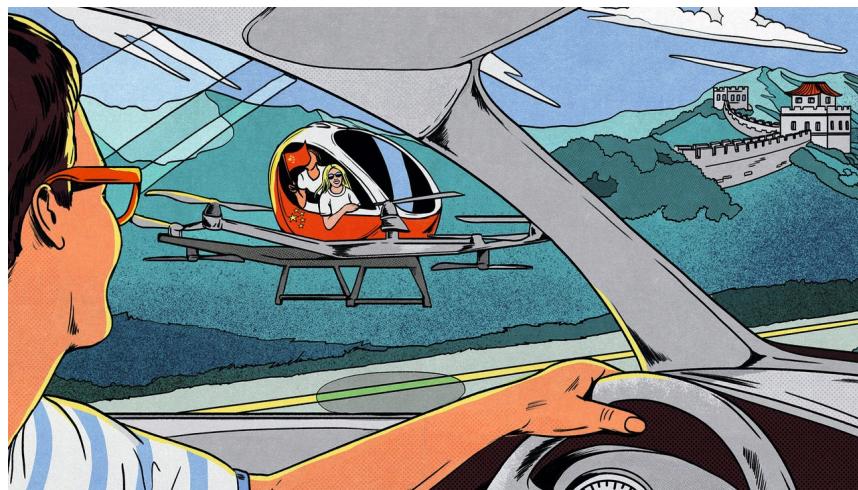
Brain drain :: And they are reaching beyond academics with Chinese heritage

Soft power

How China became cool

Western livestreamers and Chinese video games have burnished the country's image

May 22, 2025 02:26 PM | BEIJING



THE LEADERS of the Communist Party might be surprised to find they are indebted to a bouncy 20-year-old livestreamer from Ohio called Darren Watkins junior. He goes by the screen name “IShowSpeed” and has in one visit done more for [China’s image](#) abroad than any amount of turgid party propaganda. On a two-week trip in March and April he showed his 38m followers the country’s rich history (with a backflip on the Great Wall), friendly people (he joked with China’s finest Donald Trump impersonator) and advanced technology (he danced with a humanoid robot, had a KFC meal delivered by drone, and tried a flying taxi). As he drove into a lake in Shenzhen, safe within an amphibious James-Bond-style electric SUV, Mr Watkins was agog. “Oh my God, this car is not sinking...China got it, these Chinese cars got it!” Or, as he says frequently throughout his visit, “China’s different, bro.”

It is the kind of enthusiasm that leaders have long wanted to inspire in foreigners. The party has tried to cultivate “soft power” that gets

a country what it wants without using “hard” coercion or military force, and has long criticised the “anti-China” narrative in Western media. In 2013 the Politburo said soft power was essential to the “Chinese dream of national rejuvenation”. This was no easy task. China’s propaganda falls flat overseas, where many are wary of its authoritarian past (and present).

Increasingly, though, more people, especially the young, seem willing to look past China’s ugly side. That is not mainly thanks to party spin doctors. Mr Watkins is one of a parade of foreign vloggers posting on their trips since China reopened after covid. Chinese firms have bleeding-edge technology and cultural exports. And the country’s image has been helped by a slump in America’s popularity, courtesy of President Trump. On May 15th there was a sense that the *People’s Daily*, the mouthpiece of the Communist Party, could not quite believe it was publishing an article entitled “How did China become cool?”

A decade ago China was spending \$10bn a year attempting to boost its image overseas, according to one American scholar. The sum may now be higher. Officials have set up 500 “Confucius Institutes” in foreign colleges that offer Mandarin tuition and cultural programmes. State-run media churn out positive stories on Western social media. Hundreds of foreign journalists are invited to China each year and shown highlights such as the impressive high-speed rail network.

But these top-down efforts have been eclipsed by bottom-up innovations. DeepSeek, an artificial-intelligence star, made headlines in December when it announced models that were much cheaper to train and nearly as effective as Western ones. Chinese electric vehicles are being snapped up by overseas buyers, and Chinese consumer drones have been world-leading for years. Now cultural products are gaining fans overseas. China watched with envy as South Korean k-pop took off round the world in the 2010s. Chinese music and television remain niche interests outside the

Mandarin-speaking world, but the country is becoming a big hitter in gaming. Four of the ten highest-grossing mobile games of 2024 were made in China. One such is Genshin Impact, a role-playing adventure which rakes in over \$1bn a year. Last year a Chinese firm released Black Myth Wukong, the country's first blockbuster video game. Featuring the mischievous Monkey King, it is steeped in Chinese folklore. Some 30% of its 25m players are said to be outside the country.

The media the world consumes are increasingly shaped by China, too. TikTok, a short-video app owned by Bytedance, a Chinese firm, is downloaded more than any other social-media app worldwide. Viewers in countries such as Mexico and Indonesia have also embraced Chinese “micro-dramas”, minute-long episodes designed to be watched on mobile phones.

Emerging from lockdown

Several polls suggest China’s popularity hit a low point during the pandemic but then turned a corner. Every year Brand Finance, a consultancy, asks 100,000 respondents worldwide what they think of different countries and their influence. The results put China’s “brand” at eighth in the world in 2021 and second this year, behind America. Polls by the Alliance of Democracies Foundation, an NGO in Denmark, show a steady improvement in global attitudes towards China since 2022, with its “net perception rating” rising from -4% that year to +14% in the latest survey, published this month. America’s has dropped from +22% to -5% just in the past year. A recent poll by Pew, a pollster, showed that even in America, where China is widely disliked, opinions have warmed recently. Young people, in particular, are softer on China.

Asian neighbours tend to be more sceptical. Many have territorial disputes with China and worry about its military spending. In Europe, there are “hard limits” to how popular China can become because of its lack of democracy and poor human-rights record,

reckons Andrew Chubb of Lancaster University in Britain. Plenty of critics of Communist Party policies towards the Uyghurs in Xinjiang, for instance, say the current enthusiasm whitewashes the party's authoritarianism. Others say the party is just shrewder now. They believe it is quietly but actively facilitating visitors like Mr Watkins.



Still, China's government seems confident that, if people pay a visit, they will like it, wherever they are from. Officials are scrambling to get tourists back after numbers slumped during the pandemic. Last year China scrapped visa restrictions for citizens from 38 (mainly European) countries to visit for up to a month. Some 30m foreign tourists visited China in 2024, nearly 80% more than the year before, though still fewer than the pre-covid peak.

The trickiest task for China's propagandists is to let the country's appealing side speak for itself, says Shaoyu Yuan of Rutgers University in New Jersey. That is "uncomfortable for a system that's built on message discipline and control", he says. Last year a group of 70 students from Duke University in North Carolina visited China on a study trip. They were pestered by state-run media pressing them to say nice things about China, according to an online account by one disgruntled student. A camera crew, she recalled, "taught me to recite a poem in Mandarin that included the

line ‘I love China’”. As any teenager will tell you, China would be much cooler if it did not try so hard. ■

<https://www.economist.com/china/2025/05/20/how-china-became-cool>

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Medical affairs

A sex scandal in China sparks a nationwide debate

The affair has morphed into a discussion about privilege and fairness

May 23, 2025 04:49 PM



THOUGH THE trade war has been a hot topic of debate on Chinese social media over the past month, the Chinese public appears to have been just as exercised about an old-fashioned sex scandal at one of the country's most elite hospitals. The scandal has morphed into a full-blown debate about privilege, ethics and (the lack of) fairness in Chinese society.

The story broke in mid-April and revolves around a senior surgeon called Xiao Fei at the China-Japan Friendship Hospital in Beijing. The first the public knew of Mr Xiao was when his estranged wife posted a letter online, alleging that he had been having affairs with colleagues, including a junior doctor called Dong Xiying. The letter also accused Mr Xiao and Ms Dong of walking out of a surgical theatre where he was preparing for an operation, and leaving the anaesthetised patient unattended by a doctor for 40 minutes.

The hospital announced on April 27th that it had investigated the allegations and found they were “basically true”. It said Mr Xiao had been sacked and expelled from the Communist Party. (He told state media that he had not violated medical ethics, that he had left the patient for 10-20 minutes in the care of anaesthetists, and the reason for doing so was to defuse a dispute with a nurse.)

That was not enough to satisfy some members of the public, who suspected there was more to the story and had already started sniffing around. Top hospitals are redoubts of a health-care system that many citizens view as deeply unfair. Seeing specialists requires hours or even days of queuing. Treatment can be costly, often prohibitively so for the poor or migrants from the countryside. So if there was dirt, there were plenty of ordinary people willing to dig it up.

Back-door admissions

What they revealed was that Ms Dong had got her start in medicine on an experimental programme known as the “4+4” at Peking Union Medical College, one of the nation’s most prestigious. The scheme offers outstanding students with an undergraduate degree in another discipline an accelerated path to qualification as a doctor after four years, rather than the usual pathway which takes more than a decade. Ms Dong had studied economics at Barnard College in New York. Netizens asked why an American economics degree meant she needed only four years of medical school, and whether the 4+4 programme was simply a back door for the well-connected into a profession where people’s health and indeed lives were on the line.

In late April and early May the topic became one of the hottest online. On Weibo, a microblog platform, posts with the hashtag “Xiao Fei has been dismissed, when will Dong Xiying’s issues be investigated?” attracted more than 200m views. Some of China’s tabloid media joined the fray. “Frankly, this farce has evolved into

an issue of social fairness,” Jimu News, an online service, posted to its Weibo account. It referred to reports that Ms Dong’s papers had suddenly disappeared from an academic database. “Could there be some hidden secrets that cannot see the light of day, prompting a hasty cover-up?”

Difficult operations

The scandal has put the authorities on the spot. Though they can sometimes suppress news completely, once a scandal gathers steam it can become more dangerous to try to squash it. So they try to manage it. State media have covered the main developments, but censors have struggled to keep online debate in check. It has veered into withering criticism of official corruption in hospitals and academia; of callous self-centredness among the well-connected; and, above all, of the way that plum jobs get taken by the high-born. As the economy falters and work becomes harder to find, the Communist Party is even less keen than usual to encourage discussion about such matters.

On May 15th the health ministry announced that Mr Xiao and Ms Dong had been stripped of their licences to work as physicians. The government will be hoping that those punishments—and the ministry’s promise to conduct a “comprehensive assessment” of the kind of fast-track scheme that Ms Dong joined—will put the whole affair to rest. By sacrificing the protagonists, it may be able to avoid making any further serious changes. Not surprisingly, the story has been pulled from Weibo’s list of “hot searches”.

Though the scandal has left a bitter taste, the public seems not to have lost its ability to laugh. One joke online has a patient admitting that he pulled strings to be treated at that particular hospital, whereupon the surgeon confesses that he, too, used contacts to get his job. The assistant surgeon admits the same. Finally the virus asks, “Am I the only one who got here on his own merits?” ■

<https://www.economist.com/china/2025/05/22/a-sex-scandal-in-china-sparks-a-nationwide-debate>

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Brain drain

China's universities are wooing Western scientists

And they are reaching beyond academics with Chinese heritage

May 22, 2025 03:19 PM



CHARLES LIEBER had few options. On April 28th the renowned former Harvard chemist took up a new post at Tsinghua University's Shenzhen campus. Mr Lieber had been looking for a perch after he was convicted in America in 2021 for hiding ties to Chinese research funding. He is one of a handful of senior Western scholars who have recently taken up posts in China. Others have done so more from a position of choice.

The websites of Peking University and Tsinghua University, respectively, recently confirmed that Gérard Mourou, a French Nobel-prizewinning physicist, and Kenji Fukaya, a decorated Japanese mathematician, were joining their faculties. This month Alex Lamb, an AI researcher, confirmed he was leaving a lab at Microsoft in New York for Tsinghua's new AI college. "I think that Tsinghua is a very good university," Mr Lamb wrote in an email. "The quality of the undergraduate students is extremely strong and Tsinghua's ability to recruit strong graduate students is rapidly improving."

The scholars join a dozen leading scientists of Chinese heritage who have recently left Western colleges for China. They include Sun Song, a star mathematician at the University of California Berkeley, who moved to Zhejiang University, home of DeepSeek, an AI firm.

“‘Talent’ is becoming as important a core goal of central planning to Beijing as ‘workers’ were under Mao,” wrote Jeroen Groenewegen and Antonia Hmaidi for MERICS, a European think-tank. In 2021, Xi Jinping set a goal to make China attract global talent by 2030 and be the top destination for the brightest by 2035.

Recruiting from the West focuses on two groups: a small number of senior researchers like Mr Mourou, and a greater number of early-career bright sparks, like Mr Lamb. At a big Communist Party meeting in 2024, China’s leadership said it would refocus its efforts to attract foreign scholars, including by making it easier for skilled workers to move there. Universities have been more active in promoting national scholarship funds established in 2021 to woo foreigners.

President Donald Trump’s re-election has caused a growing number of Western scholars to look east, says Yu Xie of Princeton University. More than half of the post-doctoral students in America are foreign, many of them Chinese. During Mr Trump’s first term, America’s justice department investigated many researchers with links to China, including Mr Lieber. Many of the cases failed in court, but had a chilling effect. More than half of Chinese and Chinese-American researchers thought about leaving America, says Mr Yu, and it is likely a few hundred did so.

This time Mr Trump casts a broader shadow. He is reportedly planning \$23bn in cuts over the next fiscal year to government-funded science. That is on top of a campaign against higher education, challenging the academic independence of institutions such as Harvard by holding their federal grants hostage. China’s

state media recently crowed that uncertainty in America “is causing a broader community of scientists to lose confidence in building their careers there”.

Funding cuts are forcing difficult trade-offs on scientists looking to continue their work. Though the gap between America and China in innovation has shrunk, China’s research ecosystem is still bureaucratic and hierarchical, and lacks true intellectual freedom. And disaffected boffins in America do have other choices. The European Union said on May 5th that it will spend €500m (\$566m) courting them.■

<https://www.economist.com/china/2025/05/22/chinas-universities-are-wooing-western-scientists>

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Culture wars

Meet Africa's ascendant right

They are devout, well-connected and have a MAGA wind in their sail

May 22, 2025 02:26 PM | NAIROBI



THE AFRICAN family is under threat. That, at least, was the message of the “Pan-African Conference on Family Values” held in Nairobi, Kenya’s capital, this month. Delegates from across Africa as well as several from Western countries described a continent on the cusp of social collapse. Attendees were told that “foreign ideologies” were producing an epidemic of abortion, homosexuality and “gender confusion”. One of the Kenyan organisers blamed incest on sex education. Everyone agreed their liberal opponents were on the march. “The people on the other side who are pushing this agenda are relentless,” declared David Oginde, chair of Kenya’s Ethics and Anti-Corruption Commission.

Africa’s Christian right sees itself as a plucky, righteous David struggling against a godless, liberal Goliath. This has never been quite right; today it is wildly misleading. Their ties to right-wingers in America mean Christian conservatives in Africa now wield great clout. Donald Trump’s re-election has given “all the anti-rights

groups new energy, new power,” says Emmanuel Lee Mutwiri, a Kenyan activist. And the wrecking of the United States Agency for International Development (USAID) and cuts to the sexual-health and advocacy programmes it supported offers a singular chance to undo liberal gains.

More conferences devoted to “family values” are planned in Africa. They are sponsored by powerful conservative Christian groups from the West, including Family Watch International (FWI) and the Alliance Defending Freedom (ADF), which helped overturn *Roe v Wade*, the ruling that enshrined the right to abortion in America. By nudging African policymakers in ever more illiberal directions on sexuality and gender, such groups have already had a big impact on African politics. In recent years lawmakers in Kenya, Ghana, Nigeria and elsewhere have demanded sweeping anti-LGBTQ measures. In 2023 Uganda passed one of the world’s harshest anti-homosexuality laws, including the death penalty for some same-sex acts. Bills targeting trans people and abortion are next, warns Pius Kennedy, a local activist.

Links between Christian conservatives in Africa and the West are not new, but two key developments help explain the strength of their alliance today. First, the AIDS epidemic in the early 2000s drew the attention of American evangelicals who opposed gay rights. American church groups brought a new militancy to the continent’s gay-rights debate, says Kapya John Kaoma, a Zambian priest at Boston University who studies anti-LGBTQ politics.

The second was the election of Barack Obama, which convinced some Christian conservatives in America that the ground they had lost to liberals there might be irreversible. As the global culture wars heated up, Africa was heralded as “the last man standing” in defence of biblical values.

Outsiders have flung money at African conservative causes. A study of financial filings by the Institute for Journalism and Social

Change, a global media initiative, found that 17 American Christian groups together spent at least \$16.5m in Africa in the four years to 2022; the total spend in 2022 was about 50% more than in 2019. This was probably only a fraction of the total disbursed by foreign religious groups over this period, notes Claire Provost, one of the authors. American churches do not have to disclose their overseas spending.

Africa's Christian conservatives have grown more effective. In 2014 Uganda's constitutional court struck down an anti-gay law on procedural grounds. Ten years later the court upheld a more draconian version. The breadth of today's anti-liberal coalition has helped. According to the *Wall Street Journal*, FWI helped organise the "family values" conference in 2023 in Uganda; the Russian embassy paid for it. The anti-gay bill soon became law. Copycat bills popped up in Kenya and Ghana.

A bit less fire and brimstone

The tactics used have grown more sophisticated, too. Africa's Christian right once argued against abortion and homosexuality in "demonic" terms; now "they couch their arguments in the language of rights itself", says Ayo Sogunro, a Nigerian human-rights scholar. Conference speakers in Nairobi stressed the rights of parents to protect their children from early sexualisation. "Folks are being prepped and primed in a different way," says Ramatu Bangaru, a pro-choice activist in Sierra Leone.

The movement is also homing in on multilateral institutions. Sharon Slater, FWI's founder, hosts annual "training sessions" for African politicians hoping to advance these causes at the UN. In Nairobi she warned that the World Health Organisation's new pandemic-preparedness agreement poses "a threat to the African family" because it includes provisions for sexual and reproductive health care. ADF has applied (so far unsuccessfully) for observer status at the African Commission on Human and Peoples' Rights to

lobby its officials. FWI has set up shop in Ethiopia's capital, which hosts the African Union.

But perhaps most important, today's Christian right has allies in the upper echelons of power. Several of Africa's most influential leaders, including President William Ruto of Kenya and Abiy Ahmed, Ethiopia's prime minister, are born-again Christians. Many of those in their inner circles are too. In recent years several African first ladies, notably Janet Museveni of Uganda, have been courted by conservative Christian groups and have then promoted socially traditional policies.

Such policies are often also politically expedient. Africans rarely resent people from other countries, ethnicities and faiths, but homophobia is still widespread, according to Afrobarometer, a pollster. In countries with recent polling data, large majorities also strongly oppose abortion. Unpopular governments may be tempted to exploit these sentiments. Since taking office in 2022, Mr Ruto—who last year faced mass protests against his rule—has spoken out forcefully against gay rights. Neighbouring Ethiopia is grappling with a protracted civil conflict. Though it has a relatively liberal abortion law, an aggressive anti-abortion movement has suddenly taken root, about which the government has been strikingly silent.

The Trump administration has further boosted Africa's ascendant right. In the past, governments seeking good relations with America, such as Mr Ruto's, tended to avoid legislation as brazenly illiberal as Uganda's 2023 bill. Today “what we are going to see the Kenyan government promoting is what aligns with the Trump administration,” predicts Martin Onyango of Kenya's Centre for Reproductive Rights. Controversial anti-LGBTQ laws and efforts to limit abortion rights in Kenya may well be looked at more favourably.

Christian conservatives also stand to benefit from the closure of USAID. Charles Kanjama of the Kenyan Christian Professionals

Forum says that aid money should come “without strings attached and without shoving the LGBT agenda down our throats”. “How did we get to the point where America is sending taxpayer dollars all over the world to NGOs that undermine religious freedom?” agreed J.D. Vance, America’s vice-president, in February. Some in the administration’s orbit say that PEPFAR, America’s scheme for fighting AIDS which was frozen in January, should be restored—if the money goes to anti-abortion Christian NGOs.

Liberals have long complained about the way Western religious conservatives have fanned intolerance in Africa. But their African counterparts may not need much outside support. Even “things we can all agree are bad, such as female genital cutting, are now up for debate again”, notes Gillian Kane of Ipas, an American group that campaigns for safe abortion and contraception. Big shifts, such as the growth of evangelical Christianity, particularly among young Africans, herald a more socially conservative future. Like right-wingers elsewhere, Africa’s Christian right relies on a sense of peril to drum up support. But today it is their liberal rivals who have reason to worry. ■

<https://www.economist.com/middle-east-and-africa/2025/05/22/africas-culture-wars>

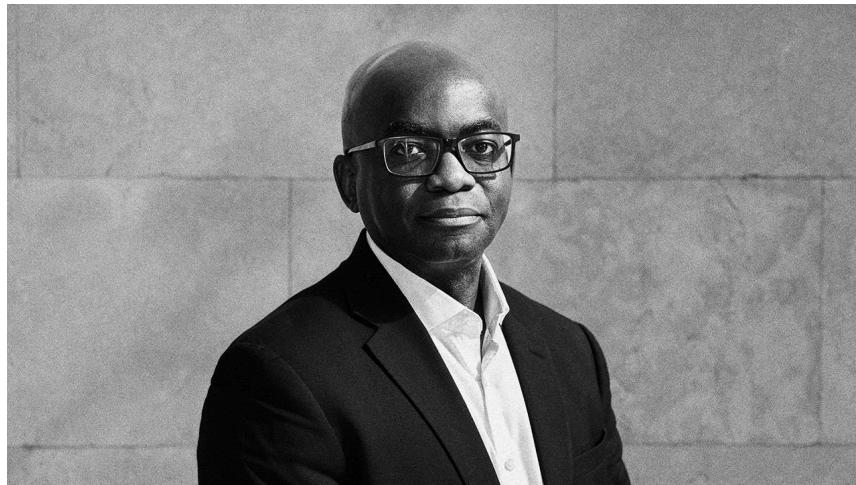
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A bank that divides Africa

A bitter race to elect the head of Africa's pivotal bank

America has lost interest, but the rest of the world should not

May 22, 2025 12:48 PM | ABIDJAN



Samuel Maimbo: results-driven team player

COMBINE THE secrecy of a papal conclave with the national rivalries of the Eurovision Song Contest and you have a sense of what will happen on May 29th during the election of the next president of the African Development Bank (AfDB).

This 60-year-old development finance institution, and who runs it, matter more than ever. Cuts in aid will hit Africa especially hard. It is likely to lose at least 30% of the total grant funding coming from abroad, much of which is essential for government operations. President Donald Trump says he is cutting America's sizeable contribution to the AfDB. Private capital is still not filling infrastructure gaps.

Moreover, as the African Union is becoming increasingly ineffective, Africa needs a strong pan-African institution with legitimacy, a clear orientation, and money to unite the region. The

African Continental Free Trade Area and other slow-moving initiatives to beef up Africa in global negotiations need champions. The AfDB has billions of dollars to deploy: for African states that is a lot to fight for. But as the bank's presidential race heats up, the institution that should transcend national rivalries is exposing them.

The main job of the bank's president is to set out the continent's most pressing development needs and oversee the projects to tackle them. It is also to inspire the confidence that encourages partners to contribute more capital, which the bank then borrows against on the market. The outgoing president, Akinwumi Adesina, helped raise the bank's profile, but not enough money to cushion against current shocks.

In 2023 the bank disbursed \$6.1bn, less than half the sum raised by the Inter-American Development Bank for a region less than half as populous. Africa remains the only region where the World Bank is still a bigger project backer than the regional development bank designed primarily for that purpose. Currently too little capital is spread too thinly across many projects that the bank is forced to pick up because African governments often neglect them.

On priorities, little separates the five candidates. All call for job creation, interconnected infrastructure and intra-Africa trade. They all big up their connections and expertise. Zambia's Samuel Maimbo, coming from the World Bank, stands out for his global experience and has bold plans for tackling the continent's stubborn trade obstacles. He is also determined to woo back the Americans by proving Africa's worth. Mauritania's Sidi Ould Tah has the bonus of coming from the Arab Bank, given the growing appetite for new partners, especially in the Middle East.

They may all claim to want more intra-Africa collaboration but the divisiveness of the race, even within subregions, shows how hard it is to build a continental consensus. South Africa, with one of the biggest vote shares has its own runner, Swazi Tshabalala, instead of

joining the rest of the southern bloc to back Mr Maimbo. Ms Tshabalala is the only woman on the ballot and has served as the bank's vice-president. France appears to be backing Mr Tah from Mauritania. This means that Senegal, whose relationship with France is fractious, has put forward its own candidate, a former economic minister, Amadou Hott. He is backed by Nigeria, which has the largest vote share in Africa, at 9%. A former finance minister of Chad is running too.

Non-African donors to the bank wield special importance and a combined 41% vote share, complicating the politics even more. Rich non-African economies are key to maintaining the bank's AAA rating. Despite Mr Trump's announcement, that still includes America, which was pivotal in lobbying for Mr Adesina's Rwandan predecessor in 2005. Within the region, votes are proportional to each country's capital contributions. The winning candidate needs at least half of the total vote and also half of the African vote.

Ultimately the race is about politics, not policy. Key states like Egypt and Nigeria are banking on whom they will get the most cash out of (and who will demand the least in return). The bid for the job will be over soon. The bid for more funds will be a longer, harder fight.■

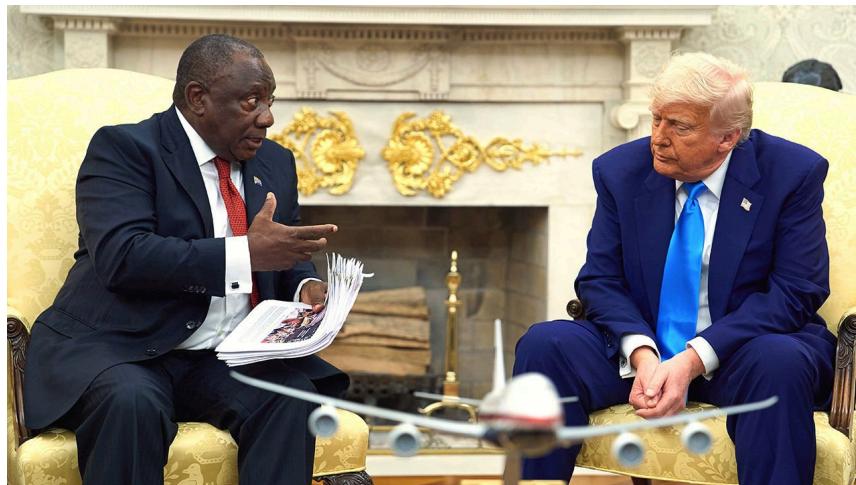
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Putting the white in White House

Cyril Ramaphosa keeps his cool with Donald Trump

The episode underlined Donald Trump's warped views of South Africa

May 22, 2025 12:47 PM



CYRIL RAMAPHOSA, the South African president, went to the Oval Office to salvage his country's economic ties with America. But he was ambushed by his host, who dimmed the lights to show videos about what he has falsely called a "genocide" against white farmers. Mr Ramaphosa kept his cool. But the episode underlined Donald Trump's warped views of South Africa—and how hard it will be to change them. The Trump administration has cut aid to Africa's largest economy and seems set to cancel the preferential trade terms enjoyed by South Africa (and many other countries in the continent). It has also [offered asylum](#) to white South Africans; 59 have so far been granted refugee status.■

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Gaza on the brink again

Israel says it is unleashing an “unprecedented attack”

More war beckons, as Donald Trump freezes out Binyamin Netanyahu

May 22, 2025 02:26 PM | JERUSALEM



IN A CAREER of many crises Binyamin Netanyahu, Israel’s prime minister, faces a defining moment. The path he chooses may alter Israel’s relationship with the Palestinians and America, its closest ally. One route involves reinvading Gaza to try to eradicate Hamas, which the Israel Defence Forces (IDF) are poised to do. That would cause more casualties, and further damage Mr Netanyahu’s relations with America and the Gulf states. The other path would involve a truce that could topple Mr Netanyahu’s government but repair Israel’s influence in the White House at a time when Mr Trump is reinventing American policy towards the Gulf, Syria and Iran. The implications of that shift could last decades.

The odds of the first path, reinvansion, are now dangerously high. On May 19th Mr Netanyahu said the IDF would be “taking control of all of Gaza”. His finance minister, Bezalel Smotrich, a leader of one of the coalition’s far-right parties, went even further. “We are

destroying what is still left of the strip, simply because everything there is one big city of terror,” he said.

[Read all our coverage of the war in the Middle East](#)

The IDF has warned Gazans to leave Khan Younis, a key city, ahead of an “unprecedented attack”. Israel hopes a final surge will eradicate what remains of Hamas. On May 13th a strike may have killed Muhammad Sinwar, one of its last senior commanders. The humanitarian cost is likely to be staggering. Since the collapse of a ceasefire on March 18th, perhaps 5,000 Gazans have been killed, taking the total to over 50,000, including combatants. Hunger is widespread. In preparation for a ground attack the IDF has been conducting over 100 strikes a day.

The Trump administration appears to have granted Israel licence to act, but Mr Netanyahu himself appears not to have its support. Steve Witkoff, Mr Trump’s envoy, is said to have privately urged Mr Netanyahu to return to a deal. J.D. Vance, the American vice-president, was planning to go to Israel this week but has cancelled his visit, apparently because he did not want to appear to endorse Israel’s latest military expansion. Mr Trump and those close to him are refraining from openly criticising Israel’s government. The president has repeatedly said he would like to see the war end, for the hostages to be freed and for food to be let into Gaza. In public he has put the onus on Hamas. But the new distance between America and Israel may be widened still more if Israel reinvades Gaza.

Mr Netanyahu was blindsided by America’s decision to embark on talks with Iran on a nuclear deal. Likewise Mr Trump’s announcement that America had agreed to end [its bombing campaign of the Houthis](#) in Yemen, despite their continuing missile attacks on Israel, caught the prime minister unawares. Israel was conspicuously absent from the president’s [itinerary during his Middle East tour](#). Saudi Arabia was meant to be the next Arab

country to sign Mr Trump's Abraham accords by normalising its ties with Israel, but Mr Trump has accepted that this will not happen until the war in Gaza is over. Mr Trump met Syria's new president, Ahmed al-Sharaa, and announced that he was lifting [American sanctions on Syria](#), a step Israel had argued against. For Israel, having a free rein in Gaza seems to have come with a striking loss of influence.

Is the other path, a new truce, still possible? "Our operation in Gaza is staged so at any moment we can pull back if there's a ceasefire," says an Israeli general. Diplomacy may not be dead. American and Qatari diplomats are pressing Israel's and Hamas's teams in Doha to reach a new deal. Hamas has freed [an American-Israeli soldier](#). Israel has allowed in a trickle of supplies to be distributed by aid groups, despite its claims they let Hamas steal them.

The probable death of Mr Sinwar may also help bring a ceasefire. With another hardliner out of the way, Hamas's more pragmatic political leaders, who are based outside Gaza, may have more leeway. Still, the main obstacles to peace remain. Israel will countenance only a temporary truce, during which more of the hostages would be freed and more aid allowed in. But Hamas has ruled out any deal unless it permanently ends the war and is balking at Israel's demand that it disarm and send its surviving Gazan leaders into exile.

Pressure is increasing on both sides. A majority of members of the European Union want the chance to re-examine Israel's free-trade agreement with Europe, its main trading partner. Britain has suspended talks on a new trade deal. A majority of Israelis favour ending the war. Yair Golan, the leader of the opposition Democrats party, warned Israel could become a pariah state: "a sane country does not wage war against civilians, does not kill babies as a pastime, and does not engage in mass population displacement."

And Hamas is under pressure, too, as its people starve. In polls, around half of Gazans say they would leave given the chances.

Perhaps there will be a last-minute compromise. Without it, the future looks bleak. Mr Netanyahu says he will end the war only once he has won “total victory”. The total devastation of Gaza and isolation for Israel look more likely. ■

<https://www.economist.com/middle-east-and-africa/2025/05/19/israel-says-it-is-unleashing-an-unprecedented-attack>

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Things fall apart, again

The world's worst conference

Hell on earth in Dubai-on-the-Med

May 22, 2025 12:47 PM



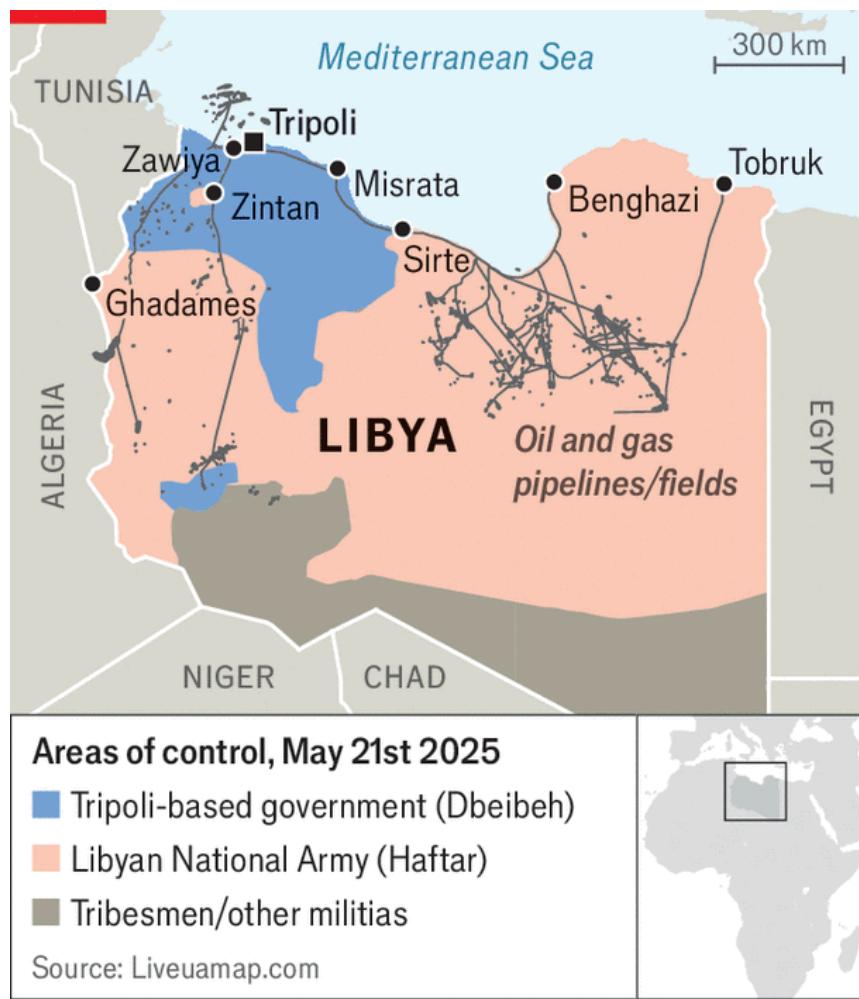
“LIBYA BUILD” was billed as the largest construction expo ever to have been held in north Africa. It lured businessmen from China, Turkey and Malta. But as they arrived on May 12th, mortars began falling. Gunmen in trucks fitted with heavy machineguns opened fire, seizing control of half of the capital, Tripoli. Burnt-out cars littered the streets. Schools, markets and banks shut their gates. Militiamen broke into the central bank. And someone stole the gazelles from Tripoli’s zoo. Britain quietly reversed its travel advice, eased a month earlier, and cautioned against all trips to Tripoli. Ships in the port have hurried away. Turkey, a key government ally, has airlifted its citizens to safety.

Efforts in Tripoli to reset the country after the overthrow of Muammar Qaddafi in the Arab spring of 2011 are faltering again. The stalemate between the internationally recognised government in the west, led by Abdul Hamid Dbeibeh, and Khalifa Haftar, a strongman who with his sons rules the east, has been broken. A conflict that most assumed was dormant has erupted into its worst

violence for five years. Despite his international recognition, Mr Dbeibeh was always the weakest of the two. Unlike the Haftars, he was a construction tycoon, not a warlord. His hold on power depends on an edgy coalition of militias. When they grew restive, he challenged them. After some initial success, he has failed.

The immediate cause of the strife is money. Mr Dbeibeh and his family have emptied the coffers of what should be Africa's oil-richest state. Falling oil prices mean they have not been replenished. As Mr Dbeibeh's pay-offs shrank, the militias grew rebellious and looked for alternative revenue streams, such as holding hostage the bosses of utility companies. Fearing his rule was under threat, Mr Dbeibeh's guards invited Abdul Ghani al-Kikli, perhaps the most notorious militia leader, for a meeting on May 12th and killed him. They then turned on the capital's biggest gang, the Special Deterrence Force (Rada), a Salafist force that controls Tripoli's prime airport and its most populous neighbourhood. But Rada fought back until it held half the city.

Most Tripolitans are fed up. They are tired of a leader whose greed has punctured the promise of Dubai-on-the-Med. They are exhausted by the wait for elections, promised for 10 months after the UN appointed him caretaker prime minister in February 2021. Many see Mr Dbeibah as one of the *fulul*, or remnants of the Qaddafi regime. After a ceasefire welcomed by the UN on May 14th, thousands of protesters poured into the streets, echoing the same demands that they often made against the Qaddafis in 2011: an end to the regime, elections and a reunification of east and west.



The Haftars are weighing their chances of exploiting discontent in the west. They already control the parliament in the east, most oilfields and some 80% of the country (see map). Their bloody siege of the capital failed in 2020, but they have since wooed allies in the hope of a comeback. Their supporters in Zawiya and Zintan are said to be on the move. And there are reports of a mobilisation at Sirte in the centre and Ghadames on the Algerian border, perhaps to distract armed groups who hitherto sided with Mr Dbeibeh. At a session of parliament on May 19th in Benghazi, Libya's second city and the Haftars' stronghold, representatives declared Mr Dbeibeh "illegitimate" and proposed replacements. Fearful that a reckoning looms, some of Mr Dbeibeh's ministers have resigned.

The Libyan prime minister is said to have sent his family to London, but he is clinging to office. Desperate to appear in control, he has summoned henchmen from his hometown of Misrata to

secure the streets. They are said to have shot protesters. With the capital's main airport still under Rada's control, he has reopened Tripoli's mothballed international airport for the first time in years. He vows to turn Mr Kikli's Tripoli barracks into a park and rid the capital of its remaining militias, or, as he calls them, "blackmailers, criminals" and "sharks". But without them, his hold could grow even more fragile. Libyans and foreign diplomats have begun to speak of his rule in the past tense. At least with the airport reopened he has a way to escape. ■

<https://www.economist.com/middle-east-and-africa/2025/05/22/the-worlds-worst-conference>

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Donald Trump's sanctions gift to Syria

One happy Damascus

But the technicalities of easing sanctions will prove tricky

May 22, 2025 12:47 PM | DAMASCUS AND DUBAI



EVEN THE loudest advocates for Syria were shocked when President Donald Trump announced he would [lift sanctions on Syria](#) earlier this month. Ahmed al-Sharaa, Syria's jihadist-turned-president, was a "good young attractive guy" with a "very strong past", Mr Trump told reporters on Air Force One. A policy shift that some in Syria feared would take ages—if it took place at all—happened overnight.

The unexpected news lit up Damascus, the capital. Syrians have long struggled under one of the harshest sanctions regimes ever put in place. The euphoria that followed the ousting of the dictator, Bashar al-Assad, in December had ebbed months ago. Now optimism is back. Western banking apps began to flicker to life within hours of the announcement. DP World, an Emirati operator, unveiled an \$800m deal to run the port of Tartus. "My phone rang continuously for 48 hours," says a prominent Syrian banker.

Many are keen to do business in Syria. Yet lifting sanctions may be neither swift nor smooth. Mr Trump seems untroubled by the nitty-gritty of doing so. “I think the announcement took quite a few people by surprise in the administration...It’s still a work in progress,” says a congressional aide in Washington, DC. The Caesar Act is a key part of the sanctions edifice, a pile of punitive measures against the Assad regime. Mr Trump has pledged 180-day suspensions for provisions in the act. State-backed Gulf firms and private capital in the region may take heart, but it will not reassure Western institutions, which are inclined to be more cautious.

The president could scrap at least nine sanctions-related executive orders. So far, he has not. Meanwhile, a dysfunctional Congress will struggle to repeal Caesar provisions before next year—probably as a footnote in a must-pass bill, such as the defence budget. Marco Rubio, the secretary of state, has urged Congress to act, warning that waivers alone “are not going to be enough to attract foreign investment”. Meanwhile, hawks in Mr Trump’s administration who remain unconvinced by Mr Sharaa’s Damascene conversion from extremism may try to frustrate relief moves, some in Washington predict.

Reconstruction and trade will almost certainly be led by the Middle East. Commercial heavyweights in the Gulf are revving up for a return after nearly 14 years of war. Spinneys, a regional supermarket chain, is scouting sites; Zain, a Kuwaiti telecoms giant, has come in; and Saudi private capital is eyeing Syria’s derelict cement plants. “An economic boom is inevitable,” says a big car importer. Only weeks ago few would have dared such optimism. The telecoms minister is pushing for 5G. Plans are afoot to build a metro in Damascus and overhaul water and power infrastructure. The new Syria is not short on ambition.

Much hinges on money. Syria’s readmission to SWIFT, the world’s financial messaging network, is deemed crucial. Among finance types in Damascus, the consensus is that connectivity will resume

within weeks, easing transfers and allowing Syrians around the world to send billions of dollars in remittances home. But without greater clarity, and further guidance from their governments, Western institutions will remain wary. “Syria’s financial system is a black box that nobody understands,” says Stephen Fallon, a banking and sanctions expert. “If I run a Western bank and I accidentally receive funds from terrorists, it’s me the American regulators will come after.” ■

<https://www.economist.com/middle-east-and-africa/2025/05/22/one-happy-damascus>

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We're out of there

Many of Syria's diaspora are not yet ready to go home

But they are encouraged by the lifting of sanctions

May 23, 2025 09:13 AM



Take me home to the place I belong

“I WILL SELL all of this gold and move back to Syria by the spring,” Ousama Sabbagh enthused in his jewellery shop in a majority-Syrian district in the Turkish city of Bursa, south of Istanbul. That was five months ago. Today his shop looks little different than it did then. Mr Sabbagh now wants to move in September, cheered by President Donald Trump’s recent pledge to [lift America’s sanctions](#) against Syria. That decision has given new hope to Syrians abroad, says Dr Haytham Alhamwi of the Syrian British Consortium, a lobby. Business folk in the diaspora think sanctions relief and international aid are vital for rebuilding the country and making it safe.

More than 6m Syrians were living abroad when Bashar al-Assad was toppled in December. Since then, over half a million have moved back, says the UN. Four-fifths of the rest say they want to

return one day. But many know that after almost 14 years of devastating civil war the move home will not be easy.

For one thing, essentials like housing, clean water and electricity are patchy; according to a UN poll of refugees in the diaspora, 81% of homeowners who fled abroad say their houses are no longer habitable. Many schools and hospitals are in ruins. This puts off families with children or the elderly.

Another deterrent is a shortage of jobs. At least a quarter of Syrians back home lack work. Doctors, teachers and academics doubt they will find employment. Announcements about sanctions relief have been encouraging but a favourable climate for investment is still some way off.

Meanwhile, reports of theft and intimidation by armed groups, especially in Aleppo, once Syria's commercial hub, are scaring off the diaspora. Until a modicum of law enforcement and justice is established, non-Sunni minorities, especially the Alawites, who were favoured by the Assad ruling family, fear retribution if they return.

Wealthier individuals with foreign passports have been going to and fro to rebuild homes or set up businesses. Lifting sanctions may prompt bigger flows of remittances. But although some Gulf firms might be ready to sweep in, for some Syrians abroad returning is an all-or-nothing decision. By going to Syria they may risk losing their right to stay as refugees in countries such as Britain.■

<https://www.economist.com/middle-east-and-africa/2025/05/22/many-of-syrias-diaspora-are-not-yet-ready-to-go-home>

Europe

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Populists at the gates

Poland's election will cement or ruin its standing in Europe

Can Donald Tusk and Rafal Trzaskowski hold back the hard right?

May 22, 2025 03:10 PM | WARSAW



THE CHEERS at Rafal Trzaskowski's election party on May 18th sounded unconvincing. So was his margin of victory. The liberal mayor of Warsaw came away with 31.4% of the vote in the first round of Poland's presidential election, compared with 29.5% for his main rival, Karol Nawrocki, the candidate of the nationalist Law and Justice (PiS) party. Mr Trzaskowski, backed by Poland's prime minister, Donald Tusk, and his centrist Civic Coalition (KO), had long been the front-runner. Ahead of the run-off, scheduled for June 1st, the tables have turned.

The reason is the strong showing by not just Mr Nawrocki but the entire hard right. Slawomir Mentzen of Konfederacja, a MAGA-ish libertarian party, took 14.8% of the vote. Grzegorz Braun, an open antisemite, got a scary 6.3%. Polish liberals are worried. Mr Tusk needs Mr Trzaskowski to win to continue rolling back the state takeover that PiS undertook while in power from 2015-23. But

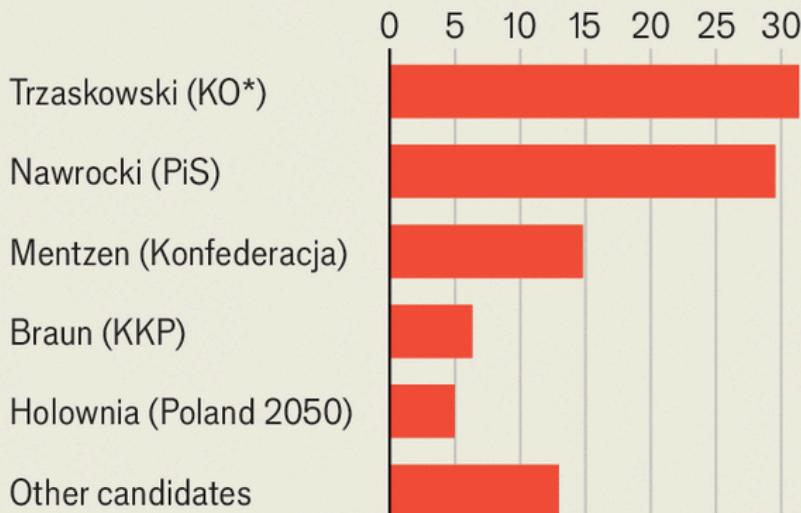
rather than breaking Europe's populist wave, Mr Trzaskowski may end up being swallowed by it.

The election comes as Poland is stepping into the international limelight. The war in Ukraine has shifted the continent's centre of gravity to the east. Poland is the region's heavyweight, an economically thriving country of 37m. Its position in Europe is at its strongest in centuries, says Adam Szlapka, the country's minister for the European Union. The question is whether it can take advantage of it.

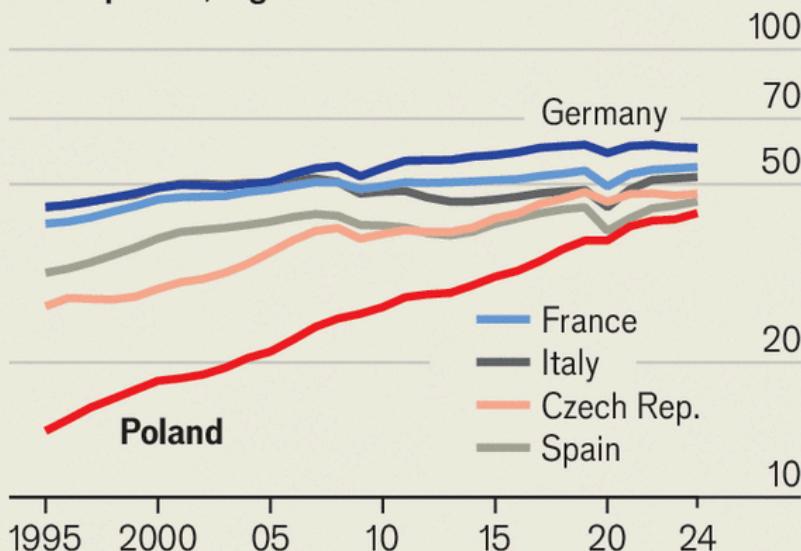
Poland's new confidence starts with its economy. Real GDP per person has risen almost uninterruptedly for over three decades. Adjusted for purchasing power, it was 3.1 times as high in 2024 as in 1995, compared with 1.5 for the EU as a whole. Unemployment is under 3%, according to Eurostat's seasonally-adjusted figures. Poland boasts the EU's tallest building (and its fastest-rising housing prices). Hundreds of billions of euros in EU aid have helped bring roads, agriculture and health care up to European standards. Its infrastructure contrasts with the deterioration in its western neighbour: Polish trains are now more punctual than German ones.

Narrowing leads

Poland, 2025 presidential election,
first-round vote share, %



GDP per person, \$'000 at PPP[†]
2020 prices, log scale



*Civic Coalition: an alliance of Civic Platform and smaller parties

[†]Purchasing-power parity

Sources: National Electoral Commission; OECD

Prosperity has brought fast-rising tax revenues. Where other European governments are fiscally constrained, Poland's has freedom to act. A decade-old universal child-benefit programme

pays 800 zlotys (\$212) per month per child. Defence spending leapt from 2% of GDP in 2019 to 4.7% this year, and will exceed 5% in 2026. Some strains are showing: the budget deficit hit 6.6% of GDP last year, but public debt is a manageable 55% of GDP, though growing.

Until recently, Poland punched below its weight diplomatically. That worsened under PiS-led governments. PiS's leaders picked fights with Germany and aligned Poland with Viktor Orbán, Hungary's autocratic leader. They also imitated Mr Orbán's takeover of the public media and the courts, thus clashing with the EU, whose aid was blocked for years.

Things began to shift with the war in Ukraine. Within Europe, Poland enjoyed an "I told you so" moment, having long warned complacent Westerners about Russia. Meanwhile, its role as the main logistical partner for American military aid to Ukraine strengthened the transatlantic relationship. The return to power in 2023 of Mr Tusk, a former president of the European Council, patched up relations with the EU. A trip to Kyiv this month by Mr Tusk and the leaders of Britain, France and Germany showcased Poland's central role.

It's not over

The stumbling block remains politics at home. The outgoing president, Andrzej Duda, is aligned with PiS, and has used his veto to stymie Mr Tusk's agenda—especially over restoring the rule of law. On taking power in 2015, PiS packed the constitutional court and seized control of the body that appoints judges. European courts say judges appointed under PiS are therefore illegitimate. Mr Tusk's government promised the EU it would fix the problem as a condition for restoring aid. But Mr Duda blocked a bill to vet the new judges.

Where Polish liberals see an effort to restore the rule of law, backers of PiS see tit-for-tat state capture. Under Mr Tusk “democracy can be openly violated for supposedly pro-democratic goals,” says Piotr Glinski, a former deputy prime minister under PiS. Some such claims have merit. The government stretched constitutional bounds to fire PiS’s propaganda chiefs at the state broadcaster. It now leans the other way, though less blatantly. But most of the complaints seem unfounded and political. The head of the PiS-aligned constitutional court is investigating what he calls a “coup d’état”, despite lacking any authority to launch investigations. As for the judges, Adam Bodnar, the justice minister, says he is duty-bound to restore EU standards. He rattles off a list of prosecutions of former PiS officials for self-enrichment and abuse of office: “Should we forget about those cases?”

Polls show frustration. A victory by Mr Trzaskowski would let Mr Tusk push ahead. But on some issues his problem is division in his own coalition, which includes the progressive New Left, the centrist Poland 2050 and the conservative agrarian Polish People’s Party (PSL). Liberals want the new government to relax PiS’s draconian anti-abortion laws, but face opposition, mostly from PSL. Ukraine policy, too, has become hostage to electoral concerns. Mr Tusk has opposed sending peacekeepers in the event of a truce, and has conditioned Ukraine’s EU membership on its handling of historical disputes over massacres of Poles by Ukrainian partisans during the second world war. Mr Trzaskowski has pledged to restrict benefits for some Ukrainian refugees. “They’ve become more PiS than PiS,” snipes Jacek Czaputowicz, a former foreign minister under PiS. A victory by Mr Trzaskowski would give Mr Tusk room for manoeuvre, says Piotr Buras of the European Council on Foreign Relations.

The two contenders both back Ukraine against Russia and the beefing up of Poland’s defences. But Mr Trzaskowski is much closer to Brussels than to MAGA-world. Mr Nawrocki has positioned himself as a Trump whisperer. This paid off in early May, when the

American president hosted him at the White House. If Mr Nawrocki wins, Mr Trump will probably do business with him rather than with Mr Tusk, widening the chasm between the government and the presidency.

But the stakes are highest at home. As president, Mr Nawrocki would seek to undermine the coalition at every step, so as to position PiS for parliamentary elections scheduled for 2027—or to bring down the government even earlier. Some of Mr Tusk's conservative allies might defect. A new hard-right government would mean a ruthless round of score-settling.

On June 1st much will depend on Mr Mentzen's mostly young electorate. Mr Nawrocki will not get all of them. They like free markets; PiS is statist. Mr Trzaskowski's supporters hope leftists and centrists will be galvanised by the threat of PiS's return. But the Warsaw mayor is getting contradictory advice: some urge him to be true to himself and show independence from Mr Tusk, while others want him to pander to conservatives.

Messrs Trzaskowski and Nawrocki are now battling for voters, more than half the electorate, who backed neither of them. The two big-party candidates' cumulative share of the vote in the first round was lower than in any presidential election since the 1990s. The rise of Konfederacja and Mr Braun may augur the end of an era that has characterised Polish politics for 20 years, though not in the way some had hoped. “We thought the end of our duopoly would yield a really nice centre,” says a senior government official. Instead, it has yielded a far right poised to play kingmaker. ■

<https://www.economist.com/europe/2025/05/22/polands-election-will-cement-or-ruin-its-standing-in-europe>

European elections

MAGA misses the mark in Romania

A liberal wins the presidential race

May 22, 2025 12:47 PM



NICUSOR DAN'S victory in Romania's presidential election on May 18th afforded the country's liberals a rare moment of joy. Mr Dan, the mayor of Bucharest, is a French-trained mathematician known for fighting corruption. His rival, George Simion, a MAGA-friendly nationalist, had been favoured to win after taking 41% of the vote in the election's first round to Mr Dan's 21%. Mr Simion had cosied up to Hungary's Viktor Orban; denounced Ursula von der Leyen, president of the European Commission; and pledged to end aid to Ukraine. Romania seemed poised to join the club of countries that are driving a populist wedge into the European Union.

Yet in the two weeks between the first and second rounds, the Bucharest mayor ran the better campaign. He was widely agreed to have won the sole head-to-head debate, demanding that Mr Simion, who had vaguely promised to cut half a million state employees, explain whom he would fire. Mr Simion unwisely skipped several other debates. Romania's diaspora of over 4m citizens (compared

with 19m inside the country), which overwhelmingly backed Mr Simion in the first round, split more evenly in the second. Overall turnout hit a record for a presidential election. The second round's new voters favoured Mr Dan, who won by a solid 54% to 46%.

That will make a huge difference. Since the previous prime minister resigned after Mr Simion's first-round victory, the new president gets to choose a new one. Had Mr Simion won, his hard-right Alliance for the Union of Romanians (AUR) would have formed a government. Instead, whoever Mr Dan picks will form a coalition including the Save Romania Union (USR), an anti-corruption party he once headed, and the centre-right National Liberals (PNL), one of two main parties of power. The other, the centre-left Social Democrats (PSD), could join too.

The presence in government of one or both of the big parties will complicate one of Mr Dan's tasks: convincing Romanians that he does not represent more of the same. Both Mr Simion and Mr Dan were seen as anti-system candidates, appealing to citizens exhausted by corruption. In the 2010s Romania carried out one of Europe's most aggressive anti-corruption campaigns, jailing thousands of officials. But by the time of the pandemic the momentum had run out; investigations were weaponised to undermine political opponents. Since 2021 the PNL and PSD have run the country in grand coalitions that were seen as denying voters a choice.

That no presidential candidate from either party made it into the second round showed how deep the disaffection runs. Indeed, that was clear after Romania's initial attempt to choose a president last November. The country's constitutional court annulled that election after it was unexpectedly won by Calin Georgescu, an eccentric far-right conspiracy theorist. Mr Georgescu had implausibly declared zero campaign expenditures, and there was evidence of social-media manipulation; some alleged Russia was involved.

The cancellation undermined many Romanians' trust in the electoral system. Mr Simion has now undermined it further. After first accepting Mr Dan's win, he reversed himself on May 20th, alleging interference by France and Moldova. Mr Simion has long campaigned for Romania to absorb Moldova, where most citizens speak Romanian, and is banned from that country as a result, but its alleged interference was vague. As for the other charge, Pavel Durov, the founder of Telegram, a social-media app, stated that a French intelligence official had asked him to suppress some messaging that favoured Mr Simion. He said he had refused, which seemed to render interference on that platform moot. Romania's electoral authority quickly waved off Mr Simion's challenge.

The new government will face a harsh economic picture. Romania's budget deficit was the highest in the EU last year, at 9% of GDP. Inflation is at 5.1%, driven up by the previous government, which raised pensions and state salaries in failed efforts to court popularity. The country's credit rating is BBB-, just above junk status. To keep it from falling further the government will need to cut spending and raise taxes.

Liberals across Europe are now looking to Romania for lessons on how to beat populists. But Mr Simion made gratuitous errors. His courting of Mr Orban, aimed at winning over ethnic Hungarians, was quixotic: he has a firm reputation as an anti-Hungarian chauvinist. Mr Orban's endorsement prompted a denunciation from Romania's ethnic-Hungarian party, and probably did more harm than good.

Mr Dan's powers as president are limited. He is already trying to broker a deal to cut the budget deficit, and will do what he can to reinvigorate the fight against corruption. "He is extremely competent," says Alina Mungiu-Pippidi, a corruption expert at Luiss University in Rome who has worked with him. But he will have his work cut out for him. ■

<https://www.economist.com/europe/2025/05/18/maga-misses-the-mark-in-romania>

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After the call

Donald Trump dashes any hope that he will get tough with Russia

He has nothing but kind words for Vladimir Putin

May 22, 2025 03:26 PM | KYIV, VASYLKIV AND WASHINGTON, DC



IN THE HOURS before Donald Trump picked up the phone on May 19th to speak to Vladimir Putin, European diplomats believed that they were inching closer to alignment with the Americans on Ukraine. The American president had advertised the call as “turkey time”, a last-chance call for the Kremlin to end the war or face pain in the form of tough new sanctions. By the time the two-hour call ended, and European leaders joined a debrief with Mr Trump, it became clear that no threat had been issued to the Russian leader. Mr Trump hinted he would instead simply walk away from the negotiating process if he could not get the two sides to agree quickly, which in the absence of new pressure now appears likely. “I think something’s going to happen,” Mr Trump told reporters, though without providing a shred of justification for this optimism. “And if it doesn’t, I’ll just back away and they’re going to have to keep going.”

Many close to Volodymyr Zelensky, the Ukrainian president, have long believed that Mr Trump would be difficult to win over. But ever since the disastrous first February meeting in the Oval office, they have adopted a strategy of placating Mr Trump, while moving strictly in lockstep with European advisers. They have made several concessions in pursuing the goal of a ceasefire followed by meaningful negotiations. This includes dropping their demands for security guarantees before talks could start; imposing no conditions on a suggested ceasefire; signing a minerals and economic partnership deal; and flying to Turkey for talks that were less talks than a Russian declaration of a “forever war”.

[Read more of our recent coverage of the Ukraine war](#)

The call appeared to vindicate the most sceptical in Mr Zelensky’s team. Despite promises to act tough, Mr Trump smothered Mr Putin with flattery and affection. “No one wanted to put down the receiver first,” is how one Kremlin adviser, Yury Ushakov, described an exchange that was light on detail and heavy on pledges of future economic co-operation. Mr Trump insisted that his call had achieved a new Russian agreement to work on a “memorandum” for peace, and on “immediate” talks. There was also the promise of new mediation by the Vatican. “Maybe that will be helpful. There’s lots of bitterness,” said Mr Trump. But a source close to Mr Zelensky says that Mr Trump sounded more as though he was crafting an exit strategy after understanding that he would struggle to achieve a breakthrough.



The Vatican has already confirmed that it is ready to host any new negotiation. A working group has been established with the Ukrainians, and there is an offer to do the same with the Russians. Mr Putin may well be attracted by the opportunity to validate himself by talking peace in Europe even while charges of war crimes hang over him. But he must surely know there is a downside to presenting heavily belligerent policies in such a holy setting. At the time of printing, the Russians had not agreed to the venue, or to anything as straightforward as a date or a format.

Describing Mr Trump's u-turn on sanctions as a "bump in a very bad road", one Western diplomat insisted that Mr Trump had yet to come to a final decision about his future involvement. What an exit could mean in practice is also hard to say: temporary or permanent; a partial exit or a full betrayal? Many other demands make calls

upon Mr Trump's time: the various crises in the Middle East, his "big beautiful" tax-cuts bill and his continuing tariff battles with much of the world. Prioritising these things does not necessarily mean he will cut off the flow of intelligence to Ukraine, or halt the supply of military equipment that is scheduled to keep flowing until at least the summer.

Ukraine's backers hope Mr Trump may once again defy expectations. Perhaps in "withdrawing" from the process, he will allow Congress to vote through a sanctions package that would target Russian energy exports by hitting those who buy them with tariffs of up to 500%. Insiders say that the package already has enough signatures in the Senate to be passed; but it would still require Mr Trump's approval. It is not impossible. But it is also hard to imagine it from a man who, whenever faced with Russian intransigence, has so far responded by tightening the screws on Ukraine. ■

<https://www.economist.com/europe/2025/05/19/donald-trump-dashes-any-hope-that-he-will-get-tough-with-russia>

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Independence on pause

American threats push Greenland closer to Denmark

The fear of invasion is undermining the anti-colonial movement

May 22, 2025 03:27 PM



AMERICAN SPOOKS boast formidable intelligence-gathering tools. On any given day they might be hoovering up the phone records of suspected terrorists or tracking Russian troops in Ukraine. These days, however, spies can be found snooping on a target much closer to home: Greenland. According to a recent report in the *Wall Street Journal*, the Trump administration directed its intelligence agencies, including the CIA and National Security Agency, to step up surveillance of Greenland's independence movement and identify locals sympathetic to American designs on the Arctic island.

It is the latest twist in President Donald Trump's stated desire to [buy or conquer the self-governing territory](#) of 56,000 people, which is part of the kingdom of Denmark. A visit in March by the vice-president, J.D. Vance, in which he claimed Denmark had "not done a good job by the people of Greenland", had already upped the ante. But allegations of spying have sparked widespread outrage

among Greenlanders and Danes. “Espionage against an ally and partner [is] completely unacceptable” thundered Jens-Frederik Nielsen, Greenland’s prime minister. The Danish government swiftly summoned America’s ambassador for a dressing-down. Lawmakers are considering closing the American consulate in Nuuk, the capital.

Mr Trump’s initial interest in Greenland, and the ensuing media frenzy, helped [rekindle Greenland’s independence debate](#). But his continued predations now seem to be having the opposite effect: Greenland and Denmark are closing ranks. Elections to Greenland’s 31-member parliament in March handed the opposition Democrats, who have favoured closer ties with Denmark and a slower path to independence, a plurality. The new governing coalition stated it would “tread carefully” with regards to independence (read: not any time soon).

Relations between Greenland and Denmark are growing noticeably warmer. On a visit to Copenhagen in late April, Mr Nielsen agreed with Mette Frederiksen, Denmark’s prime minister, to band together amidst “disrespectful” American threats. Mr Nielsen flew back to Greenland alongside the Danish king, Frederik X, for a visit designed to project solidarity. Donning a warm coat emblazoned with the Danish and Greenlandic flags, the king met hundreds of locals over coffee at Nuuk’s cultural centre. The Danish government has agreed to boost its puny spending on Arctic defence. Pipaluk Lynge, the head of the Greenland parliament’s foreign-affairs committee, welcomed co-operation with Denmark to head off American threats. “We can’t get through this without them.”

Backers of independence sense a loss of momentum. Kuno Fencker, a fire-brand MP, bemoans the dwindling enthusiasm. “Greenlanders have become very scared about an American invasion,” he sighs, blaming the Danish and international press for whipping up paranoia. The island’s usually sedate politics have

grown more venomous, too. Mr Fencker, who travelled to Mr Trump's inauguration in January, filed a defamation suit against Aaja Chemnitz, a fellow Greenlander in the Danish parliament, after she labelled his jaunt to Washington a threat to the national interest.

For now, Mr Trump's repeated threats have papered over some Greenlanders' frustrations with the legacy of Danish colonial rule. But old wounds run deep. One neuralgic issue remains the 4,500 Inuit girls and women who were forcibly fitted with contraceptive coils by Danish doctors during the 1960s and 1970s. Many Greenlanders argue it constituted a form of genocide. The Danish government is yet to issue an official apology. Results of a joint investigation are due in September, which could yet engender another surge in support for independence. "We lost a battle," concedes Mr Fencker. "But the war is not over." ■

<https://www.economist.com/europe/2025/05/19/american-threats-push-greenland-closer-to-denmark>

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Charlemagne

Europe's mayors are islands of liberalism in a sea of populists

City bosses are the functioning bits of increasingly dysfunctional polities

May 22, 2025 12:47 PM



EVERY ELECTION in Europe these days seems to pit a moderate politician advocating mostly sensible ideas against a rabble-rousing populist with a bombastic dislike of migrants, gays and the European Union. The centrist usually wins, but the margins are dwindling. Is Europe thus destined to drift into reactionary dysfunction, one electoral setback at a time? Not so fast. Powerful as they may seem, Europe's firebrand nationalists—even when they seize high office—are merely the meat in a liberal sandwich. Above them are EU wallahs, always on hand to police budget deficits and adhesion to the rule of law. Below the populists is a layer of pragmatic politicos who keep the day-to-day machinery of government on the road (and the roads free of potholes). Europe's mayors, particularly those of big cities, are the unsung moderating force of the continent's politics. Free of patriotic bombast and focused on getting buses running on time, they are the bulwark of moderate governance in a continent that needs it badly.

This quiet layer of mayoral technocracy has seen rapid promotions of late. On May 18th Nicusor Dan, the centrist mayor of Bucharest, unexpectedly trounced George Simion to win the presidency of Romania. The campaign highlighted their different approaches to government. The hard-right Mr Simion pontificated on foreign policy, boasted of being “almost perfectly aligned ideologically with the MAGA movement” and spent part of the final week of his campaign in Brussels, a place not actually in Romania. In contrast Mr Dan once admitted that what really kept him up at night was the traffic in the capital. Voters plumped for the traffic guy. Another centrist mayor may be propelled to higher office on June 1st when Rafal Trzaskowski, the centrist Warsaw mayor who narrowly won the first round last week, faces off against a candidate backed by the illiberal Law and Justice party.

At confabs in Brussels Mr Dan will meet fellow EU leaders familiar with cycle lanes, waste-water treatment and other unglamorous bits of the state. Bart De Wever, Belgium’s newish prime minister, was himself once perceived as a hard-right firebrand (his cause is the independence of Dutch-speaking Flanders), so much so that political rivals refused to include his party in ruling coalitions. A 12-year stint as mayor of Antwerp from 2013 was just the thing to show the electorate he was capable of more than soundbites.

Giorgia Meloni once ran for mayor of Rome before settling for the Italian premiership; Ulf Kristersson, prime minister of Sweden, is an erstwhile vice-mayor of Stockholm. Meetings of EU leaders are chaired by António Costa, the president of the European Council who ran Lisbon for eight years before becoming Portugal’s prime minister.

Across Europe mayors are often cut from a different political cloth to the rest of the governing class. Lefties do notably well locally even when their parties are out of favour nationally—perhaps unsurprisingly, given the cosmopolitan types who choose to make cities their home. Parties of the hard right, which lack the organisational nous to put up candidates for dull city jobs, are

notably absent. The municipal discourse thus has a gentler feel to it (at least until the building of cycle lanes is discussed). Amsterdam's mayor, Femke Halsema, who is appointed by central government rather than elected, is a progressive woman in a Dutch political system dominated by progressive-bashing men. Socialists and their left-leaning allies have been routed in France, losing out on all the top jobs at national level—but they still run Paris, Marseille and most other big French cities. Ms Meloni and her right-wing acolytes dominate Italian politics, but the mayors of Rome and Milan come from the moribund left. (The same is true in America, where most big cities are run by Democrats.)

In central Europe, the spiritual home of continental illiberalism, local pols stand proudly as open-minded counterweights to majoritarian regimes. Fed up with the region being associated with the likes of Viktor Orban, the limelight-hogging Hungarian prime minister, the mayors of Prague, Bratislava, Warsaw and Budapest in 2019 set up a “Pact of Free Cities” where dynamic, hipsterish mayors showed another way was possible. The quartet travelled to Kyiv together to support Ukraine when some of their national leaders refused to do so. Another member of the club might have been Istanbul, whose mayor, Ekrem Imamoglu, proved such a threat to Turkey’s president, Recep Tayyip Erdogan, that he was simply put in prison. The Pact now includes 32 European cities focused on “protecting democracy and open society”, not to mention sharing tips on handling thorny zoning issues.

From city council to European Council

Town halls are obvious places to find capable managers. Demagogues rise by making promises; mayors stay in power by keeping them. Not all politicians who have thrived as mayor do well on the national stage. Olaf Scholz will be remembered more fondly for his seven years as mayor of Hamburg than for his three as German chancellor. Anne Hidalgo, now in her second decade as mayor of Paris, managed a risible 1.8% of the vote in her bid for

the French presidency in 2022, behind no fewer than nine other candidates.

Cities may seem easy to manage in comparison to countries. Often capitals are the richest part of the nation. Delivering public services is easier in densely populated places with a fat tax-base. But shortcomings are also easier to spot. Managerial ineptitude that exposes the shortcomings of populist national leaders can take years to emerge: underfunded public services degrade only slowly, and few voters follow the intricacies of foreign policy. In contrast, everyone swiftly notices when potholes go unfilled and buses run late. Blowhard politicians often talk about taking back control. Voters should pay more attention to those with a good record of taking care of the rubbish bins. ■

<https://www.economist.com/europe/2025/05/22/europes-mayors-are-islands-of-liberalism-in-a-sea-of-populists>

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Keir Starmer's EU reset

The UK-EU deal is just a start

The process of rejigging the relationship will be a long one

May 22, 2025 02:26 PM | Berlin and London



SIR KEIR STARMER chose the gilt-edged splendour of Lancaster House in central London to stage the first post-Brexit EU-UK summit on May 19th. He, Ursula von der Leyen (the European Commission's president) and António Costa (the European Council's president) duly talked up a historic "reset" of relations. In fact what was agreed were some relatively small changes to eliminate the worst trade frictions, plus a new defence deal. But this may presage the start of longer negotiations that in time may bring the two sides significantly closer together.

The defence-and-security agreement matters most, given the background of Russia's war in Ukraine and Donald Trump's demand that Europe must spend more on its own defence. Britain will now be able to take part in the EU's planned €150bn (\$169bn) defence fund (though it will have to pay its own fair share). Both sides have recognised that [rebooting European defence](#) without one of its strongest powers would not be sensible. The efforts by some

countries to restrict such spending to EU members alone were seen off.

On trade, the main agreement was for Britain to align with most EU food standards. That will facilitate trade in food and fish products, exports of which have suffered since Brexit. It will also reduce border checks between Great Britain and Northern Ireland, which was already subject to EU standards under the 2023 Windsor Framework negotiated by Rishi Sunak. As part of the deal, Sir Keir agreed to extend the current fisheries agreement for 12 years, to 2038. And the two sides are to link their carbon-adjustment mechanisms and aim for a joint electricity market.

The third component of the deal was to work towards a youth-mobility (or “youth-experience”) agreement. This should make it easier for young people to move, study and work across borders. Britain is to explore how and when it might rejoin the Erasmus+ student-exchange programme. An agreement is to be made to co-operate in fighting organised crime through data-sharing and working through Europol, the EU’s police agency. And in a gesture to please grumpy tourists, Britons are to be allowed to use border e-gates at most EU airports, reducing annoying queues at passport control. Like other parts of the deal, the details will take some months to negotiate: use of e-gates may not happen before the summer.

Critics from the Conservative Party and Reform UK, amplified by outrage in parts of the press, were quick to denounce the entire deal as a betrayal. The *Daily Telegraph* headlined its report “Kiss goodbye to Brexit”. The biggest grumbles were about the fisheries deal, which was said to mean handing over Britain’s fishing waters to French and other fishermen for more than a decade. There were also complaints about Britain choosing to align with EU rules when it has no say in how they are drawn up, thereby submitting itself to the jurisdiction of the European Court of Justice. And the youth-experience agreement was attacked as merely presaging more

immigration. The Tories vowed to reverse all these changes once back in power.

Yet this narrative of Brexit betrayal is absurd. Sir Keir has stuck firmly to his red lines of not joining the single market or customs union and not accepting free movement of people. Even after his “reset”, this is what was once termed a hard (not a soft) Brexit. It is, for instance, harder than the Brexit deal that Theresa May tried vainly to get through Parliament in 2019. The betrayal story is also increasingly out of line with shifting public opinion. A clear majority of voters now say that Brexit was a mistake, and an even bigger majority wants closer relations with the EU (this is true even of those who voted Reform in the last general election).

It is true that Sir Keir has conceded more than he may have wished on fisheries, prompting the Scottish Fishermen’s Federation to talk of a “horror show”. Yet there was never much chance of taking back full control of British waters, not least because British fishermen export most of what they catch [to the](#) · . As for being a rule-taker subject to the European Court of Justice, that is the price that any country wishing to sell into the much larger EU market inevitably has to pay. After all, the EU takes over 40% of British exports, twice as much as America and 20 times as much as India (the two other countries with which Sir Keir has recently struck deals). And a limited youth-experience deal is a long way from the old system of free movement of people across Europe.

The agreement has hugely improved the mood music between the two sides. Bigger EU members have responded not by crowing over their negotiating triumphs (though France is pleased with the extension of fishing rights), but by welcoming the UK back to the table as a grown-up. The new German government under Friedrich Merz seems particularly pleased to have Britain back as a partner. This is clearest in defence and security, in which Britain is now set to play a significant role. But the food-standards and youth-mobility agreements are also seen as drawing the UK some way

back into the European club, even as it continues to stand aside from the single market, the customs union and free movement of people.

In all, given the constraints of his red lines and the EU's own principles, Sir Keir has got about as good a deal as he could have done. It may not have a large economic impact (Sir Keir talks of it boosting GDP in 2040 by around £9bn, or 0.3%), but it will remove some of the worst irritations created by Brexit. The EU has remained determined not to give a country that is outside its single market a similar degree of access as a full member. The two sides will now initiate a process of continuous negotiation, overseen by annual summits with working parties set up to implement any agreements.

Indeed, this recognition that the reset is not a single event but the start of a process may be what is most significant about the entire deal. It took almost four years of negotiation before Boris Johnson was able to sign the trade and co-operation agreement in December 2020. More than four years on, Sir Keir has managed to soften some of its more egregious features. He is now setting a course for further lengthy negotiations in future. That is what living alongside the EU elephant as a smaller party entails. Switzerland has been negotiating deals with the EU almost continuously for 30 years—and it recently agreed on yet another treaty that has still to be ratified.■

<https://www.economist.com/britain/2025/05/19/the-uk-eu-deal-is-just-a-start>

Fishing rights

Britain has sacrificed its fishermen again

How wise

May 22, 2025 12:47 PM



A tide in the affairs of fishermen

THE DEAL reached by Britain and the European Union on May 19th says nothing about the manufacture of locks and hinges. Nor does it say anything about the condiments-and-seasonings industry, or about carpets and rugs. But it does deal with an industry that, with a turnover in 2023 of £892m (\$1.13bn) according to the Office for National Statistics, is smaller than those: fishing.

EU fishing boats will be allowed to operate in British waters until 2038. Catch quotas will be frozen, so British and continental crews will divide the seas' bounty roughly as they do at present. To British fishermen, this looks like a victory for the EU. They wanted Britain to insist on annual negotiations over access and quotas—something that would have turned continental fishermen into perpetual supplicants, since they catch much more fish in British waters than Britons catch in EU waters.



“Surrender”, spluttered Harriet Cross, a Conservative MP. “Utter betrayal”, said the Scottish White Fish Association. But Britain’s fishing industry is so tiny that no responsible government would privilege its interests over the goal of freer trade overall. Like other industries, fishing will benefit from the scrapping of checks and other non-tariff barriers—perhaps even more so, since fish go off while forms are being filled in. About 70% of British fish exports go to the EU.

Annual negotiations over fishing rights would probably have been fraught, especially since the British industry also desires to change the way that quotas are allocated. Instead of following history and precedent, as they do at the moment, Britain and the EU would consider “zonal attachment”, meaning where the fish live. Good luck working that out for dozens of species every year. “Fish are difficult to count. They move around,” says Bryce Stewart of the Marine Biological Association.

If negotiations between Britain and the EU had ever broken down, all fishermen would have suffered in the long run. With no agreement on how many fish ought to be caught, countries would have been incentivised to haul in far too many, as a tragedy of the commons unfolded. Something like that has happened to mackerel in the north-east Atlantic. A once-plentiful (and very tasty) fish is being over-exploited because of a dispute involving Britain, the EU,

the Faroe Islands, Norway, Iceland and Greenland. Better a stable, shoddy deal than a fish war. ■

<https://www.economist.com/britain/2025/05/22/britain-has-sacrificed-its-fishermen-again>

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Queen's gambit, plus a punch

The improbable rise of chessboxing

A contest of mind and body

May 22, 2025 12:47 PM | Islington



Knockout or checkmate?

IT'S 9PM ON a sweaty May evening at London's Scala nightclub and Hamza Buhari must knock out his opponent in the next three minutes or lose his king. The 28-year-old pharmacist from London is taking on Lithuania's Tadas Ceponis at chessboxing, a mash-up of two sports, in which competitors win by checkmate on the board or knockout in the ring. The bell ends the third round and Mr Buhari is just a few moves from defeat, forcing him to go for broke with his fists. As Mr Ceponis takes a rain of blows, the referee stops the fight, awarding victory to Mr Buhari.

“He’s a much better boxer, I felt that today,” Mr Ceponis tells the baying crowd of around 500 as he embraces his opponent. “He’s a much better chess player,” replies an equally sporting Mr Buhari. Regulars in the crowd say they find watching chessboxing (between men or women) much more fun than either sport alone.

The first chessboxing bout took place in Berlin in 2003, organised by a Dutch performance artist, Iepe Rubingh. Five years later a

breakaway British faction got going. Chessboxing's popularity has steadily risen despite this split, helped by a surge in online chess during the covid-19 pandemic and a hit TV show, "The Queen's Gambit".

Britain has hosted the most bouts and is home to some 200 regular chessboxers, estimates Gavin Paterson, a promoter. Britain was also first to introduce a grading system, similar to the belts awarded in judo or karate. "British chessboxing has been much more successful [than its continental counterpart] because it took lessons from boxing and wrestling in the way it presents the sport," says Mr Paterson.



On the Saturday morning before the Scala fight a dozen chessboxers gather at Islington Boxing Club, the British home of chessboxing, to exert both their minds and bodies. Four boards are set up beside a boxing ring. Training consists of rounds of chess alternating with intense exercise or sparring. The challenge comes from attempting a cerebral activity while fighting for breath. A pounding heart, let alone a few punches to the head, can leave you disoriented. The training session features tips like ensuring you take your turn in chess just as the next boxing round begins, so your opponent's clock is running when you return to the board, where some 80% of matches are decided. "The boxing impacts the chess and vice versa," Mr Paterson says.

This seems to attract those who want to be seen as Renaissance Men, and to help nerdy types gain confidence. Samy Shoker, an Egyptian grandmaster ranked in the world's top 1,000 active chess players, beat Germany's André Glenzer at the Scala to take the WCBA European middleweight title. Preparing for his chessboxing debut improved his physical condition, says Mr Shoker, a lean 37-year-old who entered the ring wearing a pharaoh headdress.

The fighters risking their big brains in the ring are not doing it for the money. None was on offer at the Scala, in contrast to the €500,000 (\$565,000) purse at the FIDE World Rapid and Blitz Team Championships, a chess contest due to take place weeks later a few miles away. As one of the volunteers at the Scala event puts it, chessboxing runs on “pride and idiocy”. ■

<https://www.economist.com/britain/2025/05/20/the-improbable-rise-of-chessboxing>

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Taking back control

Does Britain need migrant workers?

Employers think so

May 22, 2025 12:48 PM

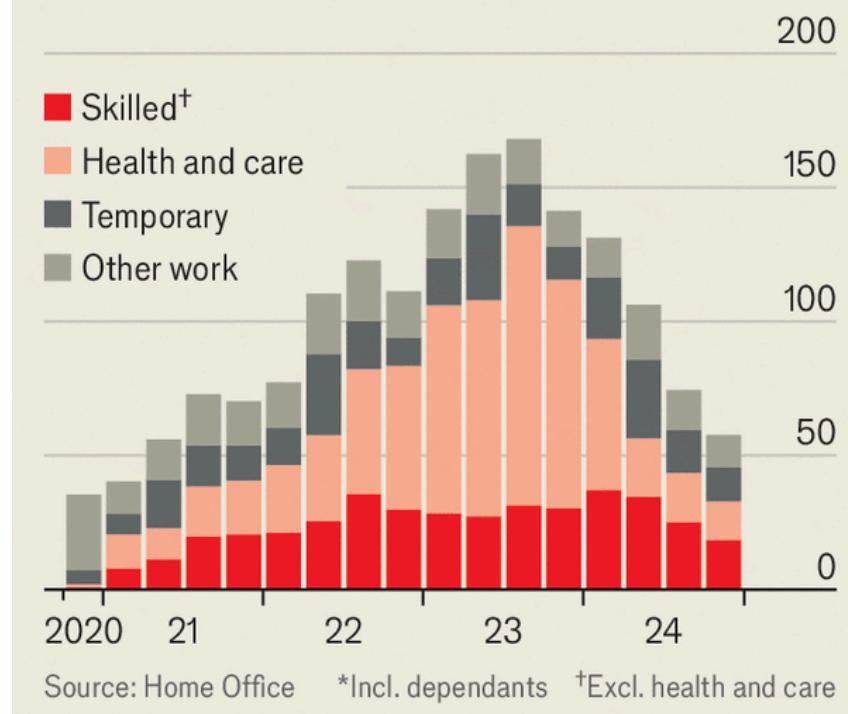


SINCE 2020 BRITAIN'S non-EU foreign workforce has grown to 3.2m—more than double its pre-pandemic size. That has fuelled anti-immigrant sentiment. The upside is a more productive and richer economy. More than one in five working-age Britons are neither employed nor seeking work; foreigners have filled the gaps. In 2022 the average migrant on a skilled-worker visa contributed a net £16,300 (\$20,150) to the public purse, compared with £800 for the average Brit. The Centre for Economics and Business Research, a consultancy, reckons zero net migration that year would have resulted in a 0.94% drop in GDP in 2025.

More than half of all skilled-worker visas issued since 2021 have gone to medical professionals, nurses and care staff. It follows the introduction by the Conservative government in 2020 of a fast-track visa for health and social-care workers. Around 9% of visas went to those in scientific and technical jobs; financial services and IT professionals accounted for 6% each; for hospitality workers it was 4%.

Less help on the way

Britain, work visas issued to immigrants*, '000



Now the experiment is over. The government is, in the words of Sir Keir Starmer, “shutting down the lab”. The prime minister has announced plans to tighten access to work visas; care workers will no longer be eligible. The duration of graduate visas will be reduced from two years to 18 months. Rather than “importing cheap labour”, employers will be required to prioritise training home-grown workers. With a few exceptions migrants will face a longer wait—ten years instead of five—for permanent settlement and citizenship.

Employers are sounding the alarm. Scientific groups such as the Institute of Physics, the Royal Society and Cancer Research UK (CRUK) fear the changes will undermine Britain’s global competitiveness. The sector has relied heavily on international talent. Just under two-thirds of the scientific staff at the Francis Crick Institute, one of Europe’s biggest biomedical labs, are from overseas.

Tech firms are apprehensive, too. Some occupations that were previously eligible for a skilled-worker visa—particularly those in data centres—will now fall below the threshold. One large tech firm plans to close its graduate scheme to international applicants as a result of proposals to shorten graduate visas, according to Nimmi Patel of techUK, a trade body. The firm says recruits will struggle to meet higher salary thresholds within the reduced time frame.

Businesses also face higher visa fees. The charge employers pay to sponsor skilled workers will rise by a third to £1,320 for the largest employers. Britain's immigration system was already one of the priciest globally. CRUK says its institutes spent nearly £690,000 on recruiting international researchers last year, over two-thirds of what it spent on cervical-cancer research.

Skills gaps won't be plugged overnight. The Construction Industry Training Board estimates it will need more than 250,000 new workers by 2028 to build homes, fix the grid or construct roads and bridges. "We simply do not have enough UK workers to achieve that," says Richard Beresford, chief executive of the National Federation of Builders.

The effects of tighter immigration rules are already evident in hospitality, where more than half of all visas go to chefs. Higher salary thresholds for skilled-worker visas introduced by the previous government in April 2024 have put pressure on employers. Overseas workers now make up less than 15% of the hospitality workforce, down from 25% before covid. But vacancies have soared to 84,000. In manufacturing, where companies were already struggling to fill more than 50,000 vacancies for welders, toolmakers and other trades, higher thresholds will make it "practically impossible" to recruit overseas, says Jamie Cater of Make UK, a trade body.

Rather than training workers, many firms are turning to automation. From robot-run warehouses to AI store monitors, retailers such as Next and Primark have been investing in automation in anticipation of rising labour costs. But in the state-funded health and social-care sectors, where foreigners make up around a third of doctors and care workers in England, robots will have limited use. Unison, Britain's largest union, is calling for higher wages to attract domestic workers, a cost that would be passed on to taxpayers. Taking back control may bring nasty shocks. ■

<https://www.economist.com/britain/2025/05/22/does-britain-need-migrant-workers>

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Deflated hopes

An eccentric set of one-offs has knocked inflation up in Britain

Troublingly, the public no longer thinks inflation will keep falling

May 22, 2025 12:47 PM



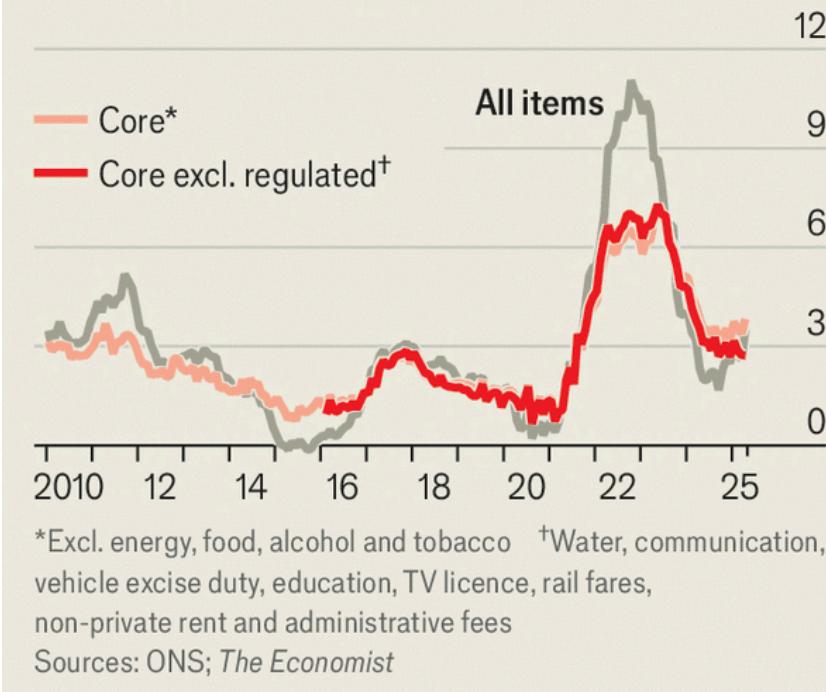
A CERTAIN WHITE-KNUCKLE angst accompanied Britain's early-morning inflation releases in 2022 and 2023, when prices were rising at a pace not seen in decades. Lately, the mood has been calmer. But new figures for April, published on May 21st, brought unwelcome flashbacks to the economists, traders and mandarins watching the data.

Annual headline inflation rose from 2.6% in March to 3.5%, blowing past forecasters' expectations of a 3.3% rise. Core inflation, which strips out food and energy, rose to 3.8%. Rather than reflecting a broad surge, though, these increases had a more prosaic cause: changes to a few regulated prices, which reset at the start of the financial year in April.

The price (still) isn't right

1

Britain, consumer prices,
% change on a year earlier



Water and energy bills, as well as vehicle-excise duty, a car tax, explain nearly all of the increase. Water bills rose 26% in April after Ofwat, the regulator, allowed firms to charge more to fund investment. Previously announced rises in national insurance (a payroll tax) and the minimum wage both bit as well, and may have pushed up prices in shops. Air fares were lifted by the holidays.

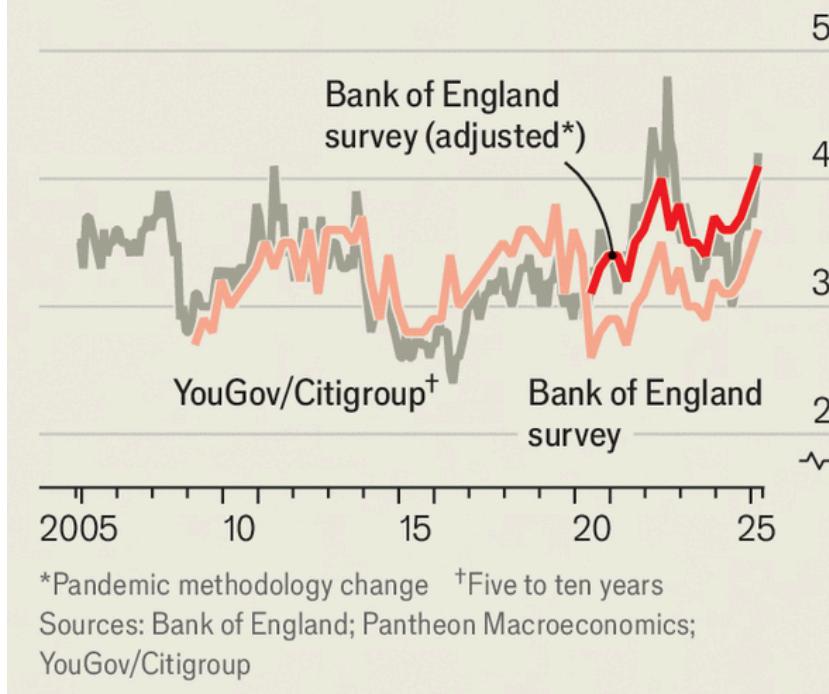
Strip out regulated prices (water bills and the like), and a sunnier picture emerges. *The Economist* calculates that annual core inflation excluding regulated prices was 2.7%, about the same as in March (see chart 1). That remains higher than the Bank of England's 2% target, but not by much.

Still, Britain cannot afford to relax entirely. However easy it is to slice misbehaving prices out of charts, ordinary Britons still notice when their bills keep rising. And, four years on from the initial surge, surveys suggest that households don't expect inflation to fall much at all over the next year or so.

Not-so-great expectations

2

Britain, household inflation
expectations, five years' time, %



More troublingly, many Britons now also believe it will stay above 2% for several more years, and possibly indefinitely (see chart 2). That belief, if it sticks and spreads, could seriously dent the credibility of Britain's inflation target. One reason why inflation has declined by so much in Britain and across the rich world over the past two years is that households expected it to fall—and so didn't push for the sorts of wage increases that could have set off a self-reinforcing spiral of higher prices. That faith has now been shaken.

As a result, some rate-setters at the Bank of England, including the chief economist, Huw Pill, are now fretting publicly about a possible regime shift in price-setting. For decades, Britons were able to blithely ignore inflation. Now that households and businesses are paying attention, so the theory goes, they are less willing to simply trust that any inflationary shocks will soon pass. Too many more months like April, then, even if the causes are genuine one-offs, could add up to a real problem.

Across the Atlantic, April also marked Donald Trump's escalation in tariffs. Worries about moderately above-target inflation may well look quaint, if American protectionism begins to choke global growth. A cruel month for central bankers—and consumers.■

<https://www.economist.com/britain/2025/05/22/an-eccentric-set-of-one-offs-has-knocked-inflation-up-in-britain>

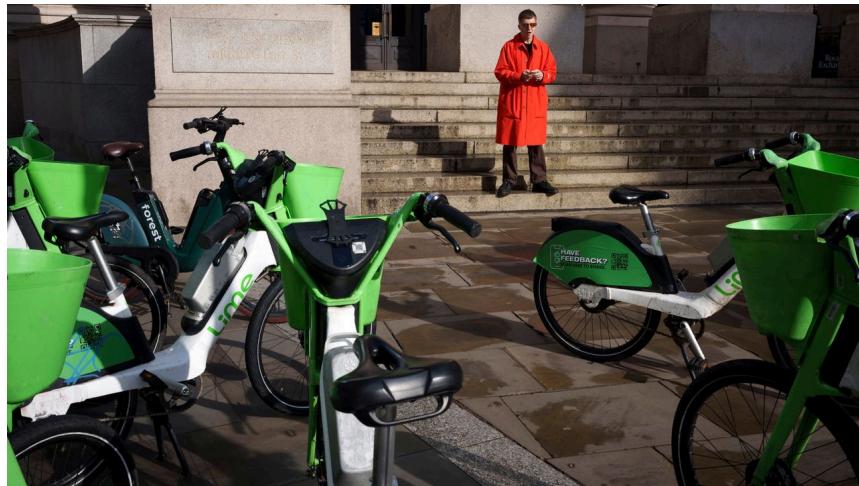
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Two wheels good

London has become a cycling city

It shows how dockless-electric bikes could transform cities

May 28, 2025 11:20 AM



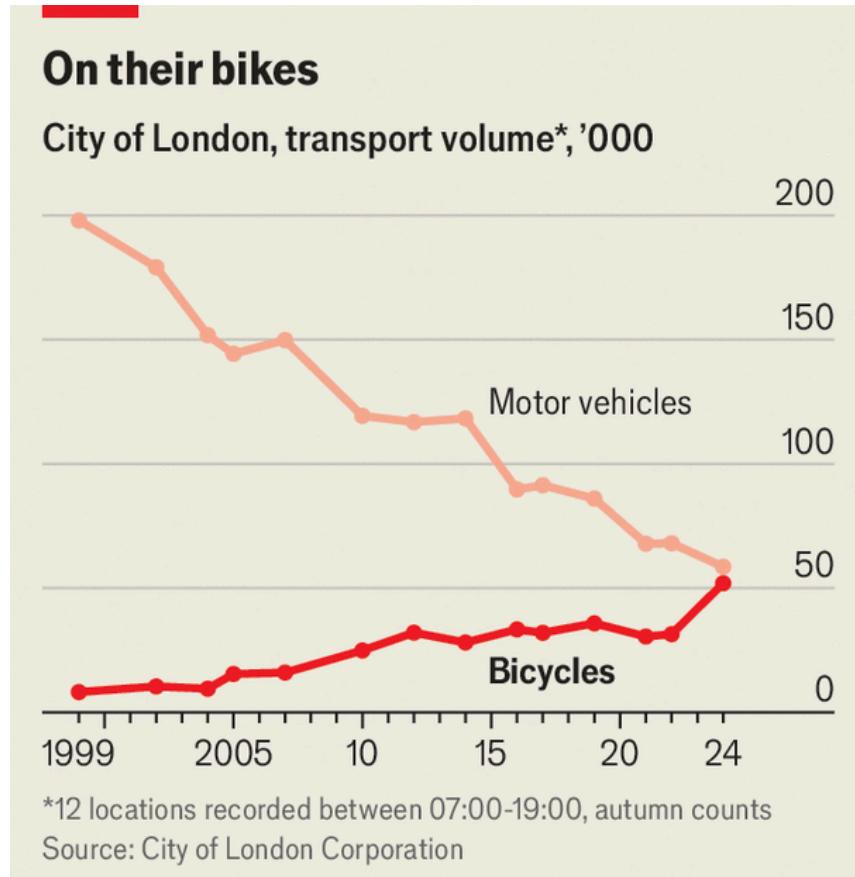
A green revolution

FOR THE PAST quarter of a century the City of London Corporation, a local authority, has conducted a giant traffic survey. Stationed around central London, more than a hundred observers stand and count what goes by. The latest exercise, conducted last autumn and published in April, contained the most remarkable result yet. Compared with the previous one two years before, the number of cyclists was up by 57%.

London has become a cycling city. For years that dream—of Amsterdam- or Copenhagen-on-Thames—seemed unattainable, owing to long commutes, dangerous roads and a cycling culture dominated by macho MAMILS (middle-aged men in lycra) that would-be riders seemed to find, curiously, unappealing. Even as the city's mayors installed hundreds of miles of cycleways, particularly since 2016, there was only a slow conversion from seat to saddle.

Until now. In central London, the survey shows, bikes have overtaken cars to become the most common vehicle. On current

trends, they will outnumber all motor vehicles—cars, buses, motorbikes, vans and lorries—within two years (see chart). Will Norman, the cycling commissioner, reckons the city has reached a tipping-point, with much of the surge coming from people who had not previously been persuaded to pedal.



What changed? Most riders still use personal bikes, which account for 60% of the increase since 2022 (helped by all those cycle lanes). But in the past two years the use of rental-electric bikes has increased four-fold. So ubiquitous are a whizzy white-and-green variety that the fruit they are named after has become a verb: “Shall we Lime?” Londoners ask. The Californian company behind them has more than 200,000 bikes in 280 cities, from Paris to San Francisco. But London’s is by far its most extensive service, with some 30,000 bikes across 480 square kilometres and 17 boroughs. (Forest, a British company and Lime’s main competitor, operates in 14.)

London's bike boom offers several lessons. The first is that while many people enjoy the thrill and convenience of cycling, some dislike the effort. London introduced docked bikes in 2010. It has had electric bikes for hire since 2011. But usage took off with the introduction of Lime's powerful Gen4 bike in 2022. All rental-electric bikes have a top speed of 25kph. But Limes have rapid acceleration, enabling riders to zip around with little exertion.

If one secret is making the bikes really electric, the other seems to be making them really dockless. Previously, bike-hire schemes offered a patchy service: it was often hard to find a bike and it could take ages to find a designated parking space. Today, London's operators have more bikes. But critically they have negotiated relaxed parking rules, including on residential streets, meaning their fleets fan out widely. Lime claims that 97% of Londoners in its service area live within a two-minute walk of one of their bikes. As with Uber, it thinks users open the app if they know convenience is only a few minutes away.

There have been teething problems. It is hard to ensure that riders park considerately, not in the middle of the pavement. In the city centre, there are now tightly enforced parking zones, though this can lead to bikes clustered like a shoal. In the rest of the city, operators try to enforce good behaviour by making riders take photos. With more investment in cycle parking, cities should be able to solve this (around ten bikes fit into each car space).

A second concern is safety. With large electric motors and a sturdy vandal-proof design, Limes are around four times the weight of an average bike. That makes them easy to tip over. Electric-bike riders tend not to wear helmets and seem especially likely to run traffic lights, perhaps because they are paying by the minute. London's orthopaedic surgeons complain about a spurt of broken bones. Some critics are calling for tighter regulation.

Still, moving people from cars onto bikes helps make cities more liveable. And a truly city-spanning bike-hire scheme—of which London is now perhaps the leading example—offers extra benefits. It is a highly efficient way of filling gaps in an urban-transport system, connecting areas poorly served by buses and trains. City administrators lose some fare revenue, but they benefit from less pressure at peak times, and they can charge bike operators a service fee for their licence.

In commuting hours, Lime's data show that many riders use the bikes for first- or last-mile trips: getting to the nearest Tube or from a railway station to the office. For many, this shaves a third or more off their commute. Not only does that give people time back, it expands the pool of workers a company might be able to hire. Economists have not yet properly studied these benefits, but they could well be large. Previous research found that installing docking points raised rents in nearby houses.

Regulation will have to make sure there are sensible parking rules and bikes are well maintained. Cities will also want to foster competition. At around £7 (\$9.40) an hour Liming is quite pricey. This month Voi, a Swedish operator, launched a lower-priced scheme in west London. Regulators will need to get the balance right. With a higher usage rate, operators can invest in maintaining their fleet and moving bikes around. Three or four city-wide operators might be ideal; too many would probably result in piles of bikes in the city centre.

Lime, which is thought to be planning to float on the New York Stock Exchange this year, is talking up its success in London—and its plans to invest in a safety campaign and more parking spaces. Operators are keen to grow elsewhere in Britain, and beyond. As long as they can keep regulators on side, riders—and cities—will feel the benefits. ■

Editor's note (May 23rd 2025): An earlier version of this article mischaracterised Lime's potential plans to float on the New York Stock Exchange.

<https://www.economist.com/britain/2025/05/22/london-has-become-a-cycling-city>

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Bagehot

Bring back Boris

A return of Boris Johnson would provide something for everyone to enjoy

May 22, 2025 12:47 PM



PEOPLE TURN to animals when describing [Boris Johnson](#). To his aides, the former prime minister was “Big Dog”. One commentator labelled him a “giant toad”, squatting over British politics. Another said he was a “bulletproof Gunnersaurus”, after Arsenal’s dinosaur mascot. When rumour emerged that Mr Johnson was considering a return to front-line politics, the menagerie expanded. “The big, blond-maned cat is stalking the leader of the Tory party,” said one commentator, panting.

Something is afoot. Mr Johnson once sniped at his Tory successors. Now he offers Kemi Badenoch something far more damaging: sympathy. Parties can recover from lousy polling, he simpers. The subtext is clear; the Tories have not been in such a rut since the summer of 2019, when they were polling in the teens and assailed by Nigel Farage. The party went on to win a big majority just six months later. Who led it out of that hole? Me? *Cripes!*

Big Dog left office in 2022 a wildly unpopular leader, after a tenure marked by incompetence, cronyism and a contempt for the norms and rules of British government. His return would be insane. Yet the strangest bit is that every part of the political spectrum would welcome it.

Sheer desperation explains why Conservatives outside the court of the Giant Toad mull the idea. After the Tories were walloped in local elections at the start of the month, a poll by More In Common suggested that, among the likely leadership candidates, only Mr Johnson would trump Mr Farage's Reform UK. Would it guarantee victory? Far from it. For a party staring at death, even a hung parliament would be a triumph.

British politics happens at pace and nostalgia comes quickly. Failings become lovable foibles. "At least you knew what you'd got with Boris," said one voter from Doncaster, revelation falling from her lips, during a focus group. "You got a blooming idiot who just said it how he saw it." Remember Boris? The people's buffoon.

Chutzpah explains why Bulletproof Gunnersaurus thinks he could do it. Errors of Mr Johnson's era can be blamed on others. High taxes? Blame Rishi Sunak, his former chancellor, who brought down Mr Johnson and eventually succeeded him. High immigration? Blame Mr Sunak for that too. On Treasury spreadsheets, immigrants go in one end and GDP comes out the other.

A dark, unspoken cynicism lurks beneath such a strategy. Support for a nativist, right-wing party emerged only when the Conservative Party was led by a brown man. That same party has embedded itself in British politics while the right is led by Ms Badenoch, a black woman. Untangling correlation and causation is tricky. That Reform has a vanguard of online supporters who are if nothing else honest about their racism makes it less so. Reform's

political seed capital came from a nasty place. Thinking all of its voters are racist would be wrong; thinking none is would be naive.

If a corner of the Conservative Party is enthusiastic about the return of the big, blond-maned cat, the rest of the political spectrum is ecstatic. Liberal Democrats cackle at the thought. It was Mr Johnson's ineptitude as much as Brexit that turned prosperous southern England towards the Lib Dems. At one dinner with the former prime minister, a freshly minted Liberal Democrat MP charged towards Mr Johnson, exclaiming, "I wanted to thank you for all the help."

Labour, meanwhile, is happy to remind voters that the country was a mess when Mr Johnson ran it. For all Sir Keir's blunders in office, it is still preferable to *that* period. Reformers, who believe immigration is the be-all of British politics, think voters will snarl at the man whose policy allowed 1.3m people into the country in a single year. They call it the Boriswave (as do some Labour staffers). Having the man himself return would only help.

Is he popular? No. Is he competent? Also no. Nevertheless...

The best argument for Big Dog's return, however, is catharsis. René Girard, a French philosopher in vogue, argued that society relies on scapegoats in order to rub along. A fight of all-against-all becomes a battle of all-against-one; someone who can personify all their woes and be removed, whether a teenager dragged to the top of an Aztec pyramid or Jesus Christ hung on a cross.

In British politics, only Mr Johnson fits the bill. Once almost worshipped, he became reviled. A wannabe good-time king presided over a bad time. Britain's departure from the EU was a miserable divorce rather than joyful liberation. Lockdown was two years of pain, exacerbated by Mr Johnson and his team breaking the rules they themselves set. His exit from Parliament in 2023 was meant to be a moment of release.

Except the scapegoat process went awry. What should have been an electoral bloodletting became a bureaucratic one. When Mr Johnson's lies over lockdown came to light, a parliamentary committee suspended him for 90 days. This meant a recall petition in his constituency and a by-election. Rather than face angry voters, the former prime minister scarpered. Mr Johnson was not led to the top of an Aztec pyramid; the cross was bare. A metaphorical lynch mob assembled in Uxbridge, the London suburb represented by the former prime minister, but Mr Johnson was nowhere to be found.

And so Britain could not move on. Mr Johnson's shadow looms over both his party and the country. British politics is stuck in a world he built, enduring the same arguments about immigration and Europe. Backlogs from lockdown still jam Britain's hospitals; the costs of this shutdown weigh heavily on the state's finances. Mr Johnson was elevated by the British public, but they never had the chance to destroy him themselves. Come back, Mr Johnson. Perhaps Britain will herald you again. Or perhaps it will rip you limb-from-limb and British politics can, finally, start anew. ■

<https://www.economist.com/britain/2025/05/21/bring-back-boris>

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Donald Trump's quest for orbital dominance

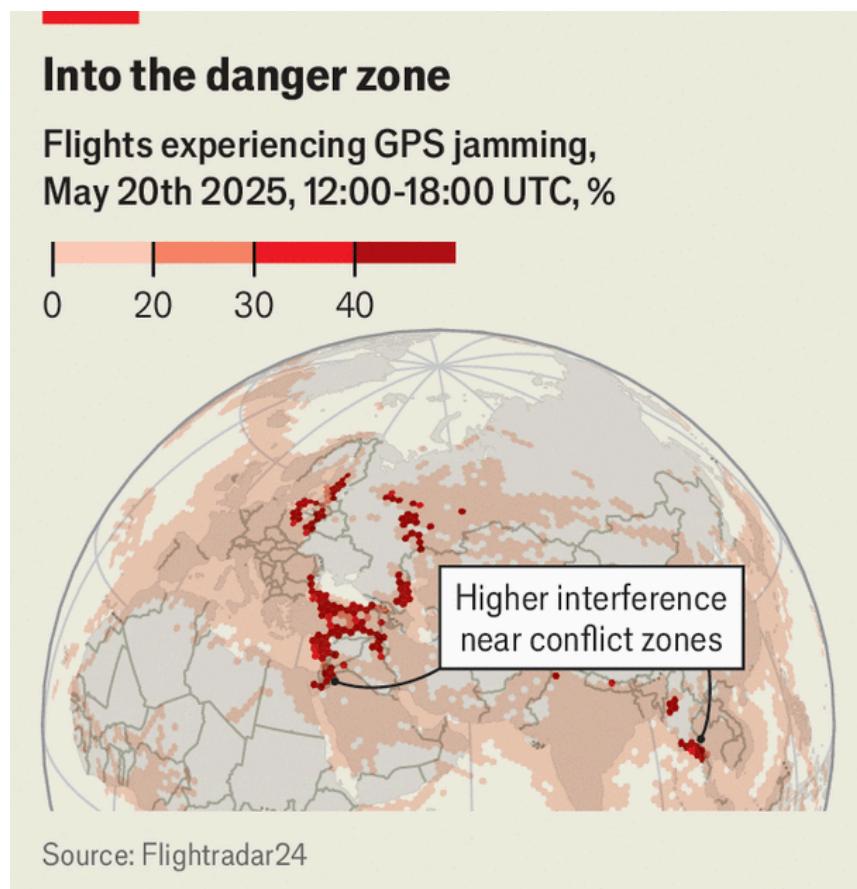
May 22, 2025 03:27 PM



“RONALD REAGAN wanted it many years ago,” declared Donald Trump, “but they didn’t have the technology.” Now, he said, America could finally build a “cutting-edge missile-defence shield”. Mr Trump’s Golden Dome—an allusion to Israel’s more modest Iron Dome—is intended to protect America from attack using, among other things, hundreds or thousands of satellites that can both track and attack enemy missiles as they take off.

Mr Trump had promised such a shield on the campaign trail. On May 20th he said his “big, beautiful” tax bill, which has not yet been approved by Congress, included \$25bn in initial funding and that the project would cost \$175bn in total. In practice, Golden Dome will probably cost far more—the Congressional Budget Office reckons the bill could run to more than \$500bn over 20 years—and take far longer than Mr Trump’s wildly optimistic timeline of “two and a half to three years”.

Similarly suspect is Mr Trump's claim that the system will offer "close to 100% protection". The success rate is likely to depend on the scope of the shield. A recent report by the American Physical Society, a group of physicists, suggested that 16,000 space-based missiles would be needed to be sure of intercepting a salvo of just ten North Korean Hwasong-18 missiles. But if American leaders wanted 30 seconds of decision time before acting, they would need 36,000 interceptors. And "many more interceptors" than that would be required if America was also defending very northerly cities, Alaska or the Midwest.



Golden Dome is in part a response to the Pentagon's concern that America's adversaries are building huge numbers of new and more diverse missiles. American radars and defences have historically focused on missiles travelling over the North Pole. But long-range hypersonic missiles, which are more manoeuvrable, and "fractional orbital" systems, which can partly encircle Earth, can take more unpredictable routes. A recent report by the Defence Intelligence

Agency shows arrows plunging into America from all directions. Canada, which already has a joint aerospace defence command with America, is in talks about joining Golden Dome.

The defensive shield also highlights how Earth orbit is becoming a front line in the new struggle between Russia, China and America. It is being waged by the likes of Cosmos 2553, a Russian satellite that America believes is an unarmed prototype of a particularly lurid space weapon: a nuclear weapon capable of wiping out satellites across large swathes of low-Earth orbit—such as those that would be part of Golden Dome. China is also building a range of counter-space weapons. “They’re moving at jaw-dropping speed,” said General Stephen Whiting, the head of America’s Space Command, of China’s expanding anti-satellite arsenal.

Such weapons put far more than just defence infrastructure at risk. They also threaten the spacecraft that provide communications and, perhaps more important, the positioning, navigation and timing data that are essential for modern economies. The vulnerability of satellite navigation systems has been exposed by a huge increase in the [jamming and spoofing](#) (counterfeiting) of their signals .

Russia and China have been developing satellites with “advanced manoeuvring capabilities” that would allow them to interfere with or destroy American satellites. In May 2024, for instance, Cosmos 2576, another Russian satellite, entered a “coplanar” orbit with USA 314, an American spy satellite, in a manner that “could signal the positioning of a counterspace weapon”, according to a new report by the Centre for Strategic and International Studies (csis), a think-tank in Washington. France has become so alarmed that it has talked about developing “bodyguard” systems for satellites, which could allow satellites to detect threats and then defend themselves using a robot or laser.

Other sorts of celestial sparring are also under way. At one point last year, TJS-4, a Chinese suspected signals-intelligence spacecraft,

manoeuvred to get between an American surveillance satellite and the Sun. That, says CSIS, would have created shadows preventing the Americans from taking good photos of the Chinese craft. General Michael Guetlein, the new head of Golden Dome, earlier this year accused China of practising “dogfighting in space”.

Yet America is hardly a shrinking violet in this area. Last month USA 324, one of General Whiting’s surveillance satellites, sidled up to TJS-16 and TJS-17, a Chinese pair of suspected electronic-intelligence satellites. It passed within 17km of the former and 12km of the latter, according to COMSPOC, a firm that tracks objects in space. This was far closer than Cosmos 2576 came to USA 314. This “buzzing” of the Chinese satellites was, notes Jonathan McDowell of the Harvard-Smithsonian Center for Astrophysics, “the sort of thing that causes DOD officials to issue outraged comments when China does it to ours”. ■

<https://www.economist.com/international/2025/05/21/star-wars-returns>

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Lost signals

Can China jam your GPS?

Its huge investment in the rival BeiDou system may give it an edge

May 22, 2025 12:48 PM



IN MARCH, WHEN President Donald Trump briefly withheld intelligence support from Ukraine, the shock waves buffeted America's allies, who worried they could no longer take for granted access to the superpower's vast space-based resources. This uncertainty extends beyond defence to equally crucial tools, such as the [Global Positioning System \(GPS\)](#).

The navigation system has long been an unshakable pillar of American power, hard and soft. First developed by the Department of Defence, President Bill Clinton fully opened GPS to civilian use in 2000, transforming it into a free global utility that is now deeply embedded across industries, from air transport, shipping and trucking to global finance, where its signals provide the accurate timestamps needed to synchronise banks and exchanges. If these navigation signals were to be cut off for 24 hours, the costs to the British economy alone would come to about £1.4bn (\$1.9bn), according to a government report published in 2023.

Lost in transmission

Flights experiencing GPS spoofing*

Selected regions

Russia Black Sea Kaliningrad (Russia) Asia

2,000

1,500

1,000

500

0

Middle East

2024

2025

Source: SkAI Data Services and ZHAW *14-day moving average

Worryingly, years of under-investment have left GPS vulnerable. The large-scale jamming (blocking the signal) and spoofing (feeding in false information) of GPS in or near war zones, including Ukraine and the Middle East, have exposed its fragility (see chart). Kevin Pollpeter, the head of research at the China Aerospace Studies Institute, a think-tank, warns that such disruptions will grow more common, as Russia and China invest in technologies capable of jamming GPS on a massive scale.

China's BeiDou has emerged as a formidable alternative to GPS. The Chinese system is provided by 56 satellites, which is nearly double the number providing GPS, and is supported by 120 ground stations, which command the constellation, versus just 11 for GPS. This resilience is BeiDou's greatest strength, says Dana Goward, the president of the Resilient Navigation and Timing Foundation, a non-profit. Unlike GPS, which relies solely on satellites in medium-

Earth orbit, BeiDou operates across three orbital layers, giving it wider and more stable coverage.

Beyond its satellite network, China has also built nearly 300 ground-based backups, fibre-optic networks to transmit accurate timing information, and an eLoran system, a ground-based alternative to satellite-based navigation. These ensure that if satellite signals are lost, essential navigation and timing services can continue. Unlike satellite signals, which are weak and easily jammed by the time they reach Earth, eLoran uses powerful transmissions that are more difficult to interfere with.

This redundancy could give China a strategic edge. In a conflict over Taiwan, for instance, it could jam or spoof GPS signals across the Taiwan Strait, disabling navigation for American and Taiwanese forces, says Mr Pollpeter. Meanwhile, China's alternative systems would remain largely unaffected because such powerful signals would be needed to jam eLoran that in doing so America might disrupt its own systems, says Sean Gorman, founder of Zephyr, a navigation-resilience firm.

Moreover, China's ability to spoof GPS signals is growing. Because BeiDou is designed to be compatible with GPS, owing to an interoperability agreement signed in 2017, China can easily mimic its signals. Russia and China are also developing [anti-satellite](#) and [other space-based devices](#) that can destroy or interfere with Western satellites.

America's communications regulator said on March 27th that it would explore alternatives to GPS to strengthen resilience. However, efforts to modernise America's ageing GPS satellites have stalled. An upgrade meant to replace 1990s-era technology offered only modest improvements in accuracy, leaving GPS lagging far behind BeiDou and Galileo, a European alternative. In a damning report in 2024 the Government Accountability Office, a congressional watchdog, noted that America has taken more than 20 years to

deploy M-code, a jam-resistant military signal that is still not fully operational.

Frustrated by the shortcomings of GPS, some countries are developing their own navigation systems. Britain briefly flirted with the idea of launching a satellite system after Brexit reduced its access to Galileo, but it soon balked at the cost. Instead it is building a cheaper backup using atomic clocks, fibre-optic cables and eLoran transmitters and is testing quantum sensors. South Korea and Japan are continuing to develop their own solutions. Yet since few countries can afford to create global navigation system, most rely on GPS, BeiDou, Galileo or Russia's GLONASS.

Of these BeiDou is making great strides. It is being embedded in Chinese-built infrastructure, such as phone networks, power grids, ports and railways built under China's Belt and Road Initiative. Pakistan and Saudi Arabia are using it to replace GPS in some defence applications. Because some devices are locked into using only BeiDou, that creates new vulnerabilities. "BeiDou gives China an on-off switch for countries that rely on it," says Mr Goward. "That's a powerful tool for economic and political coercion." ■

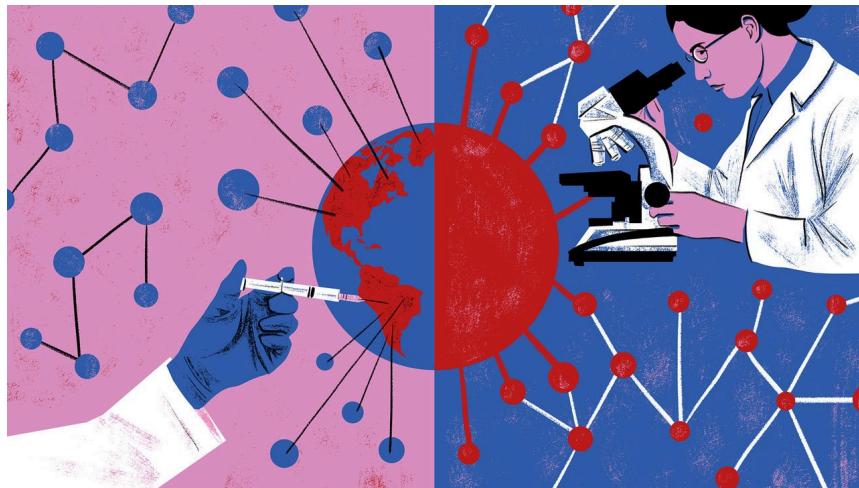
<https://www.economist.com/international/2025/05/22/can-china-jam-your-gps>

The Telegram

How to fight the next pandemic, without America

The world scrambles to save global health policy from Donald Trump

May 22, 2025 01:05 PM



HEARTFELT APPLAUSE greeted the adoption on May 20th of the World Health Organisation (WHO) Pandemic Agreement, a treaty that commits governments to be more responsible and less selfish when future pandemics emerge. There was doubtless an edge of relief to the clapping. After three years of fierce argument, an overwhelming majority of health ministers and officials from over 130 countries—but not America, which is [leaving the](#) and boycotting the treaty—voted to approve the text.

To cheerleaders, this was hopeful applause. The WHO boss, Tedros Adhanom Ghebreyesus, congratulated governments on a “victory for public health, science and multilateral action”. Opponents of the new pandemic agreement, who include the Trump administration but also populist politicians in Europe and elsewhere, might call those clapping sinister.

An executive order issued on President Donald Trump's first day in office announced America's withdrawal from the WHO and from negotiations to craft the new pandemic treaty. The order added that America would not be bound by amendments to international health regulations agreed on in 2024. Those changes, which tighten virus-surveillance and reporting obligations on governments, were demanded by American negotiators during the Biden administration. Mr Trump accuses the WHO of mismanaging the covid-19 pandemic under China's influence, and of demanding too much money from America.

The pandemic treaty has sparked wild if vague claims in several countries. In 2024 a fringe candidate for America's presidency called the pandemic agreement a power-grab by "international bureaucrats and their bosses at the billionaire boys' club in Davos" that tramples Americans' constitutional rights. Alas for the WHO, that long-shot candidate, [Robert F. Kennedy junior](#), is now Mr Trump's health secretary. In Britain, a right-wing political leader, Nigel Farage, falsely charges that the pandemic treaty will allow the WHO to impose lockdowns "over the heads of our elected national governments". In fact, the treaty explicitly reaffirms the sovereign authority of national governments.

Was the applause in Geneva naive? Several times talks nearly collapsed, as bold promises made by world leaders during the covid-19 pandemic ran into long-standing divisions between high- and low-income countries. A year or two of hard wrangling still lies ahead, as governments hammer out the details of a political, scientific and commercial bargain at the heart of the treaty, known as the Pathogen Access and Benefit Sharing system (PABS). That compact must balance the interests of very different places: on the one hand, the developing countries where many new viruses emerge; on the other, the wealthier nations where advanced vaccines and treatments are typically discovered.

Success is not a given. For PABS to save lives, some poor or struggling governments will need to step up surveillance of remote rural regions where people live among domestic and wild animals, and which create conditions that favour the spread of viruses into human hosts. They must report troubling discoveries swiftly and share pathogen samples with foreign scientists, even at the risk of suffering travel bans that bring trade and tourism to a halt. In return for free and rapid access to those same pathogens, some of the world's most powerful governments and drug firms must commit to hand to the WHO, in real time, 20% of the vaccines, therapies and diagnostic tests they produce.

The politics of inequality nearly derailed the process. With reason, delegates from the global south accused rich countries of taking pathogens found among their populations, using them to create life-saving vaccines and drugs, then hoarding those same miracle cures for rich-world customers. Some developing countries called for cash payments for genetic data, following the model of an international agreement, the Nagoya Protocol, that allows countries to demand fees from drug and food companies or other entities that profit from their genetic heritage. Adopting PABS would make the sharing of pandemic-causing pathogens a public good, keeping Nagoya Protocol payments at bay.

Other emerging economies, notably those with fast-growing pharmaceutical industries, called for intellectual-property (IP) rights to be weakened or suspended during pandemics, and for technology transfers so that Africans and Asians can make their own vaccines. European governments said that defending IP was a red line, arguing that companies need to recoup research costs, or innovation will suffer. Rich-world pharmaceutical firms called the expansion of advanced vaccine-manufacture a noble but long-term goal. In the meantime, they argued, haggling with governments over fees for pathogens can slow down vital cures, for example, during a Zika-virus outbreak in Latin America in 2016.

Sometimes, avoiding failure is the big win

China was “very comfortable with the polarised debate” in Geneva, says an expert on the talks. “They had no interest in eroding IP protection, they have lots of IP. But they liked seeing a geopolitical fight between north and south.”

Mr Trump saved the treaty, argues Lawrence Gostin, a professor of global-health law at Georgetown University: governments compromised to save the multilateral order from America.

Aalisha Sahukhan heads the Centre for Disease Control on the Pacific island-state of Fiji and led her country’s delegation in Geneva. There is no guarantee that governments will keep treaty commitments, she concedes. Still, the mere act of agreeing on shared principles reassures small countries like hers. “A standard is set: this is how we should be behaving.” Much could still go wrong. But if nothing else, rational self-interest was tested and survived. That is surely worth a cheer. ■

<https://www.economist.com/international/2025/05/20/how-to-fight-the-next-pandemic-without-america>

Business

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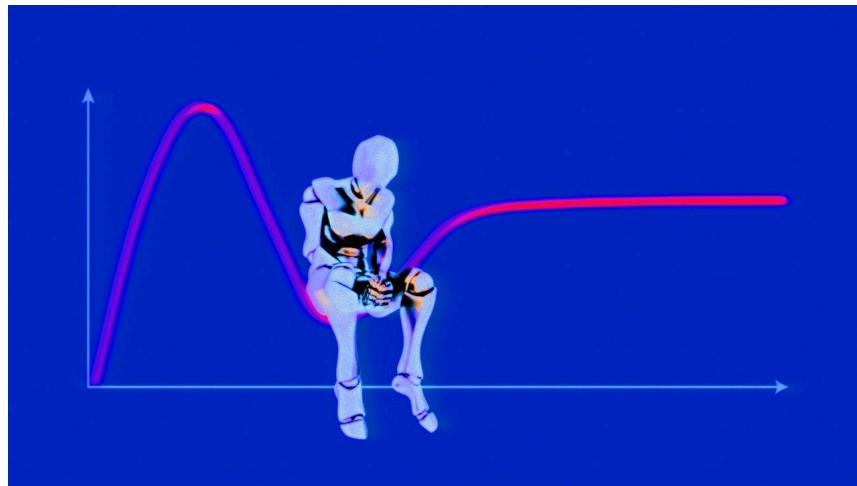
Schumpeter :: American retailers are slugging it out with their suppliers

An uphill struggle

Welcome to the AI trough of disillusionment

Tech giants are spending big, but many other companies are growing frustrated

May 22, 2025 02:26 PM | SAN FRANCISCO



WHEN THE chief executive of a large tech firm based in San Francisco shares a drink with the bosses of his Fortune 500 clients, he often hears a similar message. “They’re frustrated and disappointed. They say: ‘I don’t know why it’s taking so long. I’ve spent money on this. It’s not happening’”.

For many companies, excitement over the promise of generative artificial intelligence (AI) has given way to vexation over the difficulty of making productive use of the technology. According to S&P Global, a data provider, the share of companies abandoning most of their generative-AI pilot projects has risen to 42%, up from 17% last year. The boss of Klarna, a Swedish buy-now, pay-later provider, recently admitted that he went too far in using the technology to slash customer-service jobs, and is now rehiring humans for the roles.

Consumers, for their part, continue to enthusiastically embrace generative AI. [Sam Altman](#), the boss of OpenAI, recently said that its ChatGPT bot was being used by some 800m people a week, twice as many as in February. Some already regularly turn to the technology at work. Yet generative AI's transformative potential will be realised only if a broad swathe of companies systematically embed it into their products and operations. Faced with sluggish progress, many bosses are sliding into the “trough of disillusionment”, says John Lovelock of Gartner, referring to the stage in the consultancy's famed “hype cycle” that comes after the euphoria generated by a new technology.

This poses a problem for the so-called hyperscalers—Alphabet, Amazon, Microsoft and Meta—that are still pouring vast sums into building the infrastructure underpinning AI. According to Pierre Ferragu of New Street Research, their combined capital expenditures are on course to rise from 12% of revenues a decade ago to 28% this year. Will they be able to generate healthy enough returns to justify the splurge?

Companies are struggling to make use of generative AI for many reasons. Their data troves are often siloed and trapped in archaic IT systems. Many experience difficulties hiring the technical talent needed. And however much potential they see in the technology, bosses know they have brands to protect, which means minimising the risk that a bot will make a damaging mistake or expose them to privacy violations or data breaches.

Meanwhile, the tech giants continue to preach AI's potential. Their evangelism was on full display this week during the annual developer conferences of Microsoft and Alphabet's Google. Satya Nadella and Sundar Pichai, their respective bosses, talked excitedly about a “platform shift” and the emergence of an “agentic web” populated by semi-autonomous AI agents interacting with one another on behalf of their human masters.

The two tech bosses highlighted how AI models are getting better, faster, cheaper and more widely available. At one point Elon Musk announced to Microsoft's crowd via video link that XAI, his AI lab, would be making its Grok models available on the tech giant's Azure cloud service (shortly after Mr Altman, his nemesis, used the same medium to tout the benefits of OpenAI's deep relationship with Microsoft). Messrs Nadella and Pichai both talked up a new measure—the number of tokens processed in generative-AI models—to demonstrate booming usage.

Fuddy-duddy measures of business success, such as sales or profit, were not in focus. For now, the meagre cloud revenues Alphabet, Amazon and Microsoft are making from AI, relative to the magnitude of their investments, come mostly from AI labs and startups, some of which are bankrolled by the giants themselves.

Still, as Mr Lovelock of Gartner argues, much of the benefit of the technology for the hyperscalers will come from applying it to their own products and operations. At its event, Google announced that it will launch a more conversational “AI mode” for its search engine, powered by its Gemini models. It says that the AI summaries that now appear alongside its search results are already used by more than 1.5bn people each month. Google has also introduced generative AI into its ad business, to help companies create content and manage their campaigns. Meta, which does not sell cloud computing, has weaved the technology into its ad business using its open-source Llama models. Microsoft has embedded AI into its suite of workplace apps and its coding platform, Github. Amazon has applied the technology in its e-commerce business to improve product recommendations and optimise logistics. AI may also allow the tech giants to cut programming jobs. This month Microsoft laid off 6,000 workers, many of whom were reportedly software engineers.

These efforts, if successful, may even encourage other companies to keep experimenting with the technology until they, too, can

make it work. Troughs, after all, have two sides; next in Gartner's cycle comes the "slope of enlightenment", which sounds much more enjoyable. At that point, companies that have underinvested in AI may come to regret it. The cost of falling behind is already clear at Apple, which was slower than its fellow tech giants to embrace generative AI. It has flubbed the introduction of a souped-up version of its voice assistant Siri, rebuilt around the technology. The new bot is so bug-ridden its rollout has been postponed.

Mr Lovelock's bet is that the trough will last until the end of next year. In the meantime, the hyperscalers have work to do. Kevin Scott, Microsoft's chief technology officer, said this week that for AI agents to live up to their promise, serious work needs to be done on memory, so that they can recall past interactions. The web also needs new protocols to help agents gain access to various data streams. Microsoft has now signed up to an open-source one called Model Context Protocol, launched in November by Anthropic, another AI lab, joining Amazon, Google and OpenAI.

Many companies say that what they need most is not cleverer AI models, but more ways to make the technology useful. Mr Scott calls this the "capability overhang." He and Anthropic's co-founder Dario Amodei used the Microsoft conference to urge users to think big and keep the faith. "Don't look away," said Mr Amodei. "Don't blink." ■

<https://www.economist.com/business/2025/05/21/welcome-to-the-ai-trough-of-disillusionment>

Supercharger

China's battery giant eyes world domination

CATL's blockbuster listing will power its expansion

May 22, 2025 01:06 PM



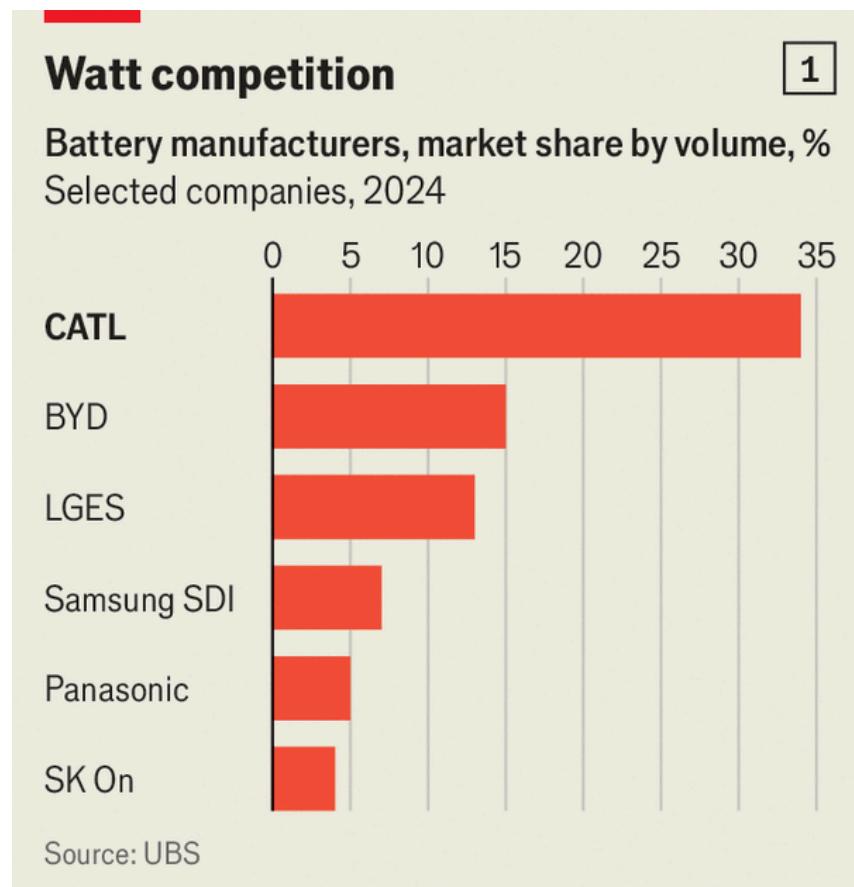
Tower of power

SET AMID a backdrop of lush rolling hills and marshy lakes, Ningde is an unassuming town on the south-eastern coast of China, lined with low-rise buildings and apartment blocks. One structure stands out: a gleaming rectangular tower with a gently curving glass façade, which bears an uncanny resemblance to a giant [lithium-ion battery pack](#).

This is the headquarters of the planet's largest battery-maker, CATL. Its products power a third of the world's electric vehicles (EVs) and a similar share of energy-storage systems for grids. The [meteoric rise of the company](#), founded in 2011, has lifted the economic output of Ningde, the hometown of its boss, Robin Zeng, above that of Estonia or Uganda.

On May 20th CATL raised almost \$5bn in a secondary listing in Hong Kong, making it the largest share offering so far this year. Investors raced to get their hands on the stock, sending its price up by 16%. The sum is a small fraction of the \$160bn market

capitalisation of the firm, which first listed its shares in Shenzhen in 2018. But the Hong Kong offering is a clear statement of intent: not satisfied with dominance at home, China's battery behemoth plans to spread across the globe.



CATL is already by far the largest firm in its industry. Its production volume is more than double that of BYD, its closest competitor, which has the advantage of being the world's [biggest maker of](#) (see chart 1). CATL's 11 manufacturing sites across China cover nearly 20m square metres between them. The company, which employs over 100,000 people, also owns lithium mines and an offshore wind farm.

Its scale and vertical integration have driven down costs and lowered prices. Although revenue fell by 10% last year, to 362bn yuan (\$50bn), net profit rose by 16%, to 52bn yuan, delivering a healthy margin of 14% (see chart 2). Rivals have struggled to keep

up. LG Energy Solution of South Korea, CATL's biggest competitor outside China, made a net loss last year.

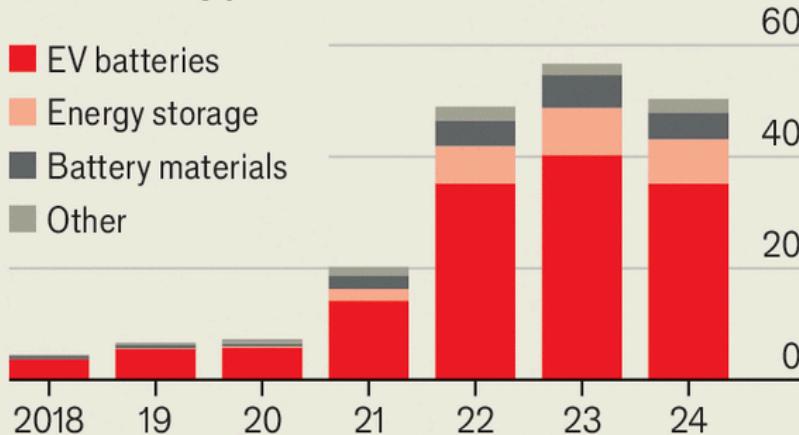
Now the battery giant is hoping to strengthen its position abroad. Exclude China, and LG Energy Solution was narrowly ahead last year on sales volumes, according to UBS, a bank. But CATL is fast catching up: last year it generated 30% of its revenue abroad, up from less than 4% in 2018. Its carmaking customers include BMW, Toyota and Volkswagen. It also powers grid-storage systems in Nevada and Texas, and recently announced the world's biggest energy-storage project in the United Arab Emirates.

Strong currents

2

CATL, \$bn

Revenues, by product



Net profit



Source: LSEG Workspace

In order to be closer to its customers, CATL is expanding its manufacturing footprint. At present, its production capacity is almost entirely in China, which makes around 85% of the world's batteries. In 2023 CATL opened its first overseas factory, in Germany. About 90% of the proceeds from its Hong Kong listing will be used to fund the construction of its next plant, in Hungary, which is due to start production this year. In December it also announced a joint venture with Stellantis, another carmaker, to build a battery factory in Spain, which aims to start production by

the end of next year. (Exor, the largest shareholder in Stellantis, owns a stake in *The Economist*'s parent company.)

At the same time, CATL is continuing to push the boundaries of battery technology. It spent \$2.6bn on research and development last year, more than triple the amount invested by LG Energy Solution. In April it unveiled a battery that can provide 520km (323 miles) of driving with five minutes of charging, stealing the thunder of BYD, which a month before announced it had developed one that can do 400km on the same charge-time.

“The PhDS”, as CATL’s research unit is referred to internally, work across the business. Some focus on fundamental battery chemistry. Others concentrate on improving the manufacturing process, much of which is performed by robots, or collaborate with suppliers and customers to develop new products. The company has more than 40,000 granted or pending patents.

What could short-circuit CATL’s global ambitions? One risk is China-bashing politicians in America, who have been less welcoming than their counterparts in Europe. The country accounted for less than 6% of CATL’s sales last year, and represents an important growth opportunity. In January the company was placed on a blacklist by America’s defence department over alleged ties to China’s armed forces, which CATL has described as “a mistake”. Although the designation has had few immediate consequences for the company, it may make it harder to lure American customers. Last year CATL batteries used by Duke Energy, an American utility, to help power a military base in North Carolina were decommissioned under pressure from lawmakers. In April American politicians asked banks including JPMorgan Chase and Bank of America to halt their work on CATL’s Hong Kong listing. (They ignored the request.)

A second risk is decelerating demand for EVs in the West. Sales continue to power ahead in China, but are slowing in America and

have stalled in Europe because of weakening consumer sentiment and a reduction in subsidies.

Still, CATL has plenty of room to grow. It is licensing its technology to others, including Ford in America. Amid uncertainty in the EV market, it is expanding its higher-margin energy-storage business. This accounted for 16% of revenue last year, up from less than 1% in 2018. Sales volumes have risen with global renewable-energy capacity. This month it announced a giant battery system designed for artificial-intelligence data centres; it stacks vertically, to minimise the space required. CATL is also branching into batteries for trucks and ships: “We want to electrify whatever can be electrified,” says an executive. China’s battery giant shows no sign of losing power. ■

<https://www.economist.com/business/2025/05/20/chinas-battery-giant-eyes-world-domination>

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Rollercoaster rivals

Universal wants to steal Disney's theme-park magic

It should brace for a bumpy ride

May 22, 2025 12:47 PM | Orlando



Hold on tight

IN THE SWAMPY Florida heat, a gaggle of enthusiasts, influencers and journalists gathered this week for the opening of Epic Universe, a new theme park in Orlando. The sprawling site, made up of five themed “worlds”, took Comcast, owner of Universal Pictures, \$7bn and more than five years to build. Only a 20-minute drive from Walt Disney World, it is a bold bet that the company behind film franchises including Harry Potter and Super Mario can offer something just as magical.

Universal opened its first Orlando theme park, Universal Studios Florida, in 1990, expanding the resort with a second one, Universal Islands of Adventure, in 1999, and a water park, Volcano Bay, in 2017. By adding Epic Universe, it will be hoping that it can keep its guests entertained—and away from the Magic Kingdom—for the duration of their trip.

The new site certainly has plenty to enchant visitors. An animatronic dragon depicting Toothless, from the film “How to Train Your Dragon”, purrs convincingly when guests stroke the top of its head. One boy was so determined to win an augmented-reality Mario Kart race that he sternly instructed your correspondent not to get in his way.



Epic Universe is Comcast’s biggest such investment so far, but it is not the only new site in the works. In August it will open a horror attraction in Las Vegas. A children’s resort will follow in Texas a year from now. Last month the company said it would build a big new theme park in Britain, too, expected to open in 2031. Not to be outdone, Disney a few weeks later unveiled plans for its first new park in a decade, in Abu Dhabi.

Theme parks are a lucrative business. Disney’s experiences division (which includes parks as well as cruises and hotels), generated \$34bn in revenue for the company in its most recent fiscal year, around a third of its total, and more than twice the profit of its entertainment division (which houses movies, TV and streaming). Comcast’s theme-parks business, which brought in less than \$9bn in revenue last year, understandably wants more of the action. It is already finding ways to squeeze extra from captive visitors: one food stall at Epic Universe sells buckets of popcorn for \$40.

Stealing Disney's magic will not be easy, though. Epic Universe isn't flawless. Some rides are short and disappointing. As paying customers flood in for the first time, snags may emerge; Universal's first site in Orlando was beset by technical glitches when it first opened.



An even bigger problem is that Universal does not have Disney's breadth of intellectual property, which covers everything from Star Wars and the Marvel universe to Frozen and Mickey Mouse.

Guests are often attracted to visit theme parks by the characters and worlds they already love, rather than the latest in rollercoaster technology. When your correspondent asked a boy who was set to visit both Universal's and Disney's Orlando resorts which he was most looking forward to, the verdict was simply "whichever one has the Hulk". JPMorgan Chase, a bank, reckons that the new Universal park will reduce footfall at Walt Disney World by just 1% in its current fiscal year, which ends in September.

Comcast's timing may also not be fortuitous. The theme-parks business is highly cyclical. An economic slowdown in America could thus spell trouble ahead for the industry, points out Laurent Yoon of Bernstein, a broker. Domestic travellers make up most of the guests at America's theme parks. Even those that still buy a ticket may be less inclined to spend \$40 on popcorn during a downturn. Declining numbers of international visitors, thanks in part to Donald Trump's damage to [his country's image abroad](#), will

make matters worse. Fewer foreign consumers visit than domestic ones, but they spend more on average.

For now, the industry is all smiles. Analysts have been briefed that summer booking numbers look healthy. So far, the opening of Epic Universe has gone off without a hitch. Comcast will be hoping that the smooth ride continues. ■

<https://www.economist.com/business/2025/05/22/universal-wants-to-steal-disneys-theme-park-magic>

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Tarnished

American companies have a new image problem

Donald Trump is hurting brands from Coca-Cola to Jack Daniel's

May 22, 2025 12:47 PM

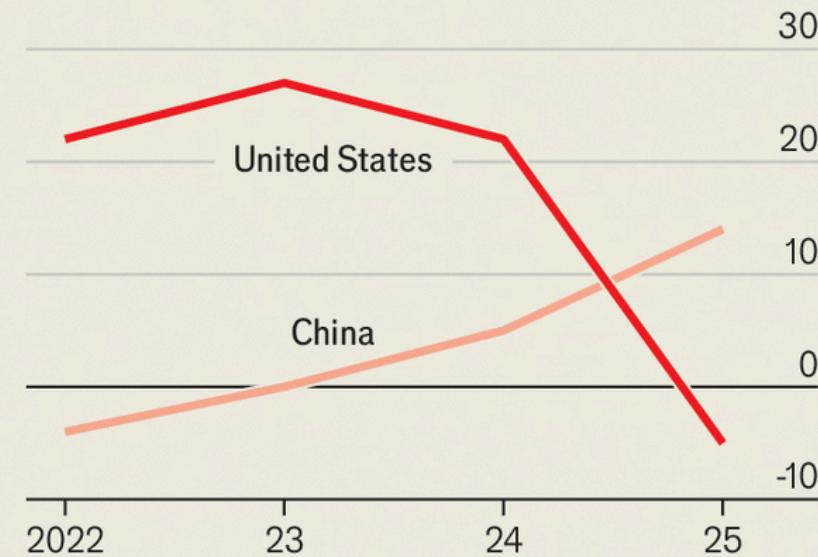


FOR DECADES America's soft power put the wind in the sails of its companies as they ventured abroad. When the Berlin Wall fell, Coca-Cola sent lorries emblazoned with its logo into East Berlin to hand out free drinks. Sales soared as consumers in the former communist state chugged enthusiastically on the sugary icon of American capitalism.

Peddling Americana abroad, however, is getting trickier. Last month Carlsberg, a Danish brewer that bottles Coca-Cola in its home country, noted that consumers there were boycotting the fizzy drink, opting for local alternatives instead. Coca-Cola can thank Donald Trump, who has exasperated Danes—and many others—with his talk of [territorial expansion](#) and his [trade war](#). How worried should America Inc be about its new image problem?

Bad taste

Global perception of each country, net favourability*, %



*111,273 respondents from 100 countries

Source: Nira Data, Alliance of Democracies

Mr Trump's damage to America's reputation is clear to see. In a survey across 100 countries carried out last month by Nira Data, a research firm, for the Alliance of Democracies, a Danish non-profit, the share of respondents with an unfavourable view of America exceeded those with a favourable opinion by five percentage points, a sharp deterioration from previous years, and enough to place America behind China in global esteem (see chart).

The president's actions are already weighing on American companies' sales abroad. The backlash has been strongest in Canada, whose citizens have railed against the suggestion that their country should become America's 51st state, and Denmark, thanks to Mr Trump's threats to pinch Greenland. Last month 61% of Canadians told YouGov, a pollster, that they were boycotting American products. Earlier this year Ontario and Quebec, Canada's two largest provinces, pulled American-made alcohol from the shelves of government-run liquor stores. Kraft Heinz, an American food giant, has been reminding Canadians that much of what it

sells in the country is made there from local ingredients. In Denmark, the country's largest retailer, Sailing Group, has been labelling European-owned brands in its shops to make it easier to avoid American products.

The souring towards American brands has been on display elsewhere in Europe, too. Tesla, Elon Musk's carmaker, is the most prominent example: new registrations of its vehicles in Europe fell by more than 40% year on year in the first quarter. But it is not the only one at risk. In a survey conducted in March, the European Central Bank asked consumers how likely they would be to substitute away from American goods in a hypothetical scenario in which the country imposed a blanket tariff that the EU then matched, where 100 indicated a strong willingness to switch. The median answer was 80. Tellingly, Europeans were more likely to cite preference, rather than price, as their main reason for switching.

All this will worry American firms, which make more than \$8trn in foreign sales each year. Not all will be equally harmed, though. Morning Consult, another pollster, has examined the correlation between consumers' views of America and their opinion of the country's brands. The relationship is strongest for technology companies, carmakers and food-and-beverage firms, and weakest for hospitality companies, logistics providers and health-care firms. Foreign consumers are more likely to forgo a bag of Cheetos in protest than they are a cancer treatment from Pfizer. A lack of alternatives may also make it harder for them to abandon services such as Google or Instagram. Even so, many American firms will have to grapple with the fact that their nationality may no longer be an asset—but a liability. ■

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Bartleby

The secrets of public speaking

Lessons from actors on how to give a good presentation

May 22, 2025 12:48 PM



PEOPLE WHO enjoy public speaking are luckier than they realise. A much-publicised survey from the 1970s claimed that Americans feared it more than death. In 2012 Karen Dwyer and Marlina Davidson of the University of Nebraska Omaha published a paper that tried to replicate the result. They found that things were less dramatic than that—but not by much.

Among the American students they surveyed, speaking in front of a group was indeed the most common fear, beating out financial problems, loneliness and death. When respondents were asked to rank their phobias, death pipped public speaking to the top spot. But this triumph for perspective ought not to be exaggerated. The grim reaper most scared one-fifth of students; but almost as many, 18%, picked having to stand up and talk in public as their principal fear. In sum, this staple office activity causes very many people to feel deeply anxious.

There is plenty of homespun advice out there for glossophobes. Just be yourself (which ignores the fact that the “real you” would rather be dead than give a presentation). Imagine that your audience is in their underwear (for reasons that are totally unclear). Speak on things you properly understand (when getting ahead in many jobs requires precisely the opposite).

A better source of advice comes from a profession that really knows how to pretend and perform: acting. Drama schools routinely offer communication coaching (if you like listening to journalists being humiliated, you can hear your columnist’s experience at RADA Business, an offshoot of the famous acting college in London, in the latest episode of our Boss Class podcast). “Don’t Say Um”, a recent book by Michael Chad Hoeppner, offers presenting tips from an actor-turned-coach.

The advice of professional performers can be condensed into three main messages. First, presenting is a deeply physical activity. Kate Walker Miles, one of the RADA Business coaches, warns against standing with legs locked straight; a slight bend in the knees makes for greater stability. She emphasises the importance of vowel sounds in communicating emotion, which means opening the jaw more widely than you might naturally tend to. Her warm-up exercises include some fairly ferocious massaging of the masseter muscles—think Edward Munch and you get the idea—and some theatrical yawning. To achieve a relaxed posture, she asks clients to imagine being held up by a “golden thread” of infinite length which rises from the crown of their heads.

Second, it helps to slow down the pace of delivery—to allow for pauses, to not rush to fill silences with “ers”, “ums” and other verbal detritus. Mr Hoeppner recommends a useful technique called finger-walking, whereby you walk your index and middle fingers across the table as you speak, and only take a “step” when you know what the next word or point is going to be. Even doing it once is an interesting exercise: by forcing you to take time

choosing your words, those filler noises start to disappear and language becomes more precise.

Third, don't focus on yourself (or, in Ms Walker Miles's phrase, turn "selfie view off"). Too often speakers concentrate on how they are doing—how many minutes to go? have I gone bright red?—and not on the experience of their audience. To help evoke the right emotion, actors have a technique called "actioning", in which they assign a transitive verb ("pacify", "bait", "entice", "repel") to their lines in order to clarify a character's goal. The emotional range of a quarterly update may not match "King Lear", but executives should still work out what they want an audience to feel.

Some of these techniques can feel alien. Imagining that a golden thread is holding you up at the same time that you soften your knees, elongate your jaw and finger-walk your words is definitely something to try out at home first. But the value in them is also clear. Unusual professions often have less to teach managers than they claim (what does free diving have to teach you about budgeting? Answer: absolutely nothing). Acting really does have something to teach about how to communicate. ■

<https://www.economist.com/business/2025/05/19/the-secrets-of-public-speaking>

Schumpeter

Big box v brands: the battle for consumers' dollars

American retailers are slugging it out with their suppliers

May 22, 2025 02:26 PM



DURING WALMART'S latest earnings call on May 15th, Doug McMillon stated the obvious. "The higher tariffs will result in higher prices," the [big-box behemoth's](#) chief executive told analysts, referring to Donald Trump's levies on imports of just about anything from just about anywhere. Who'd have thought? Two days later the president weighed in with an alternative idea. Walmart (and China, where many of those imports come from) should "EAT THE TARIFFS", he posted on social media. Mr McMillon did not respond publicly to the suggestion. But it is likely to be a polite, lower-case "Thanks, but no thanks."

Walmart is not the only large American retailer that can afford to turn down the unhappy meal. Earlier this month Amazon hinted that prices of goods in its e-emporium could edge up as the levies bite. Costco, a lean membership-only bulk discounter which reports its quarterly earnings on May 29th, will probably not be taking up Mr Trump's offer, either. This week Home Depot, America's

fourth-most-valuable retailer behind those three, said that while it was not planning to raise prices just yet, it expects to maintain its current operating margin. This implies its suppliers will absorb much of the cost of tariffs.

Not even the artificial-intelligence revolution seems to whet investors' appetite as much as the ability to [preserve profits in times of economic uncertainty](#). The giant retailers' shares trade at multiples of future earnings that put big tech to shame. Home Depot's is on a par with Meta's. Walmart's beats both Microsoft's and Nvidia's. Costco's is nearly twice that of Apple. Amazon, with fingers in both pies, is just behind Walmart. Tasty.

Despite Walmart's warning about everyday not-so-low prices, it is not shoppers who bear the brunt of its pricing power. It is, as in Home Depot's case, suppliers. Retail firms can increasingly dictate terms not just to nameless providers of nuts-and-bolts products (including, at the home-improvement store, actual nuts and bolts) but also to once-mighty brands, from Nike to Nestlé. Do not be fooled by their single-digit operating margins, just over half those of their typical vendor. Their slice of the profits from the \$5trn-plus that American consumers splurge annually on physical products is growing.

Estimating the retailers' profit pool is straightforward. Start with the Census Bureau's tally of American retail spending (excluding cars and petrol). This is, by definition, the money that ends up in shop tills. Multiply it by the industry's overall operating margin, which can be approximated by looking at the revenue-weighted average of all listed retailers. Last year the figures were \$5trn and 7.2%, giving \$360bn in retail profits. Calculating vendors' revenues requires a few more assumptions, such as that 90% of retailers' cost of goods sold ends up with consumer-goods firms. This implies perhaps \$3.2trn in sales and, given the average consumer-goods operating margin of 12.6% last year, a profit pool that is a shade over \$400bn.

On this rough reckoning, then, manufacturers grab a little over half of the two groups' combined profits. But this is down from three-fifths in the late 2010s. A narrower but more sophisticated analysis by Zhihan Ma of Bernstein, a broker, which focuses on food, hygiene and household products but excludes durable goods, yields a directionally similar result: over the past 15 years retailers' profit share has risen from 34% to 38%. Having lagged behind consumer-goods stocks between 2000 and 2015, their shares have since handily outperformed them, too.

The main reason for retailers' growing clout is competition. For established brands this is fiercer than ever. On one side they are squeezed by upstart labels, which can easily outsource production to contract manufacturers and market their wares on TikTok: think hip Warby Parker spectacles or hideous Allbirds trainers. When the economy looked healthy and money was cheap, brand owners could counteract some of this by snapping up the challengers. With interest rates, uncertainty and the risk of recession all up, dealmaking is the last thing on CEOs' minds.

On the other side brands feel the pinch from retailers' own private labels. These are no longer slapped just on low-margin goods like toilet paper. Best Buy, an electronics retailer, sells fancy own-brand refrigerators for \$1,699. Wayfair flogs \$7,800 sofas. Sam's Club, Walmart's Costco-like membership arm, even offers a five-carat diamond engagement ring for a bargain \$144,999.

Even as shoppers enjoy ever more choice of what to buy, their options of where to buy it are becoming more limited. Although America's retail industry remains fragmented compared with the cosy oligopolies found in many rich countries, it is consolidating fast. Between 1990 and 2020 the share of food sales claimed by the four biggest retailers more than doubled, to some 35%.

Food fight

A federal court's decision last year to block the \$25bn merger of Kroger and Albertsons, two big supermarkets, is scant comfort to vendors. They remain beholden to big retailers, especially Walmart, which accounts for a quarter of Americans' grocery spending. Suppliers including Nestlé, PepsiCo and Unilever have set up offices next door to its headquarters in Bentonville, Arkansas. Walmart has no similar outposts in that trio's hometowns of Vevey, Switzerland, Purchase, New York, and London.

During the last price shock, amid the covid-19 pandemic in 2021, consumer-goods firms could at least console themselves that stuck-at-home shoppers flush with stimulus cheques were willing to spend a bit more on branded goods. Their margins duly edged up that year. Now Mr Trump's tariffs are about to hit just as consumer confidence is depressed. If they seek any retail therapy at all, it will be from Amazon, Costco and Walmart. ■

<https://www.economist.com/business/2025/05/21/big-box-v-brands-the-battle-for-consumers-dollars>

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American titan

Will Jamie Dimon build the first trillion-dollar bank?

We interview JPMorgan Chase's boss, and his lieutenants

May 22, 2025 05:41 PM | New York



“SERENA WILLIAMS, Tom Brady, Stephen Curry.” When it comes to making sure the world’s biggest bank is a lean operation, Jamie Dimon takes athletic inspiration. “Look how they train, what they do to be that good,” says the boss of JPMorgan Chase. “Very often, senior leadership teams, they lose that. Companies become very inward-looking, dominated by staff, which is a form of bureaucracy.”

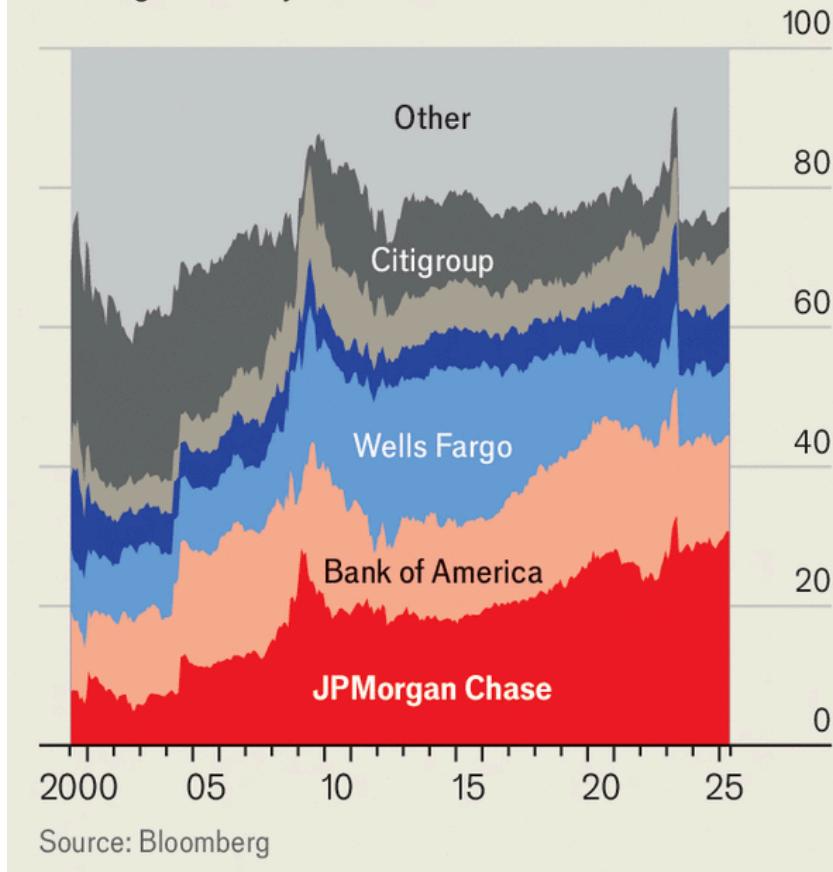
During Mr Dimon’s tenure, JPMorgan has become to banking what Ms Williams was to tennis. In most of the markets in which it competes, it ranks as America’s leading institution, or a close runner-up. It boasts a market capitalisation of \$730bn, or 30% of the total among America’s big banks, up from 12% when Mr Dimon took charge at the start of 2006 (see chart 1). The gap with competitors has grown larger still since the covid-19 pandemic. JPMorgan has 317,233 staff, nearly twice as many as in 2005. Its share of American deposits has doubled to 12%.

Chasing rainbows

1

Market capitalisation, % of KBW bank index

Morgan Stanley Goldman Sachs



America has never had a bank of such size. Even when John Pierpont Morgan, one of Mr Dimon's predecessors, bailed out the Treasury at the turn of the 20th century, he could not boast coast-to-coast operations. In 2021 JPMorgan became the first lender with branches in every one of America's 48 contiguous states. The bank's combination of scale and market-beating efficiency means that it can invest far more than its rivals in technology, draw on an immense hoard of deposits for cheap and sticky funding, and benefit from flights to safety when smaller banks wobble.

But the institution's tremendous size, success and prominence pose risks, too. Banking is not a business that suffers mistakes gladly; the larger and more unwieldy an institution, the longer the list of potential slip-ups. Being the biggest bank in a country where small

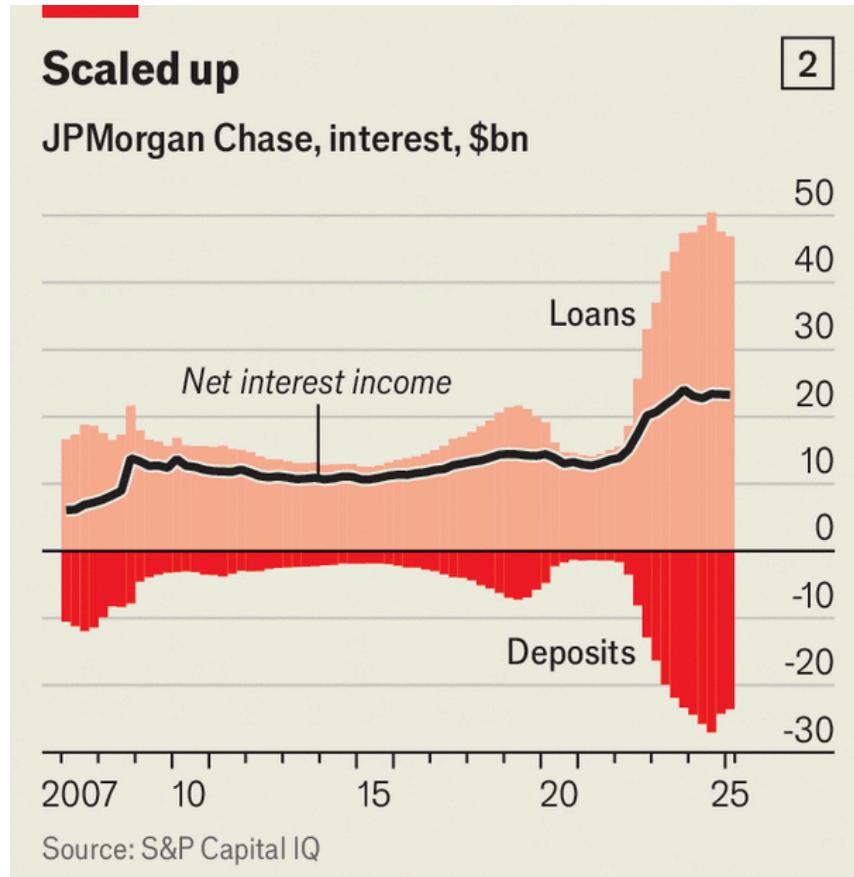
lenders are sacred makes JPMorgan an obvious political target, from both the left and right. And then there is the succession question. How do you replace a man of Mr Dimon's reputation? And how does someone without his stature prevent infighting and bureaucracy at an institution of JPMorgan's size?



Mr Dimon sat down for an interview with *The Economist* on May 16th. We also met the four bosses of the bank's biggest businesses—the most likely candidates to succeed Mr Dimon—beforehand. They are Troy Rohrbaugh, co-head of the commercial and investment bank; Douglas Petno, its other boss; Mary Erdoes, who runs the wealth-management arm; and Marianne Lake, leader of retail operations. Each is a loyal lieutenant and JPMorgan veteran. Mr Rohrbaugh is the most recent hire; he has worked at JPMorgan for 20 years.

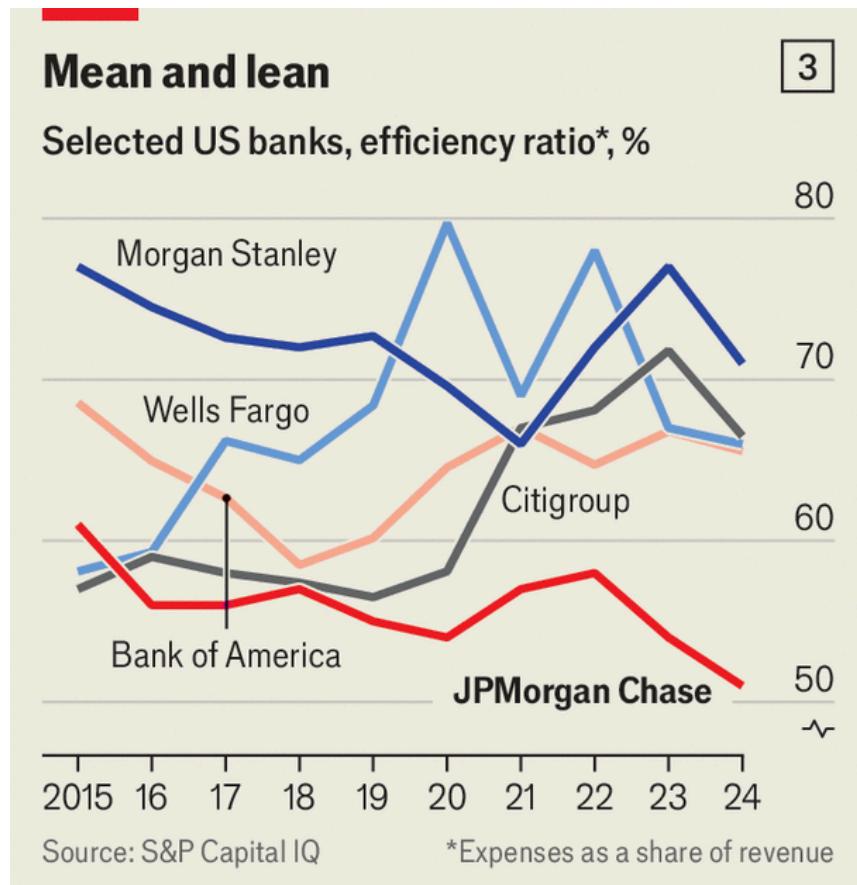
On January 1st next year, Mr Dimon will have been at the helm of the bank for the same amount of time. On March 13th he will celebrate his 70th birthday. His succession has been a subject of relentless discussion on Wall Street for over a decade, spurred on by two health scares and the prospect that he might be made treasury secretary. Mr Dimon says that in the next few years he will step down but remain the company's chairman, and stubbornly refuses to provide a firmer timeline. He does offer some traits for

any future leader of the bank: “There’s a work ethic; there’s people skills. There’s determination. You better have a little bit of grit. There’s humility; there’s ability to form teams. There’s having courage. Constantly observing the world out there and thinking, ‘Well, what can be done better?’”



Well, what could be? Not much, if you listen to Mike Mayo of Wells Fargo, the most prominent JPMorgan analyst and an uber-bull. Indeed, Mr Mayo has asked why Jamie Dimon would want to step down at all. The bank is, he says, the “Goliath of Goliaths” and the best he has covered in his career; he expects it to be the first with a trillion-dollar valuation. Part of his argument is that advances in artificial intelligence mean investment in tech has grown in importance, and JPMorgan, which he also calls the “Nvidia of banking”, can afford more than any rival. The bank will spend about \$18bn on tech this year, some 40% more than Bank of America.

The heft that JPMorgan has developed under Mr Dimon provides the bank with a compounding advantage. Wall Street executives moan about how hard it is to compete across JPMorgan's full range of businesses. The bank has an enormous base of \$2.5trn in deposits. Over the past two years it has paid out \$190bn in interest on deposits, while hoovering up \$374bn in interest on loans (see chart 2). Yet the bank is not just larger than its rivals—it is also more streamlined. Its efficiency ratio (non-interest expenses as a share of total revenue) has dropped from 61% in 2015 to 51%, a figure that is 15 percentage points lower than any competitor (see chart 3).



Increasingly, JPMorgan's competition is to be found outside banking. "I want us to be better than the best in class, which is in many ways the non-bank trading houses," says Mr Rohrbaugh. "In other parts of our business, like in payments, we're not only competing against the big banks, we're competing against fintechs." Vast trading firms such as Citadel Securities and Jane

Street have seized market-making activities once dominated by banks, while techy upstarts such as Stripe eat into payments.

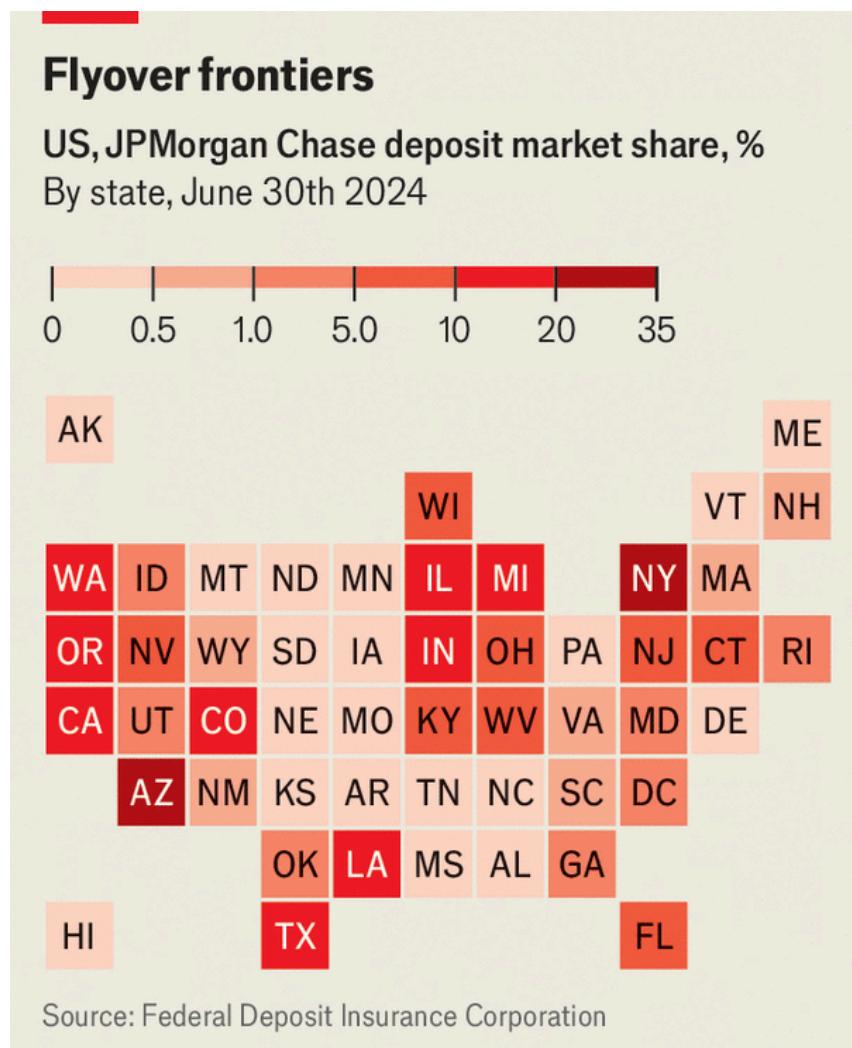
According to clients, JPMorgan has stayed efficient because its businesses have remained complementary. It has avoided both becoming a conglomerate made up of unrelated silos and falling into zero-sum internal competition. “You have to sew all those pieces together,” says Ms Erdoes, who has run wealth management since 2009, meaning she has been in her current job the longest of the four bosses. “That’s really easy at our operating-committee level, because we live with each other. It’s harder when you’ve got the person in the Milan office who’s trying to find the person in the Austin, Texas office.”

Mr Dimon’s “fortress” balance-sheet helps. Large reserves, low leverage and plentiful capital serve JPMorgan well in times of stress, allowing it to snap up firms. The bank bought Bear Stearns and Washington Mutual, a pair of banks, as the financial crisis worsened in 2008. Two years ago, during a smaller crisis, it acquired the lion’s share of assets from First Republic, America’s 14th-largest bank. “We did it because the government needed it,” says Mr Dimon. But “we have to make it financially attractive to ourselves, obviously.”

Manning the fort

The stress in 2023 had lessons for JPMorgan. “When Silicon Valley Bank failed, we learned a lot about what we didn’t do properly covering Silicon Valley,” says Mr Dimon. “Even though we’re out there all the time and we did a lot of stuff. The [lesson of the] deep-dive was that we didn’t have a consistent, devoted calling on venture capitalists.” That year JPMorgan hired John China, former president of SVB Capital, Silicon Valley Bank’s venture-capital arm, to jointly run its “innovation economy” business. His job is to tie America’s financial capital to its tech capital.

At the same time as other firms are cutting back in San Francisco, or abandoning the city altogether, JPMorgan last month announced plans to increase the size of its offices in the city by 30%. “When you bank the venture capitalist, you bank them individually, you bank their firm, you bank their startups and you bank their founders,” notes Mr Petno. The exercise-obsessed, joke-cracking Mr Petno is a veteran even among the veterans, having worked at JPMorgan for 35 years. The firm’s analysts think that his promotion, in January, to jointly run the investment bank puts him in serious contention for the top job.

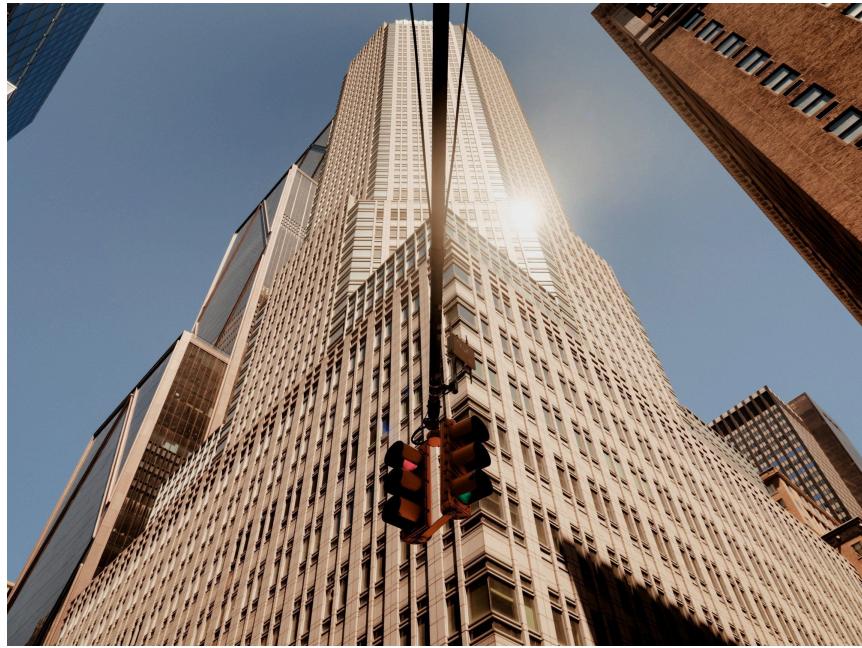


Meanwhile, the bank’s retail operations are spreading across the country. Ms Lake, their boss, who grew up in Britain and speaks with a crisp English accent, wants a 15% share of American deposits, a cautious goal. Over the past six years, JPMorgan has

established a physical presence in 25 states. It takes several years for branches to reach their potential, and in dozens of cities—Boston, Salt Lake City and Washington included—the bank still oversees less than 3% of deposits. JPMorgan is growing overseas, too. Almost four years after launching a digital consumer bank in Britain, it has 2m customers. Germany is next. “We have previously said Europe is more difficult, but that is different today with digital banking,” explains Ms Lake.

Could anything halt JPMorgan’s ascent? Scale is no guarantee of success. At the turn of the century, another institution accounted for 30% or so of the market capitalisation of American banks. After a barrage of mergers and acquisitions, Citigroup was a titan. But its lead was eroded by a series of scandals in the 2000s, and a bad financial crisis. Today it accounts for less than 6% of the industry’s market capitalisation. By comparison, JPMorgan has been pretty scandal-free under Mr Dimon—with the exception of the “London Whale” farrago, when a rogue trader cost the institution over \$6bn.

JPMorgan’s size also makes it a target. In normal circumstances, American law would not allow it to merge with another lender, owing to its market share. But the rule does not apply if the lender is failing, which is what allowed it to buy First Republic. All the same, JPMorgan was criticised. Elizabeth Warren, a left-wing senator, paired up with J.D. Vance, now vice-president, to attack the sale. It made “the nation’s largest bank grow even bigger”.



Mr Dimon is unrepentant, arguing large banks offer America vital heft. “We move \$10trn a day...We have lent \$35bn to a company to get a deal done. You know, we bank the biggest companies around, we bank countries,” he says. “I don’t think necessarily the people making those statements understand why you need a big bank that does business in 100 countries and that market-makes like we do.”

A world of trade wars and geopolitical strife is difficult for any globetrotting firm. JPMorgan and Bank of America were recently criticised by members of Congress for underwriting a sale of shares by CATL on May 20th. The firm is a Chinese battery manufacturer. Its products are found in electric cars everywhere, but it is also blacklisted by the Pentagon for links to China’s armed forces. Mr Dimon notes that CATL does not face American sanctions. And he still believes in commercial engagement: “It is not my thing to say we are not going to engage with China anymore...I do not think the Chinese or the Americans want us to leave. I do not think the American economy wants to leave. But we are going to have these issues at the margin...It’s going to be harder.”

The last, and toughest, challenge is succession. During Mr Dimon’s time as chief executive, more than a dozen supposed candidates have been and gone. Indeed, he has been in the post for so long that

some have had several jobs since. Bill Winters, the boss of Standard Chartered, and formerly of JPMorgan's investment bank, aspired to take Mr Dimon's throne. Now he may retire before Mr Dimon. In 2020 *The Economist* wrote that no one, even Mr Dimon, thought that he would remain in his role for another decade. That was five years ago, and Mr Dimon says he will remain for a few more. We would no longer bet against him going the distance.

When probed on how they might run the bank, internal candidates predictably do not step out of line: all are, it turns out, focused on their jobs, work closely with one another and do not dream of being the next boss. Each faces a fearsome job interview when the time comes. And could the bank try to recruit from elsewhere?

Whoever triumphs will lack their predecessor's stature. No matter their experience, they will not have built a megabank. Few people are recognisable by their first name on both Wall Street and Capitol Hill. In a sign of his influence, Jamie was even credited with softening President Donald Trump's tariffs. It was not hearsay. Mr Trump himself said that he changed his mind after watching an interview with Mr Dimon on Fox News, during which JPMorgan's boss had said a recession was likely because of the wave of protectionism. "He's a genius financially, he's done a fantastic job at the bank," the president gushed. Today's all-conquering JPMorgan has been built in Mr Dimon's image.

Mr Dimon recalls the advice that he gave to Charlie Scharf, formerly head of JPMorgan's retail bank, when he left the firm to run Visa, a payments giant. Two things change when an executive moves into a top job, explains Mr Dimon. "The first one is there is nobody to complain to." Second, a chief executive can no longer rely on a backstop from a higher power. "There is no tacit approval. It is your decision. It's just different. Heavy is the head that wears the crown." And no Wall Street crown is heavier than JPMorgan's.



<https://www.economist.com/finance-and-economics/2025/05/22/will-jamie-dimon-build-the-first-trillion-dollar-bank>

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How to gauge fear

Wall Street and Main Street are split on Trump's chaos

The president prompted a similar divide last time round

May 22, 2025 12:48 PM | New York



NEWSPAPERS ACROSS America are filled with tales of woe. In Texas fashion designers stay up at night worrying about “economic uncertainty”. In Maine the boss of a brewery complains about “rapid and massive fluctuations every single day on the tariffs”. In Washington state, border levies are “shaking up Skagit Valley farmers—spiking input costs, stalling sales, and fuelling uncertainty from fields to food banks”.

The Economic Policy Uncertainty (EPU) Index, developed by economists at Northwestern and Stanford universities, is a measure of Main Street’s nerves. It counts instances of the word “uncertainty” (in the context of economic policy) in over 1,000 mostly local newspapers. The current average for May would be its highest monthly level in 35 years. Polls suggest that both Democrats and Republicans trust their local rags, meaning it should reflect how people feel.

Paper trail

United States

Stockmarket-volatility
index (VIX)

100

75

50

25

0

Economic-policy-
uncertainty index*

600

450

300

150

0

1990 95 2000 05 10 15 20 25

*Relative mentions of uncertainty in US newspapers

Source: Federal Reserve

Wall Street, however, has calmed down. And it was not so panicked in the first place. During the recent turbulence, the VIX, a fear gauge, hit only its 24th-highest monthly level in the past 35 years. The index measures expected volatility for American stocks, based on the price investors pay for insurance.

This pattern is odd when you consider Donald Trump's words. In April he said he was "proud to be the president for the workers, not the outsourcers—the president who stands up for Main Street, not Wall Street." Yet the same split appeared in his last term. Perhaps Mr Trump distorts the EPU. At times it seems like his *raison d'être* is attracting news coverage, ensuring more attention even than his damaging policies deserve.

As Nicholas Bloom of Stanford notes, last time round Wall Street got it right: Mr Trump was "all bark and no bite". Will it be correct once again? Stockmarkets have recovered, suggesting it might. But there have been victims, too. *The Cortland Standard*, a paper in

New York state, was set up in 1867. It closed in March because proposed tariffs on Canada raised the cost of newsprint.■

<https://www.economist.com/finance-and-economics/2025/05/22/wall-street-and-main-street-are-split-on-trumps-chaos>

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Bonanza denied

Trump will be unpleasantly surprised by America's tariff revenues

He should expect billions, not trillions

May 22, 2025 12:47 PM



IN THE EARLY 20th century, before America had an income tax, tariffs paid many of the government's bills. President Donald Trump wants to revive that approach. He has repeatedly floated the idea of an "[External Revenue Service](#)", under which Uncle Sam would scrap income taxes and instead rely on border levies, with foreigners, at least in theory, funding the American government. "It will be a **BONANZA**," Mr Trump posted recently on his social-media site, claiming tariffs could all but eliminate income taxes for people earning less than \$200,000 a year.

There is plenty to dislike about tariffs. Economists bemoan the distortions they impose on commerce. They are mostly paid not by "external" firms but by domestic consumers. In 2020 Mary Amiti of the Federal Reserve Bank of New York and colleagues found that nearly all of Mr Trump's first-term levies were ultimately borne by American companies, in the form of lower margins, and buyers, in the form of higher prices. Moreover, agreements with

[Britain](#) and [China](#) have reduced overall tariff levels from recent highs, which will reduce the revenue they raise. Levels will continue to fall as America inks more deals.

Yet Mr Trump's tariffs will still bring in large sums. Quite how large? Last year just \$100bn of the total \$4.9trn that the federal government collected came from customs duties. Already, though, that figure is rising. Daily data from the Treasury show a spike. By May 13th gross tariff collections had reached \$47bn since the start of the year, about \$15bn more than last year.

Disentangling how much of this is a consequence of Mr Trump's latest levies and how much represents firms rushing to bring in goods ahead of further hikes is tricky; much is likely to be the latter. A number of economists have nevertheless attempted to forecast tariff revenues. Peter Navarro, Mr Trump's trade guru, claims that border levies could generate more than \$6trn over the next decade, or \$600bn a year. His arithmetic is brazenly simple: take last year's \$3.3trn in merchandise imports and apply a 20% effective tariff.

Such an approach ignores economic dynamics. Higher tariffs reduce demand for foreign goods, shrinking the tax base. They also depress income and payroll-tax receipts, offsetting as much as 25% of the gains, according to most estimates. Factor in retaliation and levy-dodging, and anticipated revenue falls further. Mr Navarro's trillion-dollar projections rest on a fantasy of stasis, in which buyers, sellers and trading partners shrug off price signals.

Independent estimates of tariff revenues are much lower. The Penn Wharton Budget Model estimates that the full suite of proposed tariffs, including the "reciprocal" levies currently on pause, would raise around \$290bn a year over the next decade. Its calculations account for weaker import demand, as well as the effects on corporate-income- and payroll-tax receipts. Other forecasts are lower still. The Budget Lab at Yale, a non-partisan research centre,

forecasts annual revenue of \$180bn; the Tax Foundation, a think-tank, puts the number closer to \$140bn.

There is an oddity to such calculations, however. The recent reduction in the levy on Chinese goods—from 145% to 30%—does not do much to alter their results. At 145% the tariff was on the wrong side of the peak of the “Laffer curve”, the point at which higher rates reduce, rather than increase, revenue. It would have prompted imports from China to plummet, meaning that tax revenues would have fallen despite the sky-high levy on goods still coming into the country. According to estimates by Penn Wharton, a levy of 145% on Chinese imports would raise only \$25bn more a year than the current rate of 30% will.

Even with this small mercy, the president’s tariffs will not enable the large tax cuts he so desires. Last year America’s personal-income tax brought in \$2.4trn—an amount forecast to grow to \$4.4trn over the next decade. The Tax Foundation estimates that eliminating income taxes for people earning less than \$200,000 would cost almost \$740bn in 2025, or two to three times what tariffs could conceivably raise. In theory, a revenue-neutral swap could cover those earning around \$80,000 or less, who account for just 10% of total income-tax receipts. But eliminating taxes for low earners would, in practice, mean cutting the lowest marginal rate, which applies to all taxpayers on their initial income, and so would mostly benefit high earners. A [tax bill](#) proposed by Republicans in the House of Representatives is stuffed with other giveaways, including raising most tax-bracket thresholds, which by itself would dwarf tariff income.

Tariffs were able to sustain the federal government in the early 20th century because its spending came to just 2% or so of GDP, being largely confined to debt service, defence and infrastructure. Today that figure is ten times higher. Imports are a narrow and volatile tax base, making them ill-suited to funding a modern state. The irony is that tariffs would make American spending reliant on Chinese

production. Most politicians do not try to return to the early 1900s for a reason. ■

<https://www.economist.com/finance-and-economics/2025/05/18/trump-will-be-unpleasantly-surprised-by-americas-tariff-revenues>

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Sine laude

What the failure of a superstar student reveals about economics

Aidan Toner-Rodgers was enjoying a meteoric rise at MIT. Then questions started to be asked about his work

May 22, 2025 03:53 PM

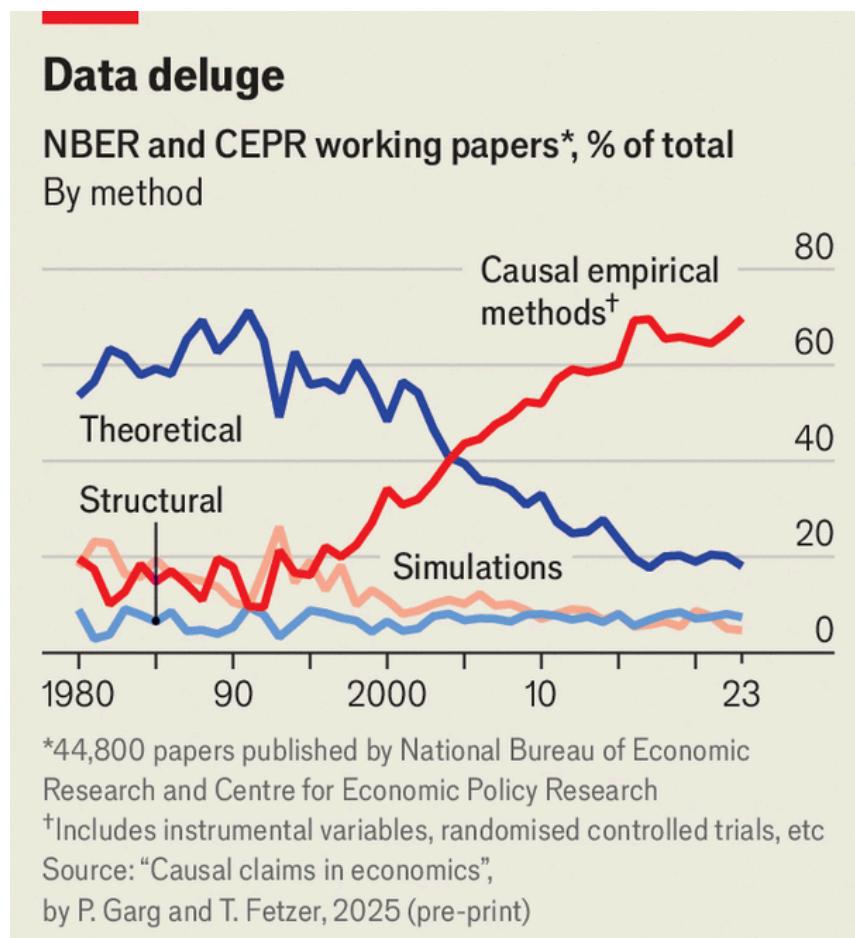


WHEN THE economics department at the Massachusetts Institute of Technology issues a statement, it is often to celebrate a Nobel Prize. In the past decade, six of its professors have won the award —as many as the next two universities combined. But on May 16th it issued a different sort of press release: one disavowing research by a high-flying graduate student.

Aidan Toner-Rodgers was the author of the paper in question. It assessed the use of an AI tool by an unnamed materials-science firm. Even for techno-optimists, the results were striking: “AI-assisted researchers discover 44% more materials, resulting in a 39% increase in patent filings.” They were widely reported, including by *The Economist*. The work was praised lavishly by Daron Acemoglu and David Autor, two of MIT’s leading economists.

MIT now declares “no confidence in the provenance, reliability or validity of the data and...in the veracity of the research”. Mr Toner-Rodgers’s paper has been withdrawn from the pre-print repository on which it first appeared; his personal website has been taken down. The lab at the heart of his findings remains unknown.

Academic misconduct often triggers a reckoning. In 2015 political scientists grappled with the retraction of a well-publicised article that claimed door-to-door canvassers could lift support for gay marriage. More recently, behavioural science has come under scrutiny: Francesca Gino of Harvard University and Dan Ariely of Duke University have faced investigation over allegedly manipulated data (both deny wrongdoing). Economics has some protection owing to its record. The five leading journals have seen just four withdrawals in their combined 570-year history, according to Retraction Watch, a database.



But even if economics is not the worst offender, it is no stranger to social science's replication crisis. Its biggest recent trend has been empirical research, with a focus on credible causal designs (see chart). Statistically significant results are prized, incentivising cherry-picking and selective presentation of results. Prashant Garg of Imperial College London and Thiemo Fetzer of the University of Warwick find that the share of papers reporting "null results" fell from 15% in 1980 to 9% in 2023. Use of private data doubled.

More than in other disciplines, success depends on a few high-stakes events. Job-market candidates are evaluated on a single paper, rather than a body of work. Because institutional pedigree and advisers carry lots of weight, young researchers may face pressure to overstate results.

Bad economics research has real-world consequences. Mr Toner-Rodgers's paper was cited by the European Central Bank and in Congress. It surely led more than one research-and-development lab to consider its internal processes. Other retracted papers advised against large debt-to-GDP ratios and on how to price corporate bonds. All academic red herrings matter. But they matter more when they have implications for national budgets, financial markets and, indeed, the future of AI. ■

<https://www.economist.com/finance-and-economics/2025/05/22/what-the-failure-of-a-superstar-student-reveals-about-economics>

Buttonwood

Hong Kong says goodbye to a capitalist crusader

David Webb was an exemplary shareholder

May 22, 2025 12:47 PM



DAVID WEBB was quick to get his hands on the zx Spectrum or “Speccy”, a computer launched in 1982 with up to 48 kilobytes of memory and rubber keys. Before he turned 18, he had written a book, “Supercharge Your Spectrum”, showing how to get the most out of the contraption with his favourite machine-code tricks and techniques. What set him apart from other tinkerers was how he spent the royalties. He would cycle to his bank in Oxford to place an order in London for some shares. (“Which stock, young man, do you want to buy?”)

That interest led naturally to a career in investment banking. His methodical mind mastered what you might call the machine code of capitalism: the rules, regulations and economic principles that make markets work, holding firms accountable to their customers and their owners. In 1991 he applied the same curiosity to Hong Kong, where he moved for a two-year stint that never ended. “I loved the place,” he says. By the time the Asian financial crisis rattled the city seven years later, Mr Webb had made enough

money to retire. So in his early 30s he began trying to debug Hong Kong capitalism, sharing his favourite tricks and techniques via his website (webb-site.com) and a newsletter that now attracts over 30,000 subscribers.

At a farewell event hosted by the Foreign Correspondents' Club in Hong Kong on May 12th, Mr Webb, who is battling cancer, was philosophical about his achievements. Sometimes he changed things for the better; on other occasions he delayed a change for the worse. "That's also a win," he said.

Hong Kong was often celebrated as a bastion of economic liberty. But when Mr Webb began his crusades, its corporate governance was "lousy", he says. Corporate reporting was slow and scanty. Shareholders had to wait four months for a two-page summary of a firm's yearly results and another month for the annual report. At the same time, shareholder meetings were fast and perfunctory. Even important motions were often passed on a show of hands, no matter how many shares each "hand" represented. Big business dominated the legislature and the listing committee that sets rules for companies on the stockmarket.

In 2003 he exploited a "wrinkle" in the company law inherited from Britain, which allowed five shareholders to demand a formal poll on company resolutions. He bought ten shares in each of the companies in the Hang Seng index, Hong Kong's main stockmarket benchmark, dividing them between himself, his wife and three firms he owned. With that foothold, he could oblige companies to conduct polls properly: one share, one vote. He also threatened to publish the results himself if they did not. His extra five shares allowed him to appoint proxies to appear at the meeting alongside him. He offered these five places to the press, which was otherwise barred from many meetings. "Tickets will be scarcer than the Rolling Stones," he joked. Some journalists took up the invitation, mostly because they wanted to see what he, rather than the company, was up to.

Listed companies have to disclose “significant investments”, including shareholdings in other firms. At Mr Webb’s urging, the regulator began to enforce the rule. That let him map out a web of holdings among 50 firms he dubbed the Enigma Network. A company might borrow from another on advantageous terms with no intention to repay, or dilute the stakes of independent investors by issuing lots of shares, snapped up at a discount by insiders if minority shareholders did not fork out for them. An umbrella-maker issued 75bn shares (“in case everyone on Earth wants ten”, as Mr Webb put it). In 2017, six weeks after he published his map, the shares of many Enigma firms crashed.

He also fought a rear-guard action against weighted voting rights, which allow firms to issue special shares that carry more clout. He feared this would further entrench tycoons, allowing their control to exceed their ownership stake. But Hong Kong’s exchange was keen to attract Chinese tech companies led by celebrity founders, which are often popular even with minority investors.

Not all sharebuyers take much interest in capitalism’s inner workings. Many simply want exposure to a stock’s returns, even without the other rights of ownership. They are happy to free-ride on the efforts of more careful stewards of capital, such as Mr Webb. Capitalism in Hong Kong works better thanks to him. And it would work better still if more capitalists were like him. ■

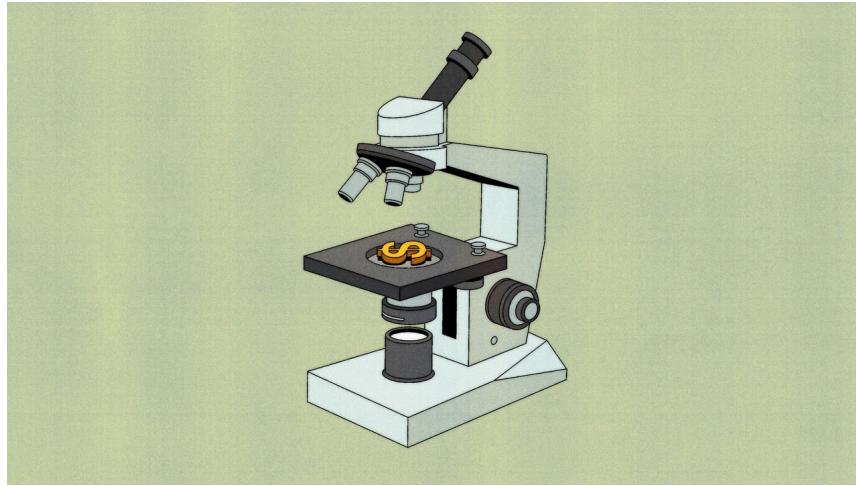
<https://www.economist.com/finance-and-economics/2025/05/22/hong-kong-says-goodbye-to-a-capitalist-crusader>

Free exchange

America's scientific prowess is a huge global subsidy

And it is now under threat

May 22, 2025 03:19 PM



ONE OF THE best things about living in Europe is America. Faced with a moribund domestic stockmarket, European investors can redirect their savings into the s&p 500. Residents enjoy the protection of America's security umbrella without having to foot the bill. At times of crisis the continent's central banks rely on swap lines from the Federal Reserve. All the while they enjoy better food, nicer cities and superior cultural offerings.

But America, under President Donald Trump, now threatens to withdraw many of these implicit subsidies. His administration's attacks on science, involving [deep cuts](#) to the budgets of institutions, may damage the biggest subsidy of all. America is a research powerhouse. It has the best universities. It accounts for 4% of the world's population, yet produces a third of high-impact scientific papers. It also accounts for a third of global research-and-development spending.

Americans benefit most of all from their country's scientific prowess. The average American medical scientist earns \$100,000 a year, for instance—some 60% more than the average American worker. But as any economist knows, knowledge is a public good, meaning science has large “spillover” benefits. In 2004 William Nordhaus of Yale University argued that companies only capture 2.2% of the total returns from their innovations. Patents expire and even before that competitors copy ideas. Innovation therefore drags up everyone's living standards, as lots of companies become more productive and ordinary people benefit from better goods and services. America's average incomes are fantastically high.

Economists have devoted less attention to the question of international spillovers. Nevertheless, America almost certainly runs a surplus in science with the rest of the world, providing much more to foreigners than it receives in return. In recent years, too, the size of this subsidy has almost certainly grown. Three mechanisms stick out—all of which are now under threat.

First, people. American scientific institutions are a melting pot. There are twice as many foreign students today as in the early 2000s. Many outsiders, having graduated, return home, taking ideas with them. We estimate that around 15% of the people who have graduated from MIT, a top American science school, live abroad. On that basis, the raw material of future scientific progress has already spilled out from America to elsewhere.

Second, new ideas. When a scientist publishes a paper online, almost anyone in the world can read it. Traditionally research was a domestic affair. One bibliometric study found that in 1996 only about 40% of citations of American scientific publications were from foreign researchers. More recently the globalisation of scientific knowledge has intensified. By 2019 foreign scientists accounted for about 60% of America's citations. Scientists in the rest of the world thus stand on the shoulders of American giants.

American consumers also subsidise R&D. This is most well-known in the case of pharmaceuticals. Prescription drugs are more expensive domestically than abroad. American consumers, in effect, pay for the research that creates them. And this pattern is apparent elsewhere, too. National-accounts data suggest that, on average, American corporations earn returns on domestic capital that are more than 50% higher than abroad. So while Americans may fund corporate R&D, the world shares the benefit.

The third factor is new technologies. Every other country has long drawn from the well of American innovations. This was how Europe rebuilt itself following the second world war. French steel executives visited American steelworks in order to copy workflow designs. Britain's car bosses turned to American executives in an attempt to improve plant efficiency. Economists struggle to measure the ways in which American tech spills abroad today. In some cases the American government explicitly provides it to the world for free, as in the case of GPS. During the covid-19 pandemic America gave away vaccines to poor countries. Many American artificial-intelligence companies release "open source" models. Even when American firms try to protect their intellectual property, foreign competitors find workarounds. Many other smartphone companies have copied Apple's aesthetic, for instance.

According to Nancy Stokey of the University of Chicago, one quantitative measure of technological spillovers involves looking at capital goods, in which new tech is often embodied. From the early 1990s to 2024 America exported nearly \$5trn-worth of high-tech capital goods, more than any other country, spreading the American way to every corner of the Earth. Another proxy is outward foreign direct investment. This is when an American buys a controlling stake in a foreign business or builds a new industrial facility abroad—and often introduces new tech as part of the bargain. Americans' direct investments abroad are worth some \$10trn, which is far more than any other country.

Nutty professor

If Mr Trump follows through with his proposed cuts, and America's scientific system stumbles, can another country pick up the mantle? Many American scientists say they want to leave the country; a few already have. China, which on some measures of scientific prowess already surpasses America, may hope to capitalise. Yet few foreigners want to do their PhD in China. A closed political system slows down the diffusion of innovations across international borders. So does the language barrier.

Even if China changed, however, decades of research on economic clusters shows that they are rarely replicated. Just as you could not uproot Hollywood and move it elsewhere, scientists leaving Berkeley and Boston will not carry on as before when they arrive in Beijing or, indeed, London. If America's scientific system sneezes, the rest of the world will catch a cold. ■

<https://www.economist.com/finance-and-economics/2025/05/22/americas-scientific-prowess-is-a-huge-global-subsidy>

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Science & technology

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Death by a thousand cuts :: It started as a crackdown on DEI. Now all types of research are being cancelled
- **How cuts to science funding will hurt ordinary Americans**
Disaster pending :: Federal agencies are struggling to predict the weather and monitor disease
- **America is in danger of experiencing an academic brain drain**
Your loss :: Other countries may benefit. Science will suffer

Death by a thousand cuts

Trump's attack on science is growing fiercer and more indiscriminate

It started as a crackdown on DEI. Now all types of research are being cancelled

May 22, 2025 05:16 PM | Boston and Los Angeles

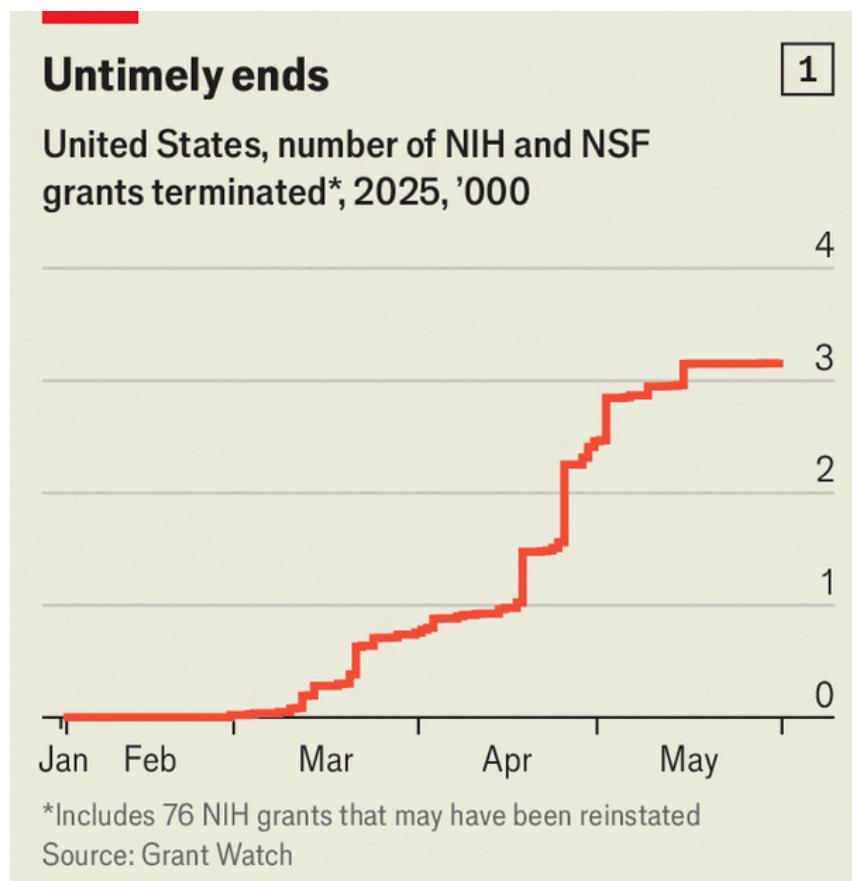


SCIENTISTS IN AMERICA are used to being the best. The country is home to the world's foremost universities, hosts the lion's share of scientific Nobel laureates and has long been among the [top producers](#) of influential research papers. Generous funding helps keep the system running. Counting both taxpayer and industrial dollars, America spends more on research than any other country. The federal government doles out around \$120bn a year, \$50bn or so of which goes towards tens of thousands of grants and contracts for higher-education institutions, with the rest going to public research bodies.

Now, however, many of America's top scientific minds are troubled. In the space of a few months the Trump administration has upended well-established ways of funding and conducting research. Actions with the stated goal of cutting costs and stamping out diversity, equity and inclusion (DEI) initiatives are taking a toll

on scientific endeavour. And such actions are broadening. On May 15th it emerged that the administration had cancelled grants made to Harvard University for research on everything from Arctic geochemistry to quantum physics, following a similar move against Columbia. The consequences of these cuts for America's scientific prowess could be profound.

Under the current system, which was established soon after the second world war, researchers apply to receive federal funding from grant-making agencies, namely the National Institutes of Health (NIH) and the National Science Foundation (NSF) as well as the Departments of Defence (DOD) and Energy (DOE). Once a proposal has been assessed by a panel of peers and approved by the agency, the agreed money is paid out for a set period.



This setup is facing tremendous upheaval. Since Mr Trump's return to the White House, somewhere in the region of \$8bn has been cancelled or withdrawn from scientists or their institutions,

equivalent to nearly 16% of the yearly federal grant budget for higher education. A further \$12.2bn was rescinded but has since been reinstated by courts. The NIH and the NSF have cancelled more than 3,000 already-approved grants, according to Grant Watch, a tracking website run by academics (see chart 1); an unknown number have been scrapped by the DOE, the DOD and others. Most cancellations have hit research that Mr Trump and his team do not like, including work that appears associated with DEI and research on climate change, misinformation, covid-19 and vaccines. Other terminations have targeted work conducted at elite universities.

Much more is under threat. The president hopes to slash the NIH budget by 38%, or almost \$18bn; cut the NSF budget by \$4.7bn, more than 50%; and scrap nearly half of NASA's Science Mission Directorate. All told, the proposed cuts to federal research agencies come to nearly \$40bn. Many have already gone under the knife. In March the Department for Health and Human Services (HHS), which includes the NIH, announced it would scrap 20,000 jobs, or 25% of its workforce. According to news reports, about 1,300 jobs, or more than 10%, have been lost at the National Oceanic and Atmospheric Administration (NOAA), which carries out environmental and climate research. Staff cuts were reportedly also due to start at the NSF, but have been temporarily blocked by courts. To save more money, the NIH, the NSF, the DOE and the DOD have launched restrictive caps on so-called indirect grant costs, which help fund facilities and administration at universities. (These limits have also been partly blocked by courts.)

The administration says it has a plan. Mr Trump entered office on a mission to cut government waste, a problem from which the scientific establishment is not immune. On May 19th Michael Kratsios, his scientific adviser, stood up in front of the National Academies of Sciences and defended the administration's vision. It wants to improve science by making it better and more efficient, he said—to "get more bang for America's research bucks". To do so, funding must better match the nation's priorities, and researchers

should be freed from groupthink, empowered to challenge each other more freely without fear of convention and dogma.

Shaking things up

He is right that science has a number of stubborn problems that can hardly be solved by a business-as-usual approach. Scientific papers are less disruptive and innovative than they used to be, and more money has not always translated into speedier progress. In the pharmaceutical sciences, new drug approvals have plateaued in recent years despite ever larger budgets. Researchers also spend much too long writing grant proposals and completing similar administrative tasks, which keeps them away from their laboratories.

Some of Mr Trump's proposals are, in fact, overdue. Many NASA watchers, for example, would agree with his plan to find commercial alternatives for the Space Launch System, a giant rocket being built to take people to the Moon and beyond but which is years behind schedule and billions of dollars over budget.

It would be hard, if not impossible, to improve the science funding system without some disruption. The problem, however, is that the administration's cuts are broader and deeper than they first appear, and its methods more chaotic. Take the focus on DEI, which the administration bemoans as a dangerous left-wing ideology. The agencies are targeting it because of an executive order banning them from supporting such work. But DEI is notoriously ill-defined. Programmes that are being cancelled are not just inclusive education schemes, but also projects that focus on the health of at-risk groups.

Though it is mostly unclear why specific projects have been cancelled, Grant Watch keeps track of words that could have landed researchers in trouble. "Latinx", for example, is a term for Hispanic people flagged as a telltale sign of DEI by Ted Cruz, a Republican

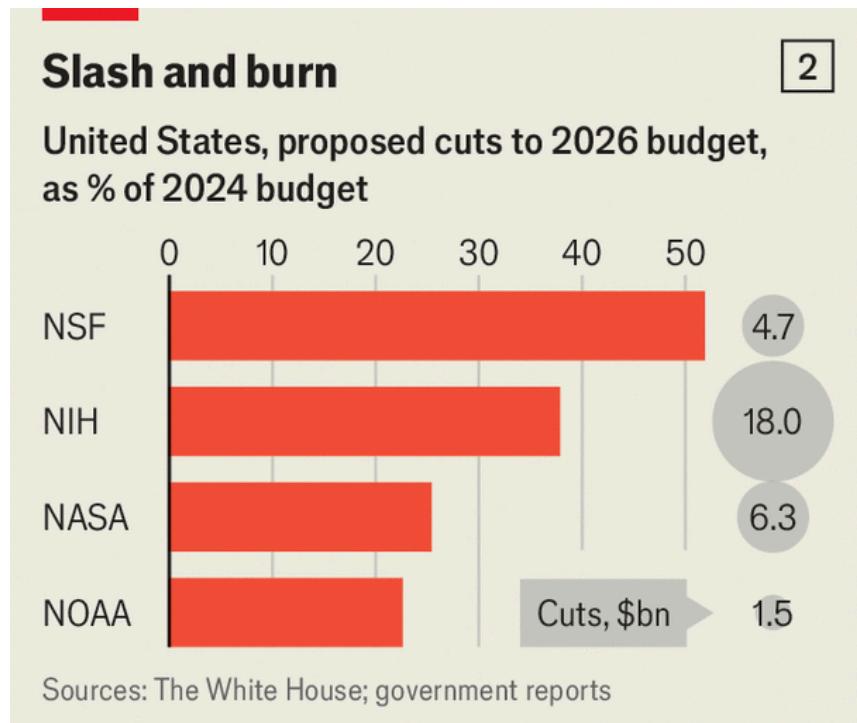
senator. The NIH has cancelled a project on anal-cancer risk factors, the abstract of which uses the word Latinx. Another cancelled project concerns oral and throat cancer, for which gay men are at higher risk. Its abstract uses the phrase “sexual and gender minority”. There are many such examples.

Other cuts may do more damage. Some NIH-funded research on vaccines has been cancelled, as have \$11bn-worth of special funds from the Centres for Disease Control and Prevention (CDC) for pandemic-related research. In March Ralph Baric, an epidemiologist at the University of North Carolina at Chapel Hill who helped test the Moderna mRNA vaccine for covid-19, had several vaccine grants terminated. One project aimed to develop broad-spectrum vaccines for the same family of viruses that SARS-cov-2 comes from; scientists fear other strains might cross from animals to humans. Both the CDC and NIH justified such cuts by saying that the covid-19 pandemic is over. But this is short-sighted, argues Dr Baric, given the number of worrying viruses. “We’re in for multiple pandemics” in the future, he says. “I guess we’ll have to buy the drugs from the Chinese.”

Even for scientists who have not been affected by cuts, other changes have made conducting research more challenging. For example, the NIH and NSF have both delayed funding new grants. Jeremy Berg, a biophysicist at the University of Pittsburgh who is tracking the delay in grant approvals, wrote in his May report that the NIH has released about \$2.9bn less funding since the start of the year, relative to 2023 and 2024. According to media reports, the NSF has stopped approving grants entirely until further notice.

At the NIH itself, the largest biomedical research centre in the country, lab supplies have become more difficult to procure. Department credit cards have been cut back and the administrative staff who would normally place orders and pay invoices have been fired. Scientists report shortages of reagents, lab animals and basic equipment like gloves. All these factors are destabilising for

researchers—labs need a steady, predictable flow of cash and other resources to continue functioning.



If next year's cuts to federal agencies are approved, more pain could be coming (see chart 2). The NSF's budget cuts, for instance, will hit climate and clean energy research. And, according to leaked documents, the research arm of NOAA would most probably cease to exist entirely. That would almost certainly mean defunding the Geophysical Fluid Dynamics Laboratory at Princeton University, "one of the best labs in the world for modelling the atmosphere", says Adam Sobel, a professor at Columbia University's Lamont-Doherty Earth Observatory. NASA's Earth-observation satellites would likewise take a beating, potentially damaging the agency's ability to keep track of wildfires, sea-level rises, surface-temperature trends and the health of Earth's poles. Those effects **would be felt by ordinary people** both in America and abroad.

And as Mr Trump increasingly wields grant terminations as bludgeons against institutions he dislikes, even projects that his own administration might otherwise have found worthy of support are being cancelled. Take his feud with Columbia. His

administration has accused the institution of inaction against antisemitism on campus after Hamas's attack on October 7th 2023 and Israel's subsequent war in Gaza. On March 10th the NIH announced on X that it had terminated more than 400 grants to Columbia on orders from the administration, as a bargaining chip to get the university to take action. Some \$400m of funding has been withheld, despite Columbia having laid out what it is doing to deal with the administration's concerns. Those grants include fundamental research on Alzheimer's disease, schizophrenia and HIV—topics that a spokesperson confirmed to *The Economist* represent priority areas for the NIH.

Columbia is not alone. The administration is withholding \$2.7bn from Harvard University, which has responded with a lawsuit. Within hours of Harvard refusing the administration's demands, scientists at some of the university's world-leading labs received stop-work orders. The administration has since said that Harvard will be awarded no more federal grants. Letters from the NIH, the NSF, the DOD and the DOE sent to Harvard around May 12th seem to cancel existing grants as well.

While it is too soon to say exactly how many grants are involved, 188 newly terminated NSF grants from Harvard appeared in the Grant Watch database on May 15th, touching all scientific disciplines. A leaked internal communication from Harvard Medical School, the highest-ranked in the country, says that nearly all its federal grants have been cancelled. Cornell University says it too has received 75 stop-work orders for DOD-sponsored research on new materials, superconductors, robotics and satellites. The administration has also frozen over \$1.7bn destined for Brown, Northwestern and Princeton universities and the University of Pennsylvania.

As these efforts intensify, scientists are hoping that Congress and the courts will step in to limit the damage. Swingeing as the budget plan is, the administration's proposals are routinely modified by

Congress. During Mr Trump's first term, similar proposals to squeeze scientific agencies were dismissed by Congress and he might meet opposition again.

Susan Collins, the Republican chairwoman of the Senate appropriations committee, which is responsible for modifying the president's budget, has expressed concern that Mr Trump's cuts will hurt America's competitiveness in biotech and yield ground to China. Katie Britt, a Trump loyalist and senator for Alabama, has spoken to Robert F. Kennedy junior, the health secretary, about the need for research to continue. (The University of Alabama at Birmingham is among the top recipients of NIH money.) When on May 14th Mr Kennedy appeared before lawmakers to defend the restructuring of the HHS, Bill Cassidy, the Republican chairman of the Senate health committee, asked him to reassure Americans that the reforms "will make their lives easier, not harder".

Courts will have their say as well. On May 5th 13 universities sued the administration over the NSF's new indirect-cost cap, and the American Association of University Professors has likewise sued Mr Trump over his treatment of Harvard and Columbia. Harvard's suit is ongoing. Dr Baric is one researcher who has had his grant terminations reversed in this manner. His state of North Carolina, alongside 22 other states and the District of Columbia, sued the HHS over the revoked CDC funding for vaccine research. On May 16th the court ruled that the federal government had overstepped and not followed due process, and ordered the HHS to reinstate the funding.

Reversing more cuts will take time, however. And the uncertainty and chaos in the short term could have lasting effects. A country where approved grants can be terminated before work is finished and appealing against decisions is difficult becomes a less attractive place to do science. Some researchers may consider moving abroad. American science has long seen itself as the world's best; today it faces its gravest moment ever. ■

<https://www.economist.com/science-and-technology/2025/05/21/trumps-attack-on-science-is-growing-fiercer-and-more-indiscriminate>

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Disaster pending

How cuts to science funding will hurt ordinary Americans

Federal agencies are struggling to predict the weather and monitor disease

May 22, 2025 12:48 PM | ATLANTA and LOS ANGELES



FROM LAW firms to universities, Donald Trump's administration has taken aim at elites. But the consequences of [cuts to research spending](#) and reductions in the federal workforce carried out since Mr Trump returned to the White House will trickle down quickly.

Federally funded science agencies provide all sorts of services, many of which save lives and generate economic value. The National Oceanic and Atmospheric Administration (NOAA), for example, provides weather forecasts that farmers rely on to determine when to plant, irrigate and harvest and that authorities use to prepare for disasters. The Centres for Disease Control and Prevention (CDC), in its role as America's public-health agency, collects data essential to the effective treatment of diseases and funds clinics that treat them. Research on pollution at the Environmental Protection Agency (EPA), meanwhile, is critical for refining regulations that protect Americans from contaminants. The

cuts to these agencies and others are likely to hurt ordinary Americans.

DOGE, Mr Trump's cost-cutting special force, has already implemented personnel cuts at NOAA. A leaked memo suggests that Congress will soon **slash its research budget** and eliminate more positions. This will further disrupt operations. In normal circumstances the agency's National Weather Service (NWS) offices launch weather balloons twice a day. These balloons carry instruments that record atmospheric pressure, temperature and humidity data, all of which inform predictions of where storms develop, how they move and how strong they may be.

One current NWS employee, who requested anonymity for fear of retaliation, says that his office has lost four of 13 forecasters since the Trump administration took office. He and his remaining colleagues are now sending balloons up only in the evening, in effect halving the resolution of their data. Other offices have delayed or suspended launches. The Mountain West region, which includes Idaho and Montana, is hardest hit. "That's where the storm systems that produce severe weather really get going in the spring months," says Chris Vagasky, a meteorologist at the University of Wisconsin-Madison. The NWS office in Jackson, Kentucky is no longer able to staff overnight shifts. When tornadoes ripped through the state last week, killing at least 19 people, the agency was hard-pressed to find cover. Workers stayed overtime and neighbouring offices sent support staff.

Cuts to data collection are being exacerbated by cuts to the groups responsible for warning people about dangerous conditions. Kayla Besong worked at the Pacific Tsunami Warning Centre in Hawaii. Her team wore pagers, like doctors in hospital, which alerted them to earthquake activity. Using data about the location, size and magnitude of a given earthquake, she says, they would have to calculate the likelihood of a tsunami being generated and decide whether the public needed to be warned. Two people were on

watch at all times, which made for lengthy work rotas for a small team. Dr Besong was fired in February when probationary employees across the federal bureaucracy were sacked by DOGE. She warns about the toll that long shifts can take on her already thinly stretched colleagues. Burnout was “a huge concern” even before the cuts, she says. Overworked employees may make mistakes which, when it comes to severe weather, could prove deadly.

At the CDC, fewer employees make it harder to prevent the outbreak of disease. The Medical Monitoring Project, for example, was created in 2005 to collect and analyse data on people with HIV. Until recently state and local health departments across the country used its data—on everything from comorbidities and behaviour that causes transmission to barriers to receiving medical care—to direct their services. On April 1st all but one of the 17-person team that ran it was fired, abruptly ending the 20-year-long project. “The only source of nationally representative information on people with HIV is now gone,” says a CDC physician. As much as 45% of the broader HIV-prevention team was also fired. All HIV research at the agency has since been paused and many grants for basic medical care were terminated.

HIV work is in the cross-hairs in part because of its focus on racial and sexual minorities, who contract the virus at especially high rates. Such focus is seen by the Trump administration as evidence of “woke” ideology getting in the way of hard science.

Empowerment Resource Centre, an HIV clinic in downtown Atlanta, Georgia, is one of many feeling the blow. Its \$400,000 CDC grant for serving gay and transgender patients is in limbo—the funds for May have still not come through. This week the entire HIV department in Fulton County (in which Atlanta sits), its only other funder, was sacked. Jacqueline Brown, the non-profit’s boss, says she is having to make painful decisions about which kinds of services to cut and how to reduce the number of clients the clinic serves. “We will try to continue as long as we can, but inevitably

we'll have to suspend programmes; there is just no money left," she says. Leandro Mena, a professor of medicine at Emory University, in Georgia, reckons that such cuts mean HIV rates will rise in the next two or three years.

Across the board

Other agencies are also under pressure. In early May Lee Zeldin, the Trump-appointed administrator of the EPA, announced a restructuring that will see staffing at the agency return to Reagan-era levels—equivalent to a 25% reduction—and its dedicated research unit dissolved. The unit, known as the Office of Research and Development, collates independent evidence on pollution, which in turn informs the EPA's guidelines and regulations. Since the agency's creation in 1970, these regulations have led to an almost 80% decrease in common air pollutants, saving hundreds of thousands of Americans from early death each year. In Mr Trump's proposed budget, the EPA also stands to lose almost 55% of its funding, achieved by scrapping "skewed, overly-precautionary modelling" that informs regulations as well as "woke climate research".

The government may eventually come to understand that warning people of deadly storms and easing access to medical care helps many beyond the elites. But for now, at least, there are few signs of any such policy reversals. ■

<https://www.economist.com/science-and-technology/2025/05/21/how-cuts-to-science-funding-will-hurt-ordinary-americans>

Your loss

America is in danger of experiencing an academic brain drain

Other countries may benefit. Science will suffer

May 23, 2025 04:47 PM

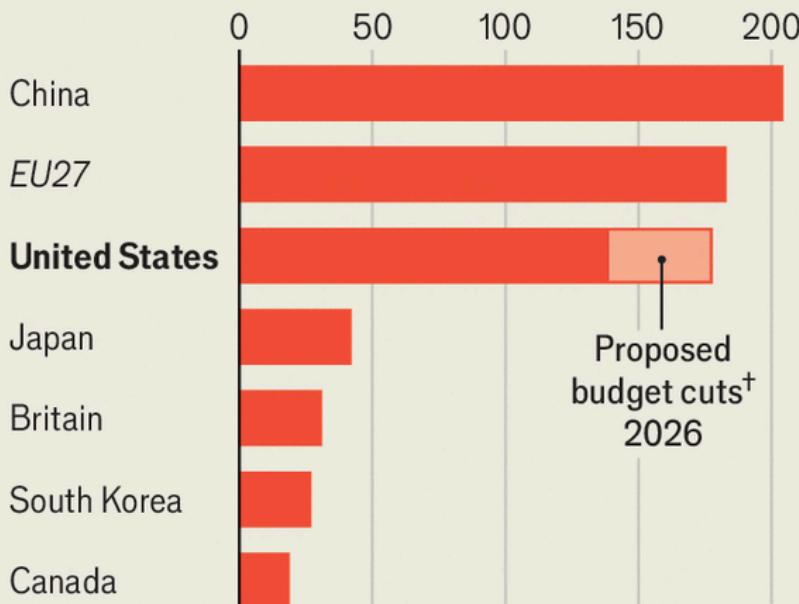


MATTHIAS DOEPKE was impressed when he moved to America as a graduate student in the 1990s. Academic pay was better than in his native Germany and university departments were slick and organised. But what he appreciated most was the attitude. “You come to the us and you have this feeling that you are totally welcome and you’re totally part of the local community,” he says. In 2012 he became a professor of economics at Northwestern University in Illinois, and in 2014 became a naturalised citizen.

Scientific powerhouses

1

Research spending at government institutions and universities, 2023 or latest, \$bn at PPP*



*Purchasing-power parity †Selected cuts from CDC, DOE, EPA, NASA, NIH, NIST, NOAA, NSF and USGS

Sources: OECD; The White House; *The Economist*

But in April Dr Doepeke resigned from Northwestern; he is now a professor at the London School of Economics. He is clear about why he and his family left: the election of Donald Trump as president. “Once the election happened,” he says, “it was clear we weren’t going to stay.” Mr Trump’s government is taking a chainsaw to American science, pulling grants, revoking researcher visas, and planning enormous cuts to the country’s biggest funders of research (see chart 1). Academics talk of a “war on science”. Few have followed Dr Doepeke’s example and moved overseas just yet. But plenty of data suggest they soon might. An exodus from the world’s scientific superpower beckons.

Springer Nature publishes *Nature*, the world’s most prestigious scientific journal. It also runs a much-used jobs board for academics. In the first three months of the year applications by researchers based in America for jobs in other countries were up by

32% compared with the same period in 2024. In March *Nature* itself conducted a poll of more than 1,200 researchers at American institutions, of whom 75% said they were thinking of leaving (though disgruntled academics were probably more likely to respond to the poll than satisfied ones). And just as American researchers eye the exit, foreigners are becoming more reluctant to move in. Springer Nature's data suggests applications by non-American candidates for American research jobs have fallen by around 25% compared with the same period last year.

Attitudes are souring at the bottom of the academic totem pole as well. Searches for American PhDs on FindAPHD, a website that does exactly what its name suggests, were down by 40% year on year in April. Interest from students in Europe has fallen by half. Data from another website, Studyportals, show less interest in domestic PhDs among Americans, and a rise in interest in international studentships compared with 2024 (see chart 2).

Greener pastures

Why is America losing its allure? The most straightforward reason is money, or the looming lack of it. Mr Trump's administration has cancelled thousands of research grants since January, when he took office. Grant Watch, a website, calculates that at least \$2.5bn-worth have been rescinded so far, leaving researchers without salaries and unable to pay expenses. Much more could be coming. The White House's budget for 2026 aims to slash science spending. The National Institutes of Health (NIH), the world's biggest funder of biomedical research, faces a nearly 40% cut. The National Science Foundation (NSF), another big federal funder, may lose 52%.

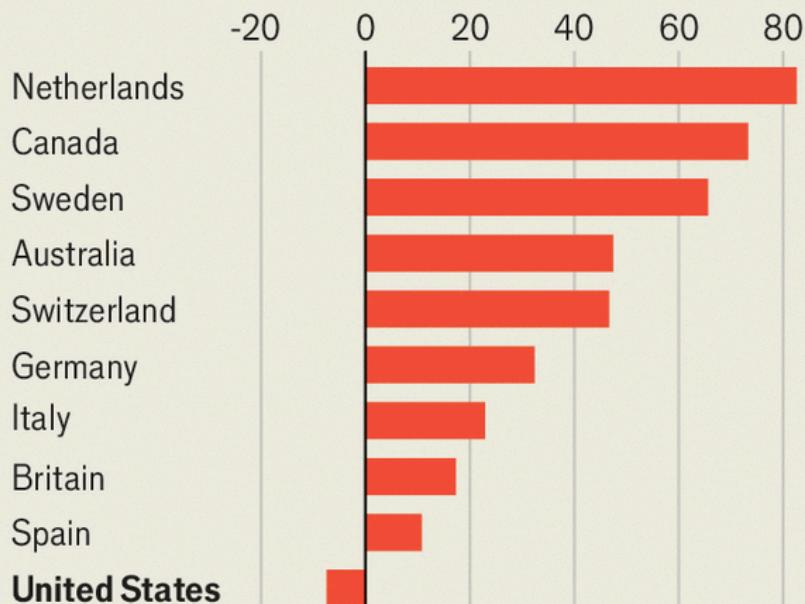
Such cuts must be approved by Congress. But if the budget is enacted, *The Economist* calculates that more than 80,000 researchers could lose their jobs. American funding for academic science would fall significantly behind that of either China or the European Union, after adjusting for costs.

Keep the doctors away

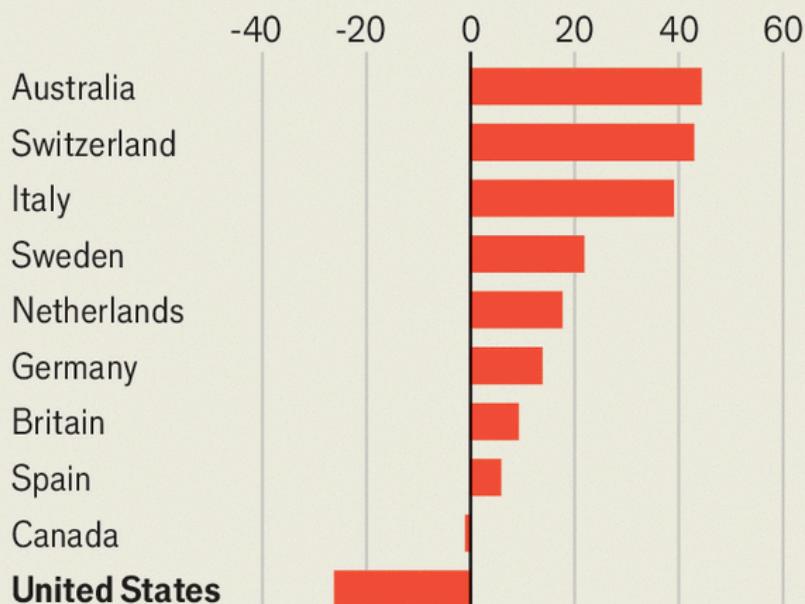
2

Webpage views per PhD programme,
by programme country, April 2025,
% change on a year earlier

From within United States



From rest of world



Sources: Studyportals; *The Economist*

Funding is not the only issue. Many scientists, especially those who are citizens of other countries, are beginning to feel intimidated. In the first four months of 2025 at least 1,800 international students or recent grads had their visas revoked without explanation, only to have them restored again in April. Senior scientists report difficulty obtaining visas for incoming researchers, and have advised junior colleagues from overseas not to travel home, lest they be detained on their return.

Others allege that the government is meddling with their research. Kevin Hall, a researcher at the NIH, quit in April after two such incidents. First, he says the NIH asked him to edit a section of a paper that mentioned “health equity”. (“Equity” is an unpopular word among Mr Trump’s supporters.) Later Dr Hall published a study showing that ultra-processed foods did not activate the same addiction pathways in the brain as drugs do—contradicting the views of administration officials. Dr Hall alleges the NIH edited his responses to a journalist, without his approval, to downplay his findings. (The NIH told *The Economist* that it does not respond to false allegations by former employees.)

Some other countries spy in all this an opportunity to beef up their own scientific capabilities. Several Canadian universities, including the Toronto’s University Health Network and Laval University in Quebec, have announced funding worth tens of millions of dollars explicitly aimed at diverting researchers from America. On May 5th Ursula von der Leyen, the president of the European Commission, gave a speech in Paris urging scientists to “choose Europe”, highlighting a wodge of new money and the bloc’s social safety-net. The University of Helsinki has been targeting Americans with adverts on social media, promising them “freedom to think”.

China is likely to be another beneficiary. According to the *South China Morning Post*, the country is redoubling its efforts to lure Chinese-born scientists from America by offering big salaries.

Between 2019 and 2022 the share of non-native artificial-intelligence (AI) researchers who left America for China after their PhD doubled, from 4% to 8%. Springer Nature's data suggest that in the first quarter of this year applications for jobs in China from scientists based in America were up by 20% compared with the same period last year.

That matters, for much of America's scientific pre-eminence has been built by researchers who were not born there. Since 1901, researchers based in America have won 55% of academic Nobel prizes, and more than a third of these scientists were foreign-born. Immigrant inventors produce an outsize share of patents, too. The Paulson Institute, a think-tank, reckons that in 2022 almost two-thirds of top-tier AI researchers working in America hailed from overseas. Losing even some of those would be a blow to American innovation.

Other countries might gain, but the disruption would harm science as a whole. At around \$40bn, Mr Trump's planned funding cuts are too big for other countries to make up by themselves. (The extra funding promised by Mrs von der Leyen, for instance, is worth only €500m, or \$566m, over three years.) Many researchers will probably leave science altogether. Everyone would lose—even if America lost most. ■

<https://www.economist.com/science-and-technology/2025/05/21/america-is-in-danger-of-experiencing-an-academic-brain-drain>

Culture

- **Sam Altman is a visionary with a trustworthiness problem**

Prometheus unbound :: Two books tell a similar tale about OpenAI. It is worrying

- **In Germany, the Nazis invaded people's dreams**

No rest from the wicked :: A remarkable work of journalism, newly translated into English, shows how authoritarianism warps the subconscious

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Prometheus unbound

Sam Altman is a visionary with a trustworthiness problem

Two books tell a similar tale about OpenAI. It is worrying

May 22, 2025 02:26 PM | LOS ANGELES



The Optimist. By Keach Hagey. W.W. Norton; 384 pages; \$31.99 and £25

Empire of AI. By Karen Hao. Penguin Press; 496 pages; \$32 and £25

IN GREEK MYTHOLOGY [Prometheus](#) stole fire from the gods and brought it to Earth. He paid for that by being bound for eternity to a rock face, where an eagle tormented him daily by pecking at his liver. Such was the price of humanity's first great technology. In the 21st century the story of [Sam Altman](#), the co-founder and chief executive of OpenAI, has a Promethean ring to it, too. He spearheaded the creation of ChatGPT, which was launched in late 2022, stunning the world: suddenly the revolutionary capabilities and risks of [generative artificial intelligence \(AI\)](#) were unleashed. A year later the capricious gods—that is to say, OpenAI's non-profit

board—sought to banish him. Unlike Prometheus, however, Mr Altman emerged unscathed.

This story is the subject of two excellent new books. They explore the murky mix of missionary zeal, rivalry and mistrust at OpenAI in the run-up to the birth of ChatGPT. The tensions are even more apparent in the chaos leading up to the attempt to fire Mr Altman during the [abortive boardroom coup](#) in November 2023.

It is testimony to the skill of the authors, who are journalists, that they have produced deeply researched, gripping accounts, both published on May 20th, almost exactly a year and a half after that event. Better still, they tell the story in different ways.

Keach Hagey’s “The Optimist” is what could be called the authorised version. She had access to Mr Altman and many of the main characters in his story, including his family and friends. His personality is vivid and complicated enough that her story never flags. It is no hagiography.

Karen Hao got no such access for “Empire of AI”. OpenAI kept her at arm’s length, which gives her account more bite. Both books reveal disturbing traits about Mr Altman, OpenAI and [the culture of Silicon Valley](#) that are useful to bear in mind amid the hype about generative AI.

Mr Altman is a beguiling character. As Ms Hagey says, the first things you notice about him are his slight stature and the intensity of his gaze, “as though he is speaking to the most important person in the world”. Brought up in the American Midwest, from a young age he was a technology whizz who was surprisingly witty. He proved a natural crusader: at 17 he shocked a school assembly by revealing his homosexuality in order to promote gay rights.

Throughout his career, he has combined an ambition to create world-changing technologies with a gift for storytelling that helps

him raise large sums of money to fund his dreams. He started with a location-tracking phone app called Loopt. Since then, his large bets have included a [cryptocurrency](#) backed by eye scans to certify digital identity in a world of AI; life extension through cellular-rejuvenation technology; nuclear fusion; and, of course, the quest for superintelligence.

Some liken his abilities to [Steve Jobs](#)'s “reality distortion field”—the Apple co-founder could make people believe in what they thought was impossible. But unlike Jobs, who was often abrasive, Mr Altman is a sensitive listener who knows how to frame what he offers in ways that people find alluring.

From early on, his people skills have attracted powerful mentors. Paul Graham, co-founder of Y Combinator (YC), a startup incubator, said of Mr Altman: “You could parachute him into an island full of cannibals and come back in five years and he’d be king.” Indeed Mr Graham and his partner, Jessica Livingston, handed the reins of YC to Mr Altman within a few years, elevating him at the age of 28 to a position of near-unrivalled power in the Silicon Valley startup scene.

Playing with fire

Even then, there were misgivings about his candour. “If Sam smiles, it’s super deliberate,” a former YC founder tells Ms Hao. “Sam has smiled uncontrollably only once, when [Mr Graham] told him to take over YC.” At Loopt, which he sold for \$43m in 2012, his colleagues twice sought to convince the board to sack him as CEO because, as Ms Hagey says, he pursued his own ideas without informing them. Their concerns about his trustworthiness are recounted in both books—even if, in the end, his financial backers remained loyal.

Likewise, at YC, Mr Graham and Ms Livingston grew frustrated with Mr Altman’s moonlighting at OpenAI, which he started with

[Elon Musk](#) and others in 2015, while still running YC. Ms Livingston fired him but, as Ms Hagey recounts, he left chaos in his wake. Not only was he overseen by a non-functioning board, he had also used YC equity to help lure people to OpenAI. She says some YC partners saw a potential conflict of interest, “or at least an unseemly leveraging of the YC brand for Altman’s personal projects”.

These details are important. Both accounts suggest that his ambition, speed and silver-tongued way of telling people only what they want to hear have come close to unravelling OpenAI. Paradoxically, some of these same traits helped OpenAI amass the huge amounts of money and computational power, not to mention the troves of data scraped from the internet to feed its models, that helped give the firm the lead in generative AI.

On one occasion, known as “the divorce”, he so alienated some of OpenAI’s researchers focused on safety that they left the company and founded one of its main rivals, Anthropic, in 2021. On another, known as “the blip”, he was sensationally fired after his top lieutenants and the board lost trust in him because, as both books say, he told them conflicting stories and failed to give them straight answers about his and OpenAI’s investment activities. Yet he returned triumphantly a few days later when they realised that the company might collapse without him.

Underpinning both these episodes, and running through both books, is the ideological struggle between those who favour speed over safety when rolling out generative AI. OpenAI has suffered heavily from an internecine rift between “doomers” and “boomers”. Many of the doomers are part of the [effective-altruism](#), a philanthropic philosophy aimed at finding the most potent way to help others, which took a keen interest in the possibly catastrophic risks of AI. The boomers, or “effective accelerationists”, are more concerned that if America does not win the AI race, China will. In reality, as Ms Hao points out, they are

two sides of the same coin. Each is striving to push the boundaries of machine superintelligence as far as is safe or possible—even if one warns of “fire and brimstone” and the other offers “visions of heaven”.

Equally interesting are the rivalries in a field full of quasi-geniuses and the technological leaps they perform to keep ahead of each other. Both books chronicle the falling-out between Mr Musk and Mr Altman, which is vividly catalogued as part of a lawsuit Mr Musk has filed against OpenAI, its boss, and Microsoft, the biggest investor in OpenAI’s for-profit entity.

Throughout, the two books diverge in ways that underscore the question at the heart of their common story: does the end, the quest for superintelligent AI, justify the means? Ms Hagey appears to think so. She explains away some of Mr Altman’s behaviour as aversion to conflict and a “move fast and break things” mindset common in Silicon Valley.

Ms Hao, meanwhile, accuses OpenAI of betraying its mission. She is critical not only of Mr Altman, but of the heads of rival firms, who she insists are in the same power struggle. She says generative-AI models are “monstrosities”, consuming too much data, power and natural resources. She goes too far, however, in likening OpenAI and other labs to colonial empires.

But taking the evidence from both books, her concerns about Mr Altman seem valid. In any organisation a CEO who does not seem fully trustworthy is a problem. This is particularly so at the helm of a firm like OpenAI, which is building potentially Promethean technologies. ■

<https://www.economist.com/culture/2025/05/20/sam-altman-is-a-visionary-with-a-trustworthiness-problem>

No rest from the wicked

In Germany, the Nazis invaded people's dreams

A remarkable work of journalism, newly translated into English, shows how authoritarianism warps the subconscious

May 22, 2025 12:47 PM



A living nightmare

The Third Reich of Dreams. By Charlotte Beradt. Translated by Damion Searls. *Princeton University Press; 152 pages; \$24.95 and £20*

IN 1933, AFTER Adolf Hitler had taken power, a German housewife dreamed that her stove was snooping on her. “It said everything we’d said against the regime, every joke we’d told” to an eavesdropping stormtrooper. “God, I thought, what is it going to say next? All my little comments about Goebbels?” The woman’s fears about privacy and Hitler’s [chief propagandist](#) were recorded by Charlotte Beradt, a Jewish journalist who collected the dreams of Germans under fascism.

Three decades earlier Sigmund Freud had posited that dreams reveal unconscious thoughts. To Beradt, they disclosed truths about authoritarianism that no one would dare say aloud. Some of her subjects were nervous to share their stories. Half a dozen dreamed

that it was forbidden to dream. A businessman imagined that Goebbels visited his factory. “It took me half an hour to get my arm raised, millimetre by millimetre,” he recounted. As he struggled to salute, his spine snapped.

Beradt collected dreams from more than 300 people over several years, transcribing them in code. “Party” became “family”; Hitler became “Uncle Hans”. She concealed the records in bookbindings and smuggled them abroad. They were published in Germany in 1966; an early English translation went out of print. Newly translated, the remarkable collection—which is unique in the canon of Holocaust literature—may now find more readers. It arrives at a time when people are more interested in the [connection between sleep and well-being](#) than ever before.

Beradt organises the material into types of dreams, interweaving the accounts with her own trenchant analysis. A man imagines sitting down to write a formal complaint against the regime, but the page he sends in is blank—a dream reflecting his inaction. An eye doctor pictures that he is summoned to treat Hitler because “I was the only one in the world who could; I was proud of myself for that, and felt so ashamed of my pride that I started crying”—a dream suffused with guilt. A young woman envisions having to produce identity papers and she is desperate to prove that she is not Jewish—a dream of racial paranoia.

Many of the dreams are eerily prophetic. The doctor dreams about Nazi militiamen knocking out hospital windows four years before Kristallnacht, the “night of broken glass” (pictured on previous page), when stormtroopers destroyed buildings including synagogues and Jewish-owned businesses. The woman dreams of hiding under “a big pile of dead bodies”. It was the early 1930s, years before the world would learn of the mass murder committed in concentration camps.

The dreams of Germans in the [resistance](#) are different. The night before her execution, Sophie Scholl, a 21-year-old activist, dreamed that she was carrying a baby up a mountain to be baptised. Before she could get to the church, a crevasse cracked open on her path; she was able to set the baby down before she disappeared into the chasm. Scholl saw this as a metaphor for the fight against fascism. “The child is our idea, and it will prevail despite all obstacles,” she explained. “We can prepare the way for it, even though we will have to die for it before its victory.”

Beradt puts Jewish dreamers in their own section as their dreams, “sharpened by the acute threat they were under...seem downright clairvoyant”. In 1935 a housewife dreamed that “We shouldn’t go back to our homes, something was going to happen.” She wanders from building to building, seeking refuge and finding none. As Beradt notes, the dream anticipated events to come—the displacement of Jews in hiding during the “final solution”.

Robert Ley, a high-ranking Nazi, suggested in 1938 that the only Germans with any privacy were those sleeping. He under-rated the regime’s power. Dreams reflect and refract an individual’s experience, shaped as it is by policy and the public mood. Even in sleep, the Reich occupied the minds of its subjects. ■

<https://www.economist.com/culture/2025/05/22/in-germany-the-nazis-invaded-peoples-dreams>

Goodbye Gilead

“The Handmaid’s Tale” reveals the limits of dystopian television

Six seasons of suffering is more than enough

May 22, 2025 12:48 PM



No freedom to speak of

IN THE SPRING of 2017 a troubling vision of America arrived on television screens. Based on [Margaret Atwood’s novel](#) of 1985, “The Handmaid’s Tale” depicted a country that had been transformed into Gilead, a theocratic dictatorship. Women were stripped of their civil rights. Those who were fertile were enslaved as “handmaids”: childbearing vessels for the ruling class.

The show had its premiere on Hulu, a streaming service, not long after Donald Trump’s inauguration, when people feared democratic backsliding and the creep of religious fundamentalism into politics. As the president stacked the courts with anti-abortion judges and called for the defunding of Planned Parenthood, a reproductive-health organisation, some exclaimed that Ms Atwood had produced [not a work of fiction, but a prophecy](#).

The handmaids' costume became a visual metaphor of resistance: protesters dressed in red robes and white caps stood outside statehouses across America. Critics breathlessly described the adaptation as the [defining artwork of the Trump era](#). "The Handmaid's Tale" went on to win eight Emmy awards for its first season and became the first streaming show to win Outstanding Drama Series.

Six seasons later, it will come to an end on May 27th. The final season began not long after Mr Trump re-entered the White House. Yet the fervour around the show has dissipated; after a peak in 2021, viewership has declined. It no longer dominates the public discussion. Why?



One reason is that "The Handmaid's Tale" is not, in fact, a mirror of the Trump era. Though there are parallels—an early episode showed an attack on the Capitol, three years before the real one—Mr Trump has not instituted compulsory rape or the death penalty for dissenters.

Another is that the show has suffered by extending the story beyond its source material. After using up the plot of Ms Atwood's slim novel in the first season, the show's writers faced the tricky task of keeping the story compelling and the stakes high. June (Elisabeth Moss, pictured), the protagonist, has been trapped in a

cycle of capture, escape and recapture that has strained the story's credibility and tested viewers' patience.

Resistance fatigue has also played a role. "The draw of the initial season was that it was so apocalyptic," says Karen Ritzenhoff, an academic. Yet outrage is difficult to sustain, on screen and off it. Mr Trump remains unpopular, but his second term has not seen protests on the same scale as in 2017, when some 4m Americans took part in the Women's March.

The show's main problem, however, is that it is unrelentingly bleak. One critic has called it a "hellhole" of "utter despair and soul-destroying misery". Another said she had an anxiety attack after watching. For those concerned about the future of American democracy, "The Handmaid's Tale" offers no respite.

Viewers may prefer the forthcoming [adaptation of "The Testaments"](#), its sequel, instead. Watching people struggle under a totalitarian regime does not make for an enjoyable evening. Watching that regime collapse may be rather more thrilling. ■

<https://www.economist.com/culture/2025/05/22/the-handmaids-tale-reveals-the-limits-of-dystopian-television>

Musing on Mammon

The story of capitalism, told by its detractors

An ambitious new history of the idea that forged the modern world

May 22, 2025 12:48 PM



Cogs in the machine

Capitalism and Its Critics. By John Cassidy. *Farrar, Straus and Giroux; 624 pages; \$36. Allen Lane; £35*

TO THOMAS CARLYLE, it was “one of the shabbiest gospels ever preached”. Adam Smith was an early fan, but was still suspicious of those who practised it. Rosa Luxemburg thought it fuelled imperialism and violence. Karl Marx hated everything about it. Even [John Maynard Keynes](#) believed its survival depended on the whole system being refashioned.

There are two great challenges to overcome in writing a history of capitalism, as John Cassidy has in his new book, “Capitalism and Its Critics”. The main one is that almost anyone, when confronted with the words “history of capitalism” and a 600-page doorstopper, will start wondering what’s on Netflix. The other is pinning down what, exactly, the subject of that history is. George Orwell wrote in 1946 that “The word *fascism* has now no meaning except in so far as it signifies ‘something not desirable’.” Today he might have

observed something similar about the word “capitalism”, seldom used by politicians on either left or right unless it is to describe an aspect of the market economy they dislike.

Capitalism has always been a shape-shifter. Does the 18th-century system, based on colonial monopolies such as the one held by the [East India Company](#), belong to the same tradition as the industrial, factory-based capitalism of the 19th century? How about the “plantation capitalism” that involved enslaving Africans and transporting them to harvest sugar in the Caribbean? None of it seems much to resemble the technology-dominated capitalism of 2025. Marx railed against those who owned the means of production; in today’s knowledge economy, the most important of these are within [educated workers’ heads](#).

Mr Cassidy wastes little ink agonising over precisely what capitalism means. Instead, he tells its story in mosaic fashion, using the criticisms made by its detractors over the centuries. The result is an intriguing account of how some of the most consequential ideas in economics developed, and how they forged the modern world.

The author includes thinkers many readers will not have met before. There is William Thompson, a contemporary of John Stuart Mill. He advocated “co-operatives”, in which production was organised by the community and income was divided equitably. There is Flora Tristan, who in the 1830s travelled around Britain, wrote a stinging exposé of the destitution of its working class and campaigned to establish a universal workers’ union.

Then there are those who knew all too well how British capitalism extracted value from its colonies while immiserating locals. Starting in 1929, J.C. Kumarappa, an associate of Mohandas Gandhi, described how farmers in the poor Indian region of Matar Taluka were forced to pay land taxes amounting to between 70% and 215% of the value of their annual crop. In the 1930s Eric

Williams, Trinidad's first prime minister, argued that slavery helped set industrial capitalism in motion by developing new markets for British manufactured goods and supplying raw materials.

As Keynesian thinking gained popularity after the second world war, the system drew critiques from the right, too. Milton Friedman thought public spending had to be cut drastically to tame inflation. In the 1970s Augusto Pinochet, Chile's dictator, put Friedman's "shock treatment" theory into practice, quelling price rises at the cost of a deep recession, and **murdering thousands to maintain order**. Friedrich Hayek convinced Margaret Thatcher, Britain's prime minister in the 1980s, to destroy much of the trade unions' power.

The book's focus is capitalism's critics in the past rather than in the present. Mr Cassidy notes that, as globalisation advanced from 1980 onwards, hundreds of millions of people escaped poverty. Then comes a hand-wringing discussion over the precise number of percentage points by which the share of income earned by America's richest 1% rose over the same time period. Still, several enjoyable evenings might be spent with Netflix off and Mr Cassidy's new book open. ■

<https://www.economist.com/culture/2025/05/22/the-story-of-capitalism-told-by-its-detactors>

Up in arms

How FDR shaped the doctrine of national security in America

The New Deal gave rise to the idea, a new book shows

May 22, 2025 12:48 PM



Total Defence. By Andrew Preston. *Belknap Press; 336 pages; \$29.95 and £24.95*

FRANKLIN DELANO ROOSEVELT (FDR) was in Chicago in October 1937 to open a new bridge. It was a typical example of the infrastructure projects that were integral to the president's New Deal, which had alleviated the Great Depression and given Americans a sense of economic security. Perhaps 1m people turned up to hear him speak and enjoy a parade. Roosevelt used the occasion to deliver what would become one of the [most consequential foreign-policy speeches in history](#).

In what became known as the “quarantine speech”, he warned his audience of a spreading “reign of terror”. Nazi Germany was rapidly rearming and imperial Japan was mercilessly attacking the civilian population of Shanghai. The world, he said, was now in “a state of international anarchy and instability from which there is no

escape through mere isolation or neutrality". FDR argued that belligerent states must be quarantined before they infected others with the virus of war.

Roosevelt knew that it would take more than a speech to begin preparing Americans for the possibility of war. Since the early 19th century America had essentially enjoyed "free security". The country's geography and continental scale seemed to make it invulnerable; with its territorial integrity unchallenged, it could forgo the cost of maintaining a large army. Threats in Asia or Europe seemed distant. Congress was more interested in fighting battles over the New Deal than preparing for battles abroad.

When [Woodrow Wilson](#) made the decision to take America into the first world war, some of the arguments he used were to be echoed by Roosevelt 20 years later. But there were subtle differences. Wilsonian idealism was about defeating militarism and forming a new world order based on self-determination and collective security that would protect America's own democracy. However, his plan fell apart when realpolitik won out at Versailles and Congress failed to vote for America to join the nascent League of Nations (a precursor to the United Nations). The "[Wilsonian moment](#)" was just that—fleeting. Faced with a new global crisis, it fell to Roosevelt to learn from Wilson's mistakes.

Andrew Preston, a professor at Cambridge University, shows in fascinating detail how Roosevelt used similar language when talking about the social-protection policies and public-investment programmes of the New Deal and the emerging concept of national security. Both required centralised planning and the mobilisation of vast resources to address the peril confronting Americans.

To be persuasive he had to exaggerate the dangers the country faced. In September 1940, more than a year before the Japanese attack on Pearl Harbour, he described a German invasion that would eradicate the American way of life: "The greatest attack that

has ever been launched against freedom of the individual is nearer the Americas than ever before. To meet that attack we must prepare beforehand—for the simple reason that preparing later may and probably would be too late.”

Roosevelt characterised the rearmament programme, followed by entry into the second world war in December 1941, as “total defence”. However, as Mr Preston notes, the search for complete security proved difficult to call off even after the war had finished. Roosevelt’s successor, Harry Truman, concluded nearly two months after Japan’s surrender that “Peace must be built upon [American] power...never again can we count on the luxury of time with which to arm ourselves.”

Basic safety, others concluded, could be achieved only if international law was backed up by “a military position of offensive readiness...so formidable as to be beyond challenge”. This time, America had the political will and economic might to make it a reality. So it was that the American national-security state was born and with it the aim of containing the new threat to safety, the Soviet Union: an implacable ideological foe that would soon have the atomic bomb.

Surprisingly, Mr Preston makes only passing reference to the existential dread nuclear weapons induced in ordinary Americans. The top-secret National Security Council report called “NSC-68” gets just one mention. Completed in 1950, it argued that the Soviet Union’s expansionist ambitions were a threat that could be countered only by another build-up of military might. It was in many ways the document that shaped the cold war.

The author concludes with thoughts about what the [second coming of Donald Trump might mean](#) for a concept of national security that has lasted for more than 80 years. Since the book went to press, the answer has become clear. Mr Trump wishes to weaken the “administrative state” that was created by the New Deal, as well as

its progeny, the national-security state. When bureaucrats resist, he sees a “deep-state” conspiracy. The wars he has chosen to fight are on “woke” and trade. FDR would not be impressed. ■

<https://www.economist.com/culture/2025/05/22/how-fdr-shaped-the-doctrine-of-national-security-in-america>

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World in a dish

The hottest gadget of the summer? A portable pizza oven

The question is why many spend time making a food that is easily bought

May 22, 2025 12:47 PM



IF YOU WANT to get your hands on a [pizza](#), the easiest way is to order one by phone or app; within the hour it will land on your doorstep. (So convenient is this method that Americans spent \$17bn on pizza deliveries last year.) Nevertheless, some people prefer a harder way: making a pie from scratch. Even inexpert bakers will manage to ferment flour, water, yeast and salt into a decent dough, before topping it with pureed tomatoes, [mozzarella](#) and some basil. The problem comes when it is time to cook the thing.

For a long time, you had three choices. First, use a conventional oven—but, because they rarely get above around 250°C, the pizza will be flat and dry. Second, buy a giant [wood-fired oven](#): perfect for anyone with thousands of dollars and an immense amount of space to spare. Third, anyone with many hundreds, a large garden and a taste for backbreaking manual labour could build their own.

But in recent years, a fourth option has emerged: portable ovens. These are just big enough for a single pizza and fuelled by wood, propane or electricity. They tend to be domed; the shape reflects heat downwards, as in a professional oven. Crucially, they are reasonably priced, starting at around \$250. Sales of such ovens began taking off during [the pandemic](#), when restaurants were closed and people wanted a way of socialising outdoors. Ooni, a Scottish company, saw sales quadruple in 2020-21. When Gozney, another British firm, launched an oven called the “Dome” in 2021, it sold out within hours of release.

The rising cost of living has hampered sales somewhat, but over the next five years the market for home pizza ovens is still expected to grow steadily, with outdoor gas-powered versions the most popular type. The delicious pizza they produce shatters a long-held belief that cooking with wood or coal was the only way to make one of restaurant quality.

In fact, different heat sources produce little or no discernible difference in flavour. A pizza’s cooking time is brief—around 90 seconds—and it is not being smoked by the charcoal. [Gas](#) ovens get hot enough (upwards of 450°C) to produce the puffed, leopard-spotted crust that defines a first-rate pizza. Portable electric ovens, now offered by many brands, provide a similar experience without the annoyance of pellets or propane.

That just leaves the question of why anyone would spend time and money making perhaps the most easily acquired takeaway food on Earth. One reason is taste: pizza straight from the oven is much more delicious than the same pizza 30 minutes later, partly stuck to a cardboard box. Another is social: with an oven, dough balls, toppings and some friends, a summer party emerges. Last is pride. Anyone can pick up a phone, but when a dish hits your eye and it’s your own pizza pie, that’s *amore*. ■

<https://www.economist.com/culture/2025/05/19/the-hottest-gadget-of-the-summer-a-portable-pizza-oven>

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Economic & financial indicators

- [**Economic data, commodities and markets**](#)

Indicators ::

Indicators

Economic data, commodities and markets

May 22, 2025 01:11 PM

Economic data

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	Gross domestic product				Consumer prices			Unemployment rate	
	% change on year ago: latest	quarter*	2025†		% change on year ago: latest	2025†		%	
United States	2.0	Q1	-0.3	-0.1	2.3	Apr	3.4	4.2	Apr
China	5.4	Q1	4.9	4.4	-0.1	Apr	-0.3	5.1	Apr‡§
Japan	1.7	Q1	-0.7	0.4	3.6	Mar	2.2	2.5	Mar
Britain	1.3	Q1	2.9	0.7	3.5	Apr	3.0	4.5	Feb††
Canada	2.4	Q4	2.6	-0.6	1.7	Apr	2.3	6.9	Apr
Euro area	1.2	Q1	1.3	1.0	2.2	Apr	2.2	6.2	Mar
Austria	-0.5	Q4	-1.4‡	0.3	3.3	Apr	2.6	5.4	Mar
Belgium	1.1	Q1	1.6	1.0	3.1	Apr	2.9	5.9	Mar
France	0.8	Q1	0.5	0.7	0.9	Apr	1.3	7.3	Mar
Germany	-0.2	Q1	0.8	0.1	2.2	Apr	2.3	3.5	Mar
Greece	2.7	Q4	3.7	2.2	2.6	Apr	2.7	9.0	Mar
Italy	0.6	Q1	1.0	0.5	2.0	Apr	1.9	6.0	Mar
Netherlands	2.0	Q1	0.4	0.6	4.1	Apr	3.6	3.8	Apr
Spain	2.8	Q1	2.3	2.6	2.2	Apr	2.3	10.9	Mar
Czech Republic	1.8	Q4	2.6	1.8	1.8	Apr	2.1	2.7	Mar‡
Denmark	4.0	Q1	-2.0	2.6	1.5	Apr	2.0	2.9	Mar
Norway	-0.4	Q1	-0.3	1.4	2.5	Apr	2.0	4.3	Mar‡‡
Poland	3.2	Q1	2.8	3.0	4.3	Apr	4.3	5.2	Apr§
Russia	1.4	Q1	na	1.8	10.2	Apr	8.4	2.3	Mar§
Sweden	1.6	Q1	nil	1.8	0.3	Apr	2.3	8.5	Mar§
Switzerland	1.5	Q4	0.8	1.1	nil	Apr	0.3	2.8	Apr
Turkey	3.0	Q4	6.9	2.9	37.9	Apr	33.0	8.0	Mar§
Australia	1.3	Q4	2.4	2.1	2.4	Q1	2.1	4.1	Apr
Hong Kong	3.1	Q1	7.9	1.3	1.4	Mar	1.6	3.4	Apr‡‡
India	6.2	Q4	9.3	6.2	3.2	Apr	4.3	7.7	Apr
Indonesia	4.9	Q1	4.8	4.7	1.9	Apr	1.8	4.8	Feb§
Malaysia	4.4	Q1	5.1	4.2	1.4	Apr	2.3	3.1	Mar§
Pakistan	4.8	2025**	na	3.0	0.3	Apr	6.0	6.3	2021
Philippines	5.4	Q1	4.9	6.1	1.4	Apr	1.8	4.3	Q1§
Singapore	3.9	Q1	-2.6	1.7	0.9	Mar	0.5	2.1	Q1
South Korea	-0.3	Q1	-1.0	0.6	2.1	Apr	1.7	2.9	Apr§
Taiwan	5.4	Q1	9.7	3.8	2.0	Apr	1.9	3.4	Mar
Thailand	3.1	Q1	2.8	1.9	-0.2	Apr	0.5	0.9	Mar§
Argentina	2.1	Q4	5.7	5.7	47.3	Apr	41.0	6.4	Q4§
Brazil	3.6	Q4	0.7	1.9	5.5	Apr	5.4	7.0	Mar§‡‡
Chile	2.3	Q1	2.8	1.9	4.5	Apr	4.6	8.7	Mar§‡‡
Colombia	2.7	Q1	3.2	2.3	5.2	Apr	5.1	9.6	Mar§
Mexico	0.8	Q1	0.8	-0.2	3.9	Apr	3.7	2.6	Mar
Peru	4.2	Q4	2.0	2.8	1.7	Apr	1.7	5.8	Apr§
Egypt	4.3	Q4	0.8	3.2	13.9	Apr	14.5	6.3	Q1§
Israel	1.4	Q1	3.4	3.2	3.6	Apr	3.0	3.0	Apr
Saudi Arabia	1.8	2024	na	3.4	2.3	Apr	2.6	3.5	Q4
South Africa	0.9	Q4	2.3	1.7	2.8	Apr	4.0	32.9	Q1§

Source: Haver Analytics *% change on previous quarter, annual rate †The Economist Intelligence Unit estimate/forecast §Not seasonally adjusted

‡New series **Year ending June ‡Latest 3 months #3-month moving average Note: Euro area consumer prices are harmonised

Economic data

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	Current-account balance % of GDP, 2025 [†]	Budget balance % of GDP, 2025 [†]	Interest rates 10-yr govt bonds latest, %	change on year ago, bp	Currency units per \$ May 21st	% change on year ago
United States	-2.6	-7.6	4.6	17.0	-	
China	1.8	-5.9	1.6	-\$	7.21	0.4
Japan	2.4	-4.8	1.5	54.0	144	8.6
Britain	-2.9	-3.9	4.6	50.0	0.74	5.4
Canada	-0.6	-2.0	3.4	-19.0	1.38	-1.4
Euro area	3.1	-3.3	2.7	16.0	0.88	4.5
Austria	1.6	-4.5	3.1	7.0	0.88	4.5
Belgium	-0.1	-4.5	3.2	13.0	0.88	4.5
France	-0.1	-5.8	3.3	32.0	0.88	4.5
Germany	5.3	-2.6	2.7	16.0	0.88	4.5
Greece	-6.0	-0.4	3.4	-11.0	0.88	4.5
Italy	0.8	-3.6	3.7	-12.0	0.88	4.5
Netherlands	8.4	-2.4	2.9	7.0	0.88	4.5
Spain	2.4	-3.2	3.2	-6.0	0.88	4.5
Czech Republic	0.5	-2.4	4.2	5.0	21.9	3.6
Denmark	12.3	1.2	2.5	-9.0	6.58	4.4
Norway	16.1	9.8	4.1	50.0	10.1	5.1
Poland	0.3	-6.1	5.5	-18.0	3.74	4.8
Russia	2.3	-1.7	15.8	160	79.9	12.9
Sweden	5.8	-1.0	2.4	10.0	9.55	11.9
Switzerland	6.5	0.6	0.4	-31.0	0.82	9.7
Turkey	-1.5	-3.6	30.7	503	38.8	-17.0
Australia	-0.8	-1.8	4.5	14.0	1.55	-3.2
Hong Kong	12.0	-5.4	3.2	-61.0	7.83	-0.4
India	-0.3	-4.4	6.2	-88.0	85.6	-2.7
Indonesia	-1.4	-3.2	6.8	-7.0	16,395	-2.4
Malaysia	1.6	-3.9	3.6	-28.0	4.27	9.8
Pakistan	-1.5	-6.2	12.4	+++	-175	282
Philippines	-3.3	-5.4	6.2	-56.0	55.7	4.7
Singapore	16.2	-0.2	2.5	-77.0	1.29	4.7
South Korea	3.1	-2.3	2.8	-73.0	1,387	-1.7
Taiwan	13.7	nil	1.6	-3.0	30.1	7.2
Thailand	1.8	-5.8	2.1	-48.0	32.8	10.7
Argentina	-0.8	0.4	na	na	1,143	-22.2
Brazil	-2.5	-7.1	14.2	254	5.65	-9.6
Chile	-2.1	-1.9	5.8	-19.0	944	-5.8
Colombia	-2.7	-6.0	12.4	189	4,173	-8.6
Mexico	-0.2	-3.5	9.4	-29.0	19.3	-14.3
Peru	1.5	-2.9	6.4	-73.0	3.68	1.4
Egypt	-5.2	-7.7	na	na	49.8	-6.3
Israel	3.8	-4.7	4.6	-25.0	3.55	3.4
Saudi Arabia	-3.5	-4.6	na	na	3.75	nil
South Africa	-0.7	-4.6	10.4	17.0	17.9	0.9

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

Markets

In local currency	Index May 21st	% change on:	
		one week	Dec 31st 2024
United States S&P 500	5,844.6	-0.8	-0.6
United States NAS Comp	18,872.6	-1.4	-2.3
China Shanghai Comp	3,387.6	-0.5	1.1
China Shenzhen Comp	2,010.0	nil	2.7
Japan Nikkei 225	37,299.0	-2.2	-6.5
Japan Topix	2,732.9	-1.1	-1.9
Britain FTSE 100	8,786.5	2.3	7.5
Canada S&P TSX	25,839.2	0.6	4.5
Euro area EURO STOXX 50	5,454.5	0.9	11.4
France CAC 40	7,910.5	0.9	7.2
Germany DAX*	24,122.4	2.5	21.2
Italy FTSE/MIB	40,551.2	0.5	18.6
Netherlands AEX	933.3	0.4	6.2
Spain IBEX 35	14,307.6	3.4	23.4
Poland WIG	101,569.0	-2.2	27.6
Russia RTS, \$ terms	1,109.8	-3.4	24.2
Switzerland SMI	12,380.4	2.0	6.7
Turkey BIST	9,398.9	-3.1	-4.4
Australia All Ord.	8,611.7	1.1	2.3
Hong Kong Hang Seng	23,827.8	0.8	18.8
India BSE	81,596.6	0.3	4.4
Indonesia IDX	7,142.5	2.3	0.9
Malaysia KLSE	1,544.8	-2.4	-5.9
Pakistan KSE	119,931.4	1.2	4.2
Singapore STI	3,882.6	0.3	2.5
South Korea KOSPI	2,625.6	-0.6	9.4
Taiwan TWI	21,803.9	0.1	-5.3
Thailand SET	1,179.8	-3.0	-15.7
Argentina MERV	2,319,549.0	0.8	-8.4
Brazil BVSP*	137,881.3	-0.4	14.6
Mexico IPC	58,568.0	1.6	18.3
Egypt EGX 30	31,836.6	nil	7.0
Israel TA-125	2,661.1	-0.8	9.6
Saudi Arabia Tadawul	11,303.7	-2.0	-6.1
South Africa JSE AS	93,397.4	1.0	11.1
World, dev'd MSCI	3,829.8	nil	3.3
Emerging markets MSCI	1,174.6	0.1	9.2

US corporate bonds, spread over Treasuries

Basis points	latest	Dec 31st
		2024
Investment grade	105	95
High-yield	372	324

Sources: LSEG Workspace; Moscow Exchange; Standard & Poor's Global Fixed Income Research *Total return index

Commodities

The Economist commodity-price index				% change on month	% change on year
2020=100	May 13th	May 20th*			
Dollar Index					
All items	135.6	136.6	1.5	-2.5	
Food	153.9	156.0	2.2	7.1	
Industrials					
All	120.4	120.5	0.7	-11.0	
Non-food agriculturals	128.6	126.0	-2.6	-6.8	
Metals	118.3	119.1	1.6	-12.1	
Sterling Index					
All items	131.4	131.3	1.6	-7.2	
Euro Index					
All items	138.8	138.5	3.4	-6.0	
Gold					
\$ per oz	3,245.6	3,279.1	-4.3	34.8	
Brent					
\$ per barrel	66.7	65.4	-3.1	-21.3	

Sources: Bloomberg; CME Group; FT; LSEG Workspace; NZ Wool Services; S&P Global Commodity Insights; Thompson Lloyd & Ewart; USDA; WSJ *Provisional

<https://www.economist.com/economic-and-financial-indicators/2025/05/22/economic-data-commodities-and-markets>

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Obituary

- **[Ed Smylie knew this stick-fast wonder could fix anything](#)**

Thanks, duct tape! :: The NASA engineer who saved the crew of Apollo 13 died on April 21st, aged 95

Thanks, duct tape!

Ed Smylie knew this stick-fast wonder could fix anything

The NASA engineer who saved the crew of Apollo 13 died on April 21st, aged 95

May 22, 2025 02:26 PM



Is THERE ANYTHING duct tape can't do? It can seal up a box, mend a boot and reinforce a bumper; it can give a book a spine, lag pipes and stick bunting to a tricky corner. Enthusiasts have proved that it can also suspend a small car, replace the whole skin of a light aircraft, be woven into a plausible raft and make a fully functional trebuchet. And all without the need for scissors. In "A Prairie Home Companion", Garrison Keillor's much-loved radio show, it also slimmed waists. Each broadcast would include a message from the American Duct Tape Council, announcing another miracle cure with the sign-off "Thanks, duct tape!"

Ed Smylie did not invent this wonder. That was the achievement of Vesta Stoudt from Illinois, a world-war-two ammunition-packer who worried that the paper seals on the boxes were too unreliable for soldiers to open under fire. But it made him extremely famous for a few heart-stopping days in April 1970, winning him and his

team the Presidential Medal of Freedom and a public mention from President Nixon himself. Twenty-five years later, his dealings with duct tape were reprised in the film “Apollo 13”. That was all hammed up for cinema, with a lot of hollering and screaming that didn’t happen in real life; but the story was a good one. It was Mr Smylie who got his team to invent a device that saved the crew of a stricken spacecraft 200,000 miles from Earth, and all because he spotted “tape” on the craft’s stowage list.

He had long been a fan of it. As a southern boy, growing up in rural Mississippi, he absorbed an immovable principle: if a thing wouldn’t move when it was supposed to, use WD40; if it moved when it wasn’t supposed to, use duct tape. The heresy no self-respecting southern boy would utter was: “I don’t think duct tape will fix it.” Once he saw the word “tape”, on the stowage list—suggestively, the 113th item listed—he knew they were home free, however big the problem.

And it was big enough. Fifty-six hours into the mission, on April 13th, an oxygen tank on the spacecraft exploded. It was quickly empty; then the second one, too, began to leak. It was the first-ever emergency on a manned spaceflight. The command module had to be shut down, and the three men on board, Jim Lovell, Jack Swigert and Fred Haise, moved into the lunar module to breathe the oxygen there. But there were too many of them, and not enough canisters of lithium hydroxide (a carbon-dioxide scrubber) to filter three men’s exhalations. Unless a way could be found to purify the air in the lunar module, all of them would die.

Mr Smylie was at home in Houston, relaxing and watching evening TV, when a message interrupted the programme. It was calm and not alarmist, but it said—as Mr Lovell famously, and calmly, told Mission Control—that they had “had a problem here”. Those words marked the end of Mr Smylie’s sleep, except in brief shifts, for the next two days. At first he thought he could just siphon in lithium hydroxide from the command module. But that was shut

down; and the scrubbers were not interchangeable. In the command module, they were square bricks; in the lunar module they were cylindrical. Another simple proverb that sprang to his mind was that you couldn't put a square peg into a round hole. He and his team had to find another way.

Working through the stowage list he found plastic bags, a spare suit hose to connect a square scrubber to a round one, and a piece of cardboard (the cover of the flight plan) to stop the whole contraption collapsing as air ran through it. A sock came in handy, too. Everything was fixed to the square scrubber with an even grid of duct tape, applied by Swigert as, step by step, he followed the instructions read out to him by Mission Control. Another virtue of the stuff was that it stuck every bit as fast in space, in a vacuum, as it did at home. The whole thing worked; the astronauts came home safe, splashing down into the South Pacific in a smother of orange-and-white parachutes.

Nixon called this a jerry-built operation. Mr Smylie had to agree. It was so straightforward that a college sophomore could have come up with it. But an engineer's work at NASA in those days did often have a sophomore feel about it. President John F. Kennedy had told them, more or less, to put a man on the Moon, and they rushed to do it in the tightest time they could. He had rushed too, applying immediately for a job at NASA in Houston because Douglas Aircraft, for which he was working in California, had put in no bid for space-work. He longed to be a part of it all.

The challenges were quite new, however, and the specifications unknown. He had a lot to do with spacesuits, for example. But what exactly were men going to do on the Moon? Were they merely going to look, and leave? Or were they going to walk about and pick things up? (In which case, they needed less bulky gloves.) How could the suits be cooled, and rid of condensation, and "burped" of excess oxygen bubbling into the water, if astronauts were going to spend several hours there? All these problems he

laboured over and largely solved, earning patents for a few of them. Luckily, in the early days he could just build a prototype in his workshop, take it over to the technicians and get it approved at once. Things got much more drawn-out later.

In all he spent decades at NASA, working on the Mercury, Gemini and Apollo programmes. He devised the first proper carbon-dioxide sensor for 24-hour missions and a heat-shield for the Space Station. When he left, he became an aerospace consultant for various corporations. His firmest advice, though, was never to take individual credit for what he had done. America's space programme was an immense undertaking involving thousands. The rescue of Apollo 13 had taken 60 guys in the back room, all chipping in their ideas. He had organised them, true. But his real contribution was simply to spot, on a list, the word "tape", and believe it could do anything. ■

<https://www.economist.com/obituary/2025/05/22/ed-smylie-knew-this-stick-fast-wonder-could-fix-anything>

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