

The Economist

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AUGUST 30TH–SEPTEMBER 5TH 2025

WHAT BRAZIL CAN TEACH AMERICA

**The trial of
Jair Bolsonaro**



The Economist

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The world this week

Politics

Aug 28, 2025 12:58 PM



At least 20 people, including health workers, were killed in Israeli strikes on a hospital in **Gaza**. Five of the dead were journalists. Israel said it had targeted a “camera positioned by Hamas” but did not provide evidence of this. An initial inquiry by the Israel Defence Forces found “gaps” that demanded further investigation. Meanwhile, large protests in Israel called for the release of the hostages still held in Gaza and an end to the war.

The Integrated Food Security Phase Classification, a system backed by NGOs to monitor food crises worldwide, confirmed that parts of the Gaza Strip are now in **famine**. (Israel denies there is famine in Gaza.) It estimated that more than half a million people are already in phase five, characterised by extreme food deprivation, acute malnutrition and starvation-related deaths. For now the famine is centred in the densely populated area around Gaza city.

The **Democratic Republic of Congo** and M23, a militia backed by **Rwanda**, resumed peace talks in Qatar. The two parties, which are engaged in a long-running conflict in eastern Congo, had

previously missed a deadline to reach a deal following a ceasefire agreement in July.

C'est reparti

The **French government** is on the [brink of collapse, again](#). François Bayrou, who has been prime minister for less than nine months, called a vote of confidence for September 8th over his deeply unpopular debt-reduction plans. His minority centrist administration is caught between parties on the left and the hard right in the National Assembly. Several have indicated they will not support Mr Bayrou in the vote, which he has described as a choice between “responsibility” or “chaos”.

Charles Kushner, America’s new ambassador to France, breached diplomatic protocol by accusing Emmanuel Macron of not doing enough to combat **antisemitism**, telling the French president that his pending recognition of a Palestinian state will “embolden extremists, fuel violence, and endanger Jewish life in France”. That prompted an official rebuke by the French government. Mr Kushner is the father of Jared Kushner, one of Donald Trump’s sons-in-law.

Steve Witkoff, Mr Trump’s special envoy, prepared for another consultation with **Ukrainian** officials in New York. Mr Witkoff wants Volodymyr Zelensky to hold a meeting with Vladimir Putin ahead of a potential trilateral summit involving Mr Trump. The American president once again raised the threat of imposing “very serious” sanctions on **Russia** if it does not agree to a ceasefire. Meanwhile, Ukraine admitted that Russian forces had entered Dnipropetrovsk, an industrial region in eastern Ukraine, but said it had stopped the advance.

Inga Ruginiene was approved by the parliament in **Lithuania** as prime minister, following the resignation of Gintautas Paluckas amid allegations of misconduct about his business interests (which

he denies). Ms Ruginiene is also a Social Democrat, but became an MP only last November. Although her family ties to Russia have been questioned by the opposition, Ms Ruginiene has voiced solid support for Ukraine.

The Danish foreign ministry summoned America's top diplomat in Copenhagen to explain why Americans with links to the Trump administration were reportedly conducting covert operations in **Greenland** to drum up support for independence from Denmark. Lars Lokke Rasmussen, the foreign minister, said such clandestine actions would be "unacceptable".

A former pupil at a Catholic school in **Minneapolis** shot dead two children, aged eight and ten, during a mass at the school. The 23-year-old shooter, who had reportedly identified as transgender and was suffering from depression, committed suicide at the scene.

Donald Trump signed an executive order expanding the **federalisation of policing** by, among other things, calling for tighter co-ordination between the Defence Department and state and local law enforcement. The president has already sent the [National Guard to Washington](#), DC. J.B. Pritzker, the Democratic governor of **Illinois**, likened the deployment of the military to an invasion, and pointed out that eight of the ten states with the highest homicide rates are led by Republicans.

Unlikely enemy of the state

FBI agents raided the home and office of **John Bolton**, who was Mr Trump's national security adviser in his first term. They have since fallen out. The search is reportedly linked to Mr Bolton's handling of classified information. The raid hasn't stopped him criticising Mr Trump. He has since described the president's strategy on Ukraine as "utterly incoherent".

Kilmar Abrego Garcia was taken into custody again by America's immigration authorities. Mr Abrego Garcia hit the headlines in March when he was wrongly deported to El Salvador. He was eventually sent back to the us. The government wants to deport him to Uganda, but a judge has blocked that order until she can hold a hearing.

At a court in New York, Ismael "El Mayo" Zambada, the founder of the Sinaloa drug gang in **Mexico**, changed his plea to guilty for a list of crimes including drug-smuggling and money-laundering. He was arrested in Texas last year after being tricked into flying to El Paso. Prosecutors are not seeking the death penalty for Mr Zambada, who is 77.

At least 34 soldiers were kidnapped by a dissident faction of FARC, a former rebel group, in **Colombia**. They were snatched during a military operation in an area known for cocaine smuggling. A few days earlier a drone attack on a police helicopter near Medellín killed 13 people and a car bomb in Cali killed another six. President Gustavo Petro blamed the dissidents and drug gangs for the spate of violence.

China announced that **North Korea's** leader, Kim Jong Un, will attend a [military parade in Beijing on September 3rd](#) commemorating the 80th anniversary of the end of the war against Japan and the second world war. It will be Mr Kim's first trip to China since 2019. Over 20 other foreign leaders are expected, including Russia's Vladimir Putin.

Australia cut diplomatic ties with **Iran** after accusing it of being behind attacks on a Jewish restaurant and a synagogue in 2024, describing them as "dangerous acts of aggression" by a foreign power. The government said Iran's Revolutionary Guards had used "a complex web of proxies to hide its involvement".

Ranil Wickremesinghe was granted bail in **Sri Lanka** following his arrest on charges of misusing public funds while in office. Mr Wickremesinghe has been the country's prime minister six times and was president for two years from 2022 after Gotabaya Rajapaksa was ousted during widespread unrest. His supporters insist he is innocent.



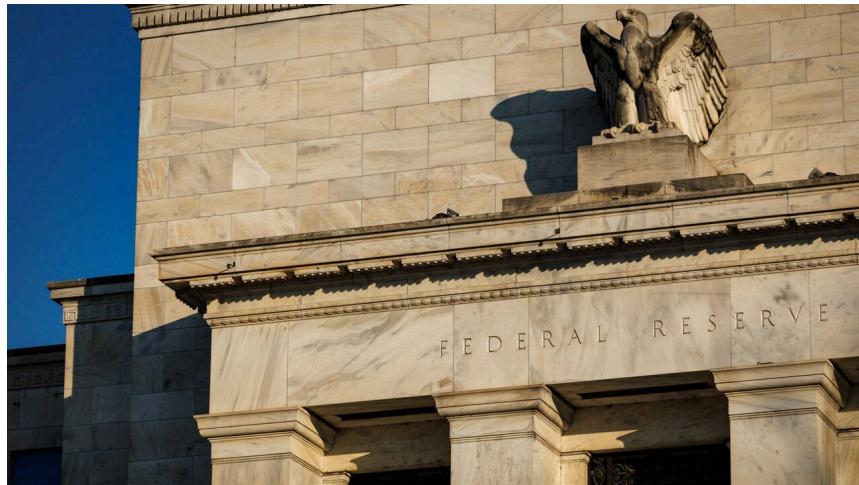
South Korea's new president, Lee Jae-myung, met Donald Trump at the White House, where they discussed a trade deal and the thorny issue of paying for the 28,500 American troops in the country. Mr Trump raised the possibility of America taking ownership of the Korean land that houses American bases. Coinciding with the summit, Korean Air announced a big order for 103 Boeing planes. Mr Lee said the meeting was a success, but that his staff had been worried he might face a “Zelensky moment” in the Oval Office.

<https://www.economist.com/the-world-this-week/2025/08/28/politics>

The world this week

Business

Aug 28, 2025 12:57 PM



Donald Trump announced that he would [sack Lisa Cook](#) from the **Federal Reserve's** board of governors, the first time a president has formally tried to dismiss a sitting governor from the central bank. Mr Trump said he had “cause” amid allegations that Ms Cook had lied on her mortgage applications (no charges have been brought). Ms Cook’s lawyers said she would fight her removal and insisted that the president lacked the authority to fire her. The matter will probably be decided in the Supreme Court; in May it all but confirmed that Fed governors can be removed only for cause.



Mr Trump's actions helped push up the yield on American 30-year **government bonds** briefly, to 4.96%. Meanwhile, the yield on British 30-year gilts rose to 5.64%, nearing a 27-year high, amid concerns about the country's persistently high inflation. The government is widely expected to announce more tax rises in the coming months to fill a fiscal hole.

The White House said it had also fired Susan Monarez as head of the **Centres for Disease Control** after she refused to resign. Ms Monarez had been in the job only since July but clashed with the administration's scepticism on vaccines. Three other CDC officials reportedly resigned.

For the third time in recent weeks **Argentina's** central bank raised the percentage of assets that banks must hold in reserve. The decision forms part of a wider effort to defend the peso amid a sell-off of the currency. Stockmarkets also took a hit, following allegations of corruption involving senior officials in the government of President Javier Milei. Mr Milei had to be hustled

away by his bodyguards from a campaign event for the mid-term elections when protesters threw rocks at his car.

America's **tariff** of 50% on Indian goods [came into force](#). Mr Trump doubled the levy because of India's purchase of Russian oil. America is India's largest trading partner. Meanwhile, Canada decided to lift the retaliatory tariffs it had imposed on most American products, except for aluminium and steel, as it works to secure a trade agreement. The European Union was also preparing to drop tariffs on all American industrial goods, another of Mr Trump's key demands.

In an update to its projections, America's nonpartisan Congressional Budget Office estimated that increases in tariffs would reduce the government's **primary deficit** by \$3.3trn over the next decade and cut payments on interest by \$700bn, if the higher rates of trade duties persist. The projections do not account for the impact of tariffs on GDP growth, nor do they consider the most recent levies on the EU and India.

State capitalism

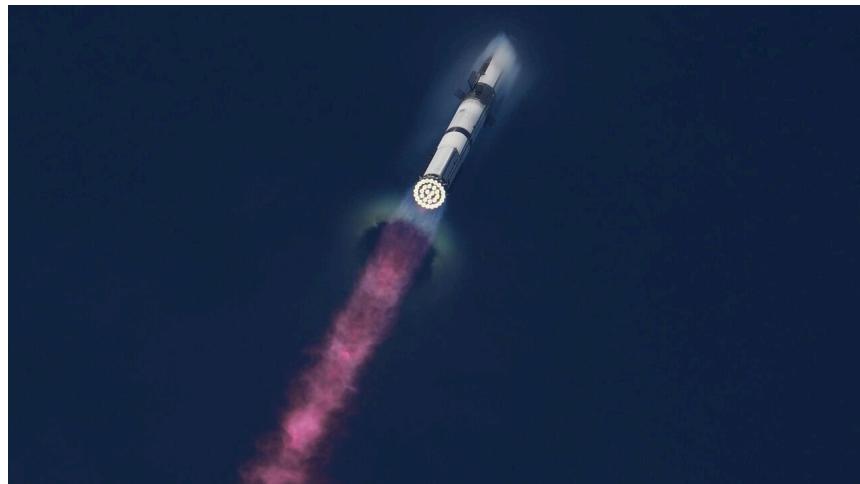
Howard Lutnick, America's commerce secretary, said that the Trump administration was considering whether to take equity stakes in big American **defence companies**, such as Lockheed Martin, which he described as "basically an arm" of the government. The news follows confirmation by Intel that the government has taken a roughly 10% stake in the chipmaker, funded by federal grants.

The future of **Orsted**, the world's biggest developer of offshore wind farms, was blown off course after the Trump administration ordered all work to stop on a \$4bn project off the coast of Rhode Island that was 80% completed. The order mentioned national-security issues, which Orsted said it would rush to resolve. The

Danish company recently warned that “adverse” developments in America were affecting its business.

Nvidia reported another sturdy set of earnings, with revenues of \$46.7bn in the second quarter, up by 56%, year on year. Jensen Huang, the chipmaker’s chief executive, dismissed concerns that AI investments would slow and that its business in China might suffer, as he predicted worldwide spending of up to \$4trn on AI by the end of the decade.

SpaceX conducted a [successful test flight](#) of its **Starship** mega-rocket after a series of failures earlier in the year, and deployed dummy satellites for the first time. Starship is vital for both SpaceX’s fast-growing Starlink internet service and America’s plans to return astronauts to the Moon.



Keurig Dr Pepper, an American soft-drinks company which also owns the Green Mountain coffee brand, agreed to buy **JDE Peet**, based in the Netherlands and one of the world’s biggest suppliers of coffee and tea beverages, for \$18bn. The coffee assets of both will be combined into one company, which will be worth roughly the same as Nestlé’s coffee business and listed separately in America. When the merger is completed JDE Peet will delist from the Amsterdam stock exchange.

Over a barrel

In the latest example of the perils of rebranding a familiar favourite, **Cracker Barrel** reversed its recent decision to change its logo and will now stick with the original imagery. The Southern-themed restaurant chain had wanted to ditch a picture of an elderly white man (known as “Uncle Herschel”) and the words “Old Country Store” from the logo. That triggered an anti-woke backlash on social media. It was all over for the company when Donald Trump called on it to revert to its old design, adding that at least Cracker Barrel might get a “billion dollars’ worth of free publicity”.

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The world this week

The weekly cartoon

Sep 01, 2025 08:21 AM



Dig deeper into the subject of this week's cartoon:

[Israel's prevaricator-in-chief](#)

[No one is satisfied with Egypt's role in Gaza](#)

[The world's hardest makeover: Hamas](#)

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

<https://www.economist.com/the-world-this-week/2025/08/28/the-weekly-cartoon>

Leaders

- **Brazil offers America a lesson in democratic maturity**

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The trial of Jair Bolsonaro

Brazil offers America a lesson in democratic maturity

It is a test case for how countries recover from a populist fever

Aug 28, 2025 01:59 PM



IMAGINE A COUNTRY where a polarising president lost his bid for re-election and refused to accept the result. He declared the ballot rigged and used social media to urge his supporters to rise up. They did so in their thousands, attacking government buildings. Then the insurrection failed, the ex-president faced a criminal investigation and prosecutors put him on trial for plotting a coup.

That sounds like a fantasy of the American left. In the hemisphere's other giant democracy it is reality. On September 2nd the trial of Jair Bolsonaro, Brazil's former president and the "Trump of the tropics", will begin in the Federal Supreme Court. The evidence reads like a flashback to Brazil's turbulent past. A former four-star general schemed to overturn the result of the election; assassins planned to murder its real winner. As [our investigation into the plot explains](#), the coup failed because of incompetence rather than intent.

Mr Bolsonaro and his associates are likely to be found guilty. That makes Brazil a test case for how countries recover from a populist fever. In Poland, two years after Law and Justice (PiS) lost power, a coalition led by Donald Tusk, a centrist, is constrained by a new PiS president. In Britain, Brexit is now unpopular but Nigel Farage, the politician who inspired it, is leading in polls. Even Hamas's massacre of October 7th 2023 did not shake Israel out of its bitter divisions.

But Brazil's most striking comparison is with the United States. The two countries seem to be swapping places. America is becoming more corrupt, protectionist and authoritarian—with Donald Trump this week messing about with the Federal Reserve and threatening Democrat-controlled cities. By contrast, even as the Trump administration punishes Brazil for prosecuting Mr Bolsonaro, the country itself is determined to safeguard and strengthen its democracy.

One reason Brazil promises to be different from other countries is that the memory of dictatorship is still fresh. It restored democracy in 1988. The supreme court, shaped by the "citizens' constitution" enacted at that time, still sees itself as a bulwark against authoritarianism.

In addition, most Brazilians are open-eyed about what Mr Bolsonaro did. A majority of them believe that he tried to stage a

coup to keep himself in power. Conservative state governors vying to take on the leftist president, Luiz Inácio Lula da Silva, in next year's election need the votes of Mr Bolsonaro's supporters to win. But even they criticise his political style.

That recognition has opened up the chance of reform. As our [briefing](#) lays out, most of Brazil's politicians, on left and right, want to put the Bolsonaro madness and its radical polarisation behind them. From the business bigwigs in São Paulo to the political Pooh-Bahs in Brasília there is surprising agreement on a difficult, but urgent, agenda of institutional change.

Paradoxically, a key task is to rein in the supreme court, despite its role as the guardian of Brazil's democracy. As the arbiter of a constitution that runs to 65,000 words, the court oversees a dizzying array of rules, rights and obligations, from tax policy to culture and sports. Groups from trade unions to political parties can bring cases directly. Sometimes justices initiate cases themselves, including an inquiry into online threats, some of them against the court itself—making it the victim, prosecutor and judge. To handle a workload of 114,000 rulings in 2024 alone, most decisions come from individual judges. There is wide recognition that unelected judges having so much power can corrode politics, as well as save it from coups. The justices themselves see the case for change.

Fixing the court will be hard, but its power is only part of the constitutional baggage Brazil is carrying. The country also suffers from chronic fiscal incontinence, in particular out-of-control tax exemptions and automatic spending increases. Some of these were enshrined in the constitution of 1988 to constrain would-be authoritarian leaders. Some are the fault of Brazil's Congress, which has seized control of the federal budget and uses its influence to finance pet projects. The effect is to crowd out investment and weaken growth.

In theory, this points to a path forward. Mr Bolsonaro must be tried for his crimes and punished if found guilty. Next year the election should be fought over the broader reforms.

In practice, none of this will be easy. One obstacle is Mr Trump. He has accused Brazil's supreme court of a "witch-hunt" against his friend, and in early August slapped 50% tariffs on Brazilian goods. The administration has also imposed Magnitsky sanctions—an exclusion from America's financial system usually aimed at human-rights abusers and kleptocrats—on Alexandre de Moraes, the judge leading the Bolsonaro case. Other officials and politicians may follow. This recalls an ugly bygone era when the United States habitually destabilised Latin American countries.

Fortunately, Mr Trump's interference is likely to backfire. Only 13% of Brazil's exports go to the United States, and they consist largely of commodities, for which new markets can be found. America has already granted numerous exemptions. So far, Mr Trump's attacks have only strengthened Lula's standing in opinion polls, and provided him with an excuse for any poor economic news before the next election, in October 2026.

The domestic obstacles to reform are greater. Even if the elites want change, Brazil is still a deeply divided country. Mr Bolsonaro has fanatical supporters who will cause trouble, especially if the court imposes a stiff sentence. Reforming the supreme court and the constitution requires groups to give up power for the common good. It is natural for them to cling to what they have—if only because they do not trust their enemies. Everyone wants growth, but to get more of it some people are going to have to surrender some privileges.

Tensions will therefore be inevitable. But unlike their counterparts in the United States, many of Brazil's mainstream politicians from all parties want to play by the rules and make progress through reform. Those are the hallmarks of political maturity. Temporarily

at least, the role of the Western hemisphere's democratic adult has moved south. ■

<https://www.economist.com/leaders/2025/08/28/brazil-offers-america-a-lesson-in-democratic-maturity>

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America's blunder

Humiliation, vindication—and a giant test for India

Trump has triggered a trade and defence crisis: how should Modi respond?

Aug 28, 2025 02:50 PM



IT IS UNUSUAL to experience humiliation, vindication and a defining test all at the same time. But that is India's predicament today. President Donald Trump has undone 25 years of diplomacy by embracing Pakistan after its conflict with India in May, and now singling out India for even higher tariffs than China. He cannot have thought through how the world's most populous country and fifth-largest economy would react.

Narendra Modi, India's prime minister, recently laid out a path for a muscular, more self-reliant nation. He is also about to meet Xi Jinping in China, after a bitter four-year Sino-Indian military stand-off in the Himalayas. For America to alienate India is a grave mistake. For India it is a moment of opportunity: a defining test of its claim to be a superpower-in-waiting.

Mr Trump's humiliation of India comes in two flavours. On August 27th, after condemning it for buying Russian oil, America's president imposed a [25% tariff surcharge](#), on top of the existing 25% import tariff on Indian goods. Buying Kremlin crude is grubby. But given that India does so through a price-cap scheme run by the West, that it sells refined petroleum products to Europe, and that much of the world, including China, also buys Russian oil, the surcharge makes it look as if India has been singled out for special punishment.

The other humiliation is Mr Trump's love-in with [Pakistan](#). After a terrorist attack in India that Mr Modi blamed on Pakistan, the two rivals fought a [four-day skirmish](#) in May, involving over 100 warplanes and raising fears of a nuclear clash. Yet Mr Trump is now exploring crypto and mining deals in Pakistan. He has dined in the White House with Field-Marshal Asim Munir, its hardline army boss and de facto ruler, who is proposing Mr Trump for a Nobel peace prize. America has offered to mediate over disputed Kashmir, breaking its own long-standing position and an Indian taboo.

America's failure to support India on a core security interest and decision to punish it over trade have shattered trust among Indians. Since 2004 American presidents have welcomed India as a rising democratic power opposed to Chinese domination of Asia. Its \$4trn economy and \$5trn stockmarket dwarf those of Pakistan, wracked by instability, debt crises, terrorism and dependence on China. This is a giant own-goal for America's interests that compounds its neglect of [NATO](#) in Europe.

That explains the second emotion among some in India: vindication. Since independence in 1947, India has avoided alliances, although the label it uses has changed from “non-alignment” to “multi-alignment”. It relies on [Russia](#) for some weapons, and on Europe, Israel and America for others. China supplies manufacturing inputs; the West tech and markets.

In 2020, however, when relations with China went into a deep freeze after the [border skirmishes](#) in the Himalayas, some in Washington hoped this might presage a quasi-alliance with America. Intelligence has been shared, and joint US-India military exercises, which also included Japan and Australia, led to a strategic deal in 2024 on closer defence ties.

Indians sceptical of global entanglements feel vindicated by the events of the past few months. As they always warned, dependence on America is dangerous. Mr Modi’s visit to China is meant to signal that India has options.

Humiliation and vindication pose a test of India’s capabilities and resilience. For 11 years Mr Modi has pursued nation-building, modernisation and centralisation. There have been setbacks. An industrialisation drive has had modest results and failed to produce the new jobs India needs. The education system is poor. Mr Modi often lapses into Hindu chauvinism.

But there have also been successes. New roads and airports, and digital payments and tax platforms, have created a giant single market. The financial system is stronger, with deep capital markets built on domestic savings, a nearly balanced current account and prudent banks. India is now less likely to attract supply chains as part of a “China plus one” boom, but all this will help it weather the trade shock. Growth is expected to remain above 6%, making it the world’s most dynamic big economy and, the IMF says, its third-biggest by 2028.

The danger is that America's aggression revives slumbering autarky and anti-Westernism. In his Independence Day speech from the Red Fort in Delhi on August 15th, Mr Modi emphasised more self-reliance. But were India to go further and turn inwards, it would threaten its services industry, which now exports almost as much as all other sectors put together. Its tech-services firms make at least half their sales to American customers, including blue-chip firms with "global capability centres" in India. The country is OpenAI's second-biggest market by users. And to industrialise faster, India needs more machinery imports and inputs from China.

Better for India to try to limit the damage. It should make rational concessions, including cutting tariffs and buying less Russian oil and more American natural gas. America and India still have enduring bonds, not least a huge diaspora. Mr Modi is right to go to China: boosting India's manufacturing will mean closer trade links in the next decade, as well as American tech. He should seek new trade deals, adding to recent ones with Britain and the United Arab Emirates.

Look out to look in

A second priority should be reform at home. India's fate—and its choice—is to be independent. Size and dynamism matter more than ever, to secure better terms in deals, pay for defence and raise living standards even if world trade slows. India has been waiting for several years for more big-bang reforms, including deregulating business, reforming the courts, and modernising agriculture, land and power distribution.

Many of these require co-operation between India's states and the central government. Encouragingly, Mr Modi has just said he will simplify the goods-and-services tax and deregulate the economy, emphasising "Next Gen Reform". After 11 years in office, he needs to go further and faster. To confront India's deepest internal

challenges has always been in its national interest. In a hostile world, it is also the best defence. ■

<https://www.economist.com/leaders/2025/08/27/humiliation-vindication-and-a-giant-test-for-india>

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The Federal Reserve

How much danger is America's central bank in?

Whether Lisa Cook stays or goes, important norms have been broken

Aug 28, 2025 02:18 PM



IT IS THE first time that an American president has tried to sack a governor on the board of the Federal Reserve. The credibility of the central bank is one of the underpinnings of America's world-beating economy. And yet, although dollar assets weakened a little on the news, financial markets are taking it all in their stride.

Whatever is going on?

Donald Trump escalated his war against the Fed on August 25th, saying he would [fire one of its governors, Lisa Cook](#), for alleged misstatements in her mortgage applications. Fed governors can be sacked only for cause and Ms Cook, who has not been charged, has vowed to fight her dismissal in court. Yet everybody knows this is not really about mortgage fraud. Instead, like a show trial, it is a message to anyone who serves on the Fed's board that Mr Trump can impose his desire for low interest rates. On August 26th he crowed that “We'll have a majority [on the board] very shortly.”

One reason investors are not yet panicking is that the president underestimates how much work he still has to do. Even if Ms Cook departs, his pick to replace her must gain confirmation from the Senate, a process that scotched the chances of Judy Shelton and Stephen Moore, Mr Trump's nominees during his first term. And if they clear that hurdle, they will still be part of a committee that sets rates by majority vote.

Much is being made of the fact that the board contains Chris Waller and Michelle Bowman, who were successfully nominated by Mr Trump in his first term. No doubt he believes that makes them his creatures. However, although they dissented from the Fed's [latest decision to keep interest rates on hold](#), preferring instead to cut, there is a respectable case for doing so. Mr Waller, the bookies' favourite to succeed Jerome Powell, is no more of a presidential stooge than the incumbent. Mr Powell became Fed chairman in 2018—under Mr Trump.

In addition, although Mr Powell's term as chairman ends in May, his tenure as governor does not expire until January 2028. The convention is for him to retire next year, but these are convention-busting times and he could choose to stay on, denying Mr Trump the chance to fill another seat. The markets, in other words, will have plenty of time and opportunities to panic before the president is in a position to pull the levers at the Fed.

But do not conclude that all must therefore be well. Investors would look on with alarm if the Fed were to have a super-chair seated behind the Resolute desk. And rightly so. The memory of Richard Nixon strong-arming Arthur Burns into keeping rates low in the early 1970s, and the rampant inflation that ensued, has made the independence of the central bank one of the strongest norms in American politics.

Other things being equal, greater political influence over the Fed will raise interest rates because of the extra risk of bad decisions.

That is why investors are already demanding greater compensation to hold long-dated Treasuries, even as the Fed has cut rates and the economy has weakened. Given Mr Trump's wishes, the irony is obvious. The Fed's independence is being attacked just as the government is racking up debt. The more interest payments rise, the more tempting it will be to lean on the Fed, whoever is in power.

Mr Trump's attack on Ms Cook is yet another symptom of the corruption of America's government. Allegations of mortgage fraud have also been made against Adam Schiff and Letitia James, two Democratic politicians. There is no telling who else could fall victim to the partisan trawl of mortgage applications and, who knows, tax returns. It is easy to imagine Democrats one day returning the favour. ■

<https://www.economist.com/leaders/2025/08/27/how-much-danger-is-americas-central-bank-in>

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Europe

France's government is on the brink of collapse, again

Emmanuel Macron looks likely to lose another prime minister over an attempt to curb public debt

Sep 01, 2025 05:25 PM



WHEN EUROPEANS fret about profligate states destabilising their common currency, they usually have the continent's southern fringe in mind. Yet when on August 25th a European leader made dire warnings about his country's public finances, he was not speaking of Greece, Italy or Portugal. "Our country is in danger because we are on the brink of over-indebtedness," declared François Bayrou, France's prime minister. To start tackling a debt pile that stands at 114% of GDP he wants to make savings in next year's budget worth €44bn (\$51bn, or 2.6% of spending). But he runs a minority government faced with a bolshie opposition—egged on by populists on left and right—which will hear nothing of it. To try to break the impasse, Mr Bayrou stunned all parties this week by putting his government's survival on the line, recalling parliament for a vote of confidence on September 8th. If he is defeated, as seems likely, France will lose its third prime minister in little over a year—and Europe will gain a fiscal hazard.

Mr Bayrou is right to sound the alarm. France has not balanced its budget since 1974. Its deficit is the highest, relative to GDP, in the euro zone. Its public debt is higher than that of every member except Greece and Italy, and its borrowing costs are now steeper than Greece's much-improved rates. France still has no problem finding lenders. Yet as Mr Bayrou implied in his address with a reference to Britain's hapless former prime minister, Liz Truss, market sentiment can turn fast. Bourses and bond markets are already nervous. The last thing Europe needs at a time of war and geopolitical turmoil is a financial crisis at the heart of the euro zone.

To get a grip on its public finances, France urgently needs to break the cycle of parliamentary deadlock. Alas, the country that elected Emmanuel Macron president in 2017 on a promise to bridge political division now seems singularly unable to do so. It does not help that the centrist president further shrank his parliamentary minority by recklessly calling an early election last year, nor that rebellion has always had a deep hold on the French mind. For politicians of the centre ground elsewhere, France's troubles reflect something broader too: a worrying sign that the tools of technocratic politics—an appeal to reason, the marshalling of facts, the forging of consensus—are feeble weapons against the populists' angry certitudes.

Against such forces, France has few good options. Without a budget for next year, government will not shut down; the existing one can be rolled over, as it was for a period this year. But it is hard to see how Mr Macron could break the parliamentary stalemate by losing Mr Bayrou and picking a fresh prime minister from his own camp. Yet if he dissolves parliament again, that would run the risk of bringing Marine Le Pen's hard right into government. No wonder bond markets are twitchy.

As France braces itself for yet more political instability at home, there is one small comfort for Europe. Across the Rhine, in

Germany's chancellor, Friedrich Merz, Mr Macron now has a partner who, unlike his predecessor, Olaf Scholz, seems ready to work with France. A good Franco-German link is not enough to unite and embolden Europe, but without one Europe flounders, and both France and Germany suffer along with the rest.

The two leaders, who will dine together on the Med on August 28th before holding a joint cabinet meeting the next day, do not agree on everything. But they share a [sense of urgency and seriousness](#). And if Mr Macron can overcome his concerns on trade (notably with regard to the EU-Mercosur deal) and Mr Merz can commit to common defence projects and productivity-boosting reforms in banking and energy, together they might just be able to get some things done that will benefit their countries and the continent more widely. They should not waste their best opportunity. ■

<https://www.economist.com/leaders/2025/08/28/frances-government-is-on-the-brink-of-collapse-again>

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Innovation v involution

Don't forget the downsides of China's innovation push

China's industrial policy attracts fans abroad, critics at home

Aug 28, 2025 01:59 PM



NOT SO LONG ago, Westerners dismissed China as a copycat, a fast follower or a “fat tech dragon”, consuming vast amounts of money and manpower while rarely taking flight. But as China has triumphed in high-tech industries such as electric vehicles, clean energy and lean AI, the condescension is giving way to admiration, fear and even envy.

Now some Western governments are paying the copycat nation the compliment of imitating its policies. The European Union has offered subsidies to Chinese battery companies that share their know-how. America’s government is taking a stake in Intel, a once-mighty chipmaker, in the hope that state ownership will restore its fortunes. Back in China, techno-optimism is helping fuel a [market rally](#). Cambricon, a potential rival to Nvidia, has reported first-half revenues up by over 4,000% year on year.

Spending on industrial policy

2019 estimates, % of GDP



Source: Centre for Strategic
and International Studies

Amid the hope and hype, it may seem churlish to point out the [downsides](#) of China's innovation push: the fiscal cost, market distortion and policy duplication. But ignoring these pitfalls would be a mistake, not least because they have recently begun to trouble China's own government. Indeed, one of the most prominent critics of its industrial policy is the man whose vision it is meant to reflect: the supreme ruler, Xi Jinping, himself.

Industrial subsidies, direct and indirect, cost China over 1.7% of GDP a year in 2019, compared with about 0.6% in dirigiste France. The country boasts more than 2,000 government-guided investment funds scattered throughout the land, aiming to raise over 10trn yuan (\$1.4trn). That could buy a lot of innovation. But as these funds have grown, private venture capital has dried up. Waste and fraud also take their toll. One pot of money earmarked for semiconductors, known as the "Big Fund", became notorious for big corruption, leading to the investigation or detention of at least a dozen people.

Even when they invest honestly, policymakers don't always invest wisely. Local officials, Mr Xi noted in July, always promote the "same few things: artificial intelligence, computing power, new-energy vehicles". This has led to overcrowded industries and vicious price wars. Leaders now complain about "involutionary" competition: companies are cutting prices to poach customers, forcing rivals to do the same, which leaves everyone's profits lower and no one's market share higher.

Supporters say this is all part of the plan. The government encourages excessive entry into promising areas, knowing that the frenzied competition will propel improvements. Once the best companies have proved their worth, the government can cull the rest. But this process does not always yield the most innovative or efficient firms. Often it favours those with the most indulgent provincial patrons, or firms that are too big to cull.

Moreover, China's industrial policy has not achieved all its goals. Civil aviation and cutting-edge chipmaking remain elusive. And not all successes owe much to explicit policy. DeepSeek was the side-hustle of a hedge fund, an industry frowned upon by Beijing.

China's innovation push has met with some undeniable success. At this year's Spring Festival celebrations, robot dancers stole the show. But the government's industrial choreography is not nearly as tight as this example suggests. Instead it resembles the "robot Olympics" held recently in Beijing. The events featured bustling fields of competitors. Their human controllers huffed and puffed alongside them, like over-protective local officials. Even so, several of the robots fell flat on their faces—and others struggled to stay in their lane. ■

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Letters

- **[Don't ditch Black Economic Empowerment in South Africa](#)**

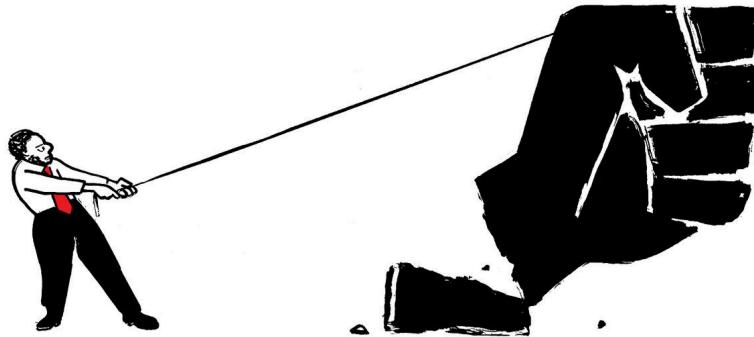
A selection of correspondence :: Also this week, Israel and Gaza, net zero, playback speeds, “Moby-Dick”

A selection of correspondence

Don't ditch Black Economic Empowerment in South Africa

Also this week, Israel and Gaza, net zero, playback speeds, “Moby-Dick”

Sep 04, 2025 09:30 AM



Letters are welcome via email to letters@economist.com Find out more about how we process your letter

The sting in BEE's tale

You called on South Africa to [ditch Black Economic Empowerment policies](#) (“Time to scrap BEE”, August 16th). Yet South Africa remains a divided society. Whites continue to dominate business. White South African children may not enjoy the same opportunities they once did, but almost all whites are much better off than most blacks. The Democratic Alliance, which is part of the government, is a pro-business white-dominated party that often works to preserve white privilege, including access to schools and opposing BEE.

I am a white person who financially invests in a BEE enterprise and I understand the policy's problems. Investment is held back and per-capita growth, which is fundamental to solving South Africa's poverty and income distribution, is not happening. But the answer is to reform the policies, not simply oppose them. BEE is there for a reason.

JOHN MARKIE

Limpopo, South Africa

There is one important alternative to BEE: improving the dire state of schools in low-income areas. Instead of trying to force equality at the top of the labour system through cronyism and ineffective race-based policies, the government should have levelled the playing field by fixing the education system, which continues to fail young black South Africans en masse.

I see how students from under-resourced schools struggle to cope with tertiary education. By contrast, those few black students fortunate enough to attend good schools often excel. If all were given equal opportunities at school we would be in a much different situation 30 years after the fall of apartheid.

If all that BEE money was spent improving our schools South Africa would not be the runt of the BRICS litter.

M.J. (THINUS) BOOYSEN

Professor of engineering
Stellenbosch University

Israel and Gaza

“At war with the law” (August 9th) detailed Israel’s [failure to investigate war crimes and crimes against humanity in Gaza](#). However, in your [accompanying leader](#) on “Why Israel must hold itself to account” you accused the International Criminal Court of

“becoming activist” because it issued arrest warrants supposedly “before the Israeli system had time” to act. In reality, the failure to act, and the improbability of such action, was why the ICC, a court of last resort, became involved.

A former senior Israeli ambassador was one of six experts who advised Karim Khan, the ICC prosecutor, before he requested arrest warrants for Binyamin Netanyahu, Israel’s prime minister, and others in May 2024, seven months into the conflict. A panel of judges took another six months before unanimously authorising the warrants.

When I met the prosecutor a few days after his requested warrants, he rightly pointed out that a selective approach, ignoring the crimes of the powerful, would bring the law itself into disrepute. The rule of law needs defending in all circumstances.

STEVE CRAWSHAW
Former UK director Human Rights Watch
London

The notion of Israel leveraging food as a weapon obscures the bigger picture: Hamas fleeces aid and uses Palestinians as human shields. The starvation narrative minimises Israel’s democratic accountability while absolving Hamas of culpability for its genocidal, self-defeating radical ideology. No wonder conservatives across Arabia and America stand with Israel. They understand this conflict is existential not only to the world’s sole Jewish state but also to the West and Islam. It ends when Hamas frees the hostages and its long-suffering population. Our collective future can’t be held ransom by barbaric savagery. The sooner historically illiterate Westerners understand that reality, the faster Palestinians can eat in peace.

MALOU INNOCENT
Santa Rosa, California

Don't blame net zero

You gave a misleading impression that policies aiming for net-zero carbon emissions are to blame for Britain's high electricity costs ("Bills, bills, bills", August 2nd). Britain's high energy prices are a legacy of outdated electricity markets designed around fossil fuels, not a failure of net zero. We still use a marginal pricing system, where the highest-cost generator, typically gas, sets the price for all electricity, inflating costs for consumers even when renewables provide a large share of supply. The actual cost of wind generation is obfuscated. Our research has found that smart tariffs, which align power use with cheap renewable supply, are already cutting consumer costs.

And you overlooked the counterfactual. What would prices look like without this shift? Britain avoided even worse price rises during the gas crisis thanks to its low-carbon energy supplies. Now, faster deployment timelines mean that those same sources will be central to meeting power demand from AI. Net zero is not the problem, it's the solution. We just need to do it fairly, efficiently and fast enough.

PROFESSOR ROBERT METCALFE

Chief economist
Centre for Net Zero
London

Green cars in Europe

Europe's car lobby dresses up protectionism as "deregulation" ([By Invitation](#), July 15th). Pushing the phase-out of combustion cars from 2035 to 2039 or 2040 would dump roughly one gigatonne of extra carbon dioxide, rack up over €200bn (\$233bn) in climate costs and keep Europe strapped to the oil-price roller-coaster it vowed to escape. The proposed detour via biofuels and e-fuels is

wishful thinking: scarce, costly, better reserved for aviation and largely import-dependent.

The infrastructure alibi is thin, too. Charging points are scaling faster than targets, and many households already pair electric vehicles with rooftop solar. The economics are moving faster still. Battery prices slid below \$100/kWh last year and EVs have hit price parity in China. Delay now would repeat the smartphone mistake: innovate, hesitate, then watch the market migrate east.

Europe should hold the 2035 line, aim incentives squarely at zero-emission drivetrains and back an industrial policy for batteries and charging. Cleaner air would save tens of thousands of lives and billions in health costs. Energy security comes free with electrification.

FELIX CREUTZIG

Chair

Innovation and Policy Acceleration

University of Sussex

Brighton

PROFESSOR KAI NIEBERT

University of Zürich

JOHAN ROCKSTRÖM

Director

Potsdam Institute for Climate Impact Research

University of Potsdam

Nuclear tourism

Readers intrigued by your article on [life in underground intercontinental ballistic missile silos](#) (“Death from below”, July 26th) should consider a visit to the Titan Missile Museum near Tucson, Arizona. There they can experience what it was like. It is

amazing that one of the world's most secret and secure military bases is now full of picture-taking international tourists.

JIM RUPERT

Vancouver



Take it slowly

You made a mistake by assuming that people like to [quicken the playback speed at which they listen to audio content](#) ("The need for 2x speed", August 16th). I'm in my late 70s and perhaps it's my age, but I find many videos are too fast. Indeed, it seems speech itself has speeded up, with many younger people talking so quickly they clip off the ends of words. The dialogue in some streaming programmes is so rapid there is barely time to read the captions let alone assimilate them. Many YouTube videos are so fast that the presenters are jerking around like Charlie Chaplin firing off a machine gun.

Fortunately, there is an option for slower playback and for me the sweet spot is 0.8x to 0.9x, which is slow enough for me to follow content without sounding zombie-like.

MICHAEL ALLEN

Ottawa, Canada

I listened to your article at double speed. I missed a few points the first time so it required another listen to get the gist.

EUGENE YIGA

Barcelona

Captain Ahab as president

Your review of the novels conservatives want you to read reminded me that life can imitate art (“The right way to read”, August 9th). Imagine a delusional leader scarred by past events who assembles a crew of misfits, promises them riches, and then after taking command reveals that his true aim is to exact revenge. Sound familiar? It’s “Moby-Dick”. It doesn’t end well.

L. RICH

Rockville, Maryland

<https://www.economist.com/letters/2025/08/28/dont-ditch-black-economic-empowerment-in-south-africa>

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By Invitation

- **The boss of SAP on Europe's botched approach to digital sovereignty**

The global tech race :: It's time to prioritise code over concrete, writes Christian Klein

The global tech race

The boss of SAP on Europe's botched approach to digital sovereignty

It's time to prioritise code over concrete, writes Christian Klein

Aug 28, 2025 12:58 PM



THE DEBATE about digital sovereignty has seized Europe. In an era of geopolitical tension and technological rivalry, the desire to control one's own digital destiny is understandable and necessary. The question is not whether Europe should be sovereign, but how. Unfortunately, the continent's current answer—pouring billions of euros into building vast data centres and subsidising hardware investment—is a misguided solution to the wrong problem.

The European Union plans to invest €20bn (\$23bn) in up to five “AI gigafactories”, massive data centres intended to help Europe catch up in artificial intelligence. This approach is based on the premise that owning the physical infrastructure is the key to independence. But anyone who believes that servers and processors alone will secure European sovereignty misunderstands the nature of global technological interdependence and overlooks Europe's true digital strengths.

The hardware train has left the station. Even if a data centre is operated by a European provider on European soil, its essential components—from processors to network technology—will almost certainly have been designed in America and manufactured in Asia. To achieve full technological self-reliance would require banning all foreign hardware and, logically, all the foreign software that is deeply embedded in European businesses.

Such a move would be impractical and economically ruinous, severing Europe from innovation elsewhere. The reality is that most customers require the performance and innovation that America's cloud providers enable.

The global AI race is defined by competing approaches, led by America and China. On one side is a nimble ecosystem of tech firms, which innovates at speed. On the other is a state-directed approach where innovation is aligned with national strategy.

Europe must walk its own path, embracing openness, quick decision-making and strategic investment while applying smart regulation that governs outcomes, not ideas. This can be done by building on the continent's strengths, including excellent research and a strong industrial base. This model must be business-led but values-driven, anchored in European principles such as respect for privacy, data protection and democratic accountability.

To achieve that, we must become comfortable with a form of digital sovereignty founded on both self-determination and mutual dependencies. True sovereignty is the ability to always maintain control of one's data and assets while deploying the best available technologies—regardless of their origin—on one's own terms.

A one-size-fits-all approach will not do. Instead, control must be calibrated to the sensitivity of the data. For the most sensitive public data, such as in defence or health care, we need fully isolated cloud environments run by security-vetted personnel. But

sensitive corporate data need not be blocked off from the internet entirely; the priority here should be ensuring data remain in Europe, protected by high cyber-security standards and customer-managed encryption. Then, for many other use cases, data can also be processed outside Europe, provided the appropriate standards are met. My own company—one of Europe's largest tech firms by market value—can already offer clients these choices, including a fully sovereign cloud for selected national governments.

Digital sovereignty is not an end in itself, though. It is a means to strengthen competitiveness. Building data centres alone will not boost productivity. Real progress comes from transforming how we work: by deploying AI to drive efficiency and sustainability, by digitising processes, by reimagining business models.

It will be this *application* of AI that creates demand for massive computing power, data centres and advanced chips. Rather than subsidising infrastructure and hoping for the best, public investment should flow directly into applied AI and software that create tangible competitive advantages. This is exactly what modern enterprise software does by embedding AI into business processes.

Industry must also step up. Consider its intricate supply chains—and then imagine applying AI to create a self-orchestrating network among European companies that predicts disruptions, reroutes shipments and optimises for climate goals. This leap in resilience and efficiency, offering real-time tracking over vague promises, would bolster Europe's economy for the long term, not with concrete but with code.

Policymakers must create the right environment for this. Despite good intentions, the EU's Data Act risks over-regulating data usage and burdening companies with excessive bureaucracy. Under Chapter II, even small firms must design products that enable data-sharing, including with third parties that may be direct rivals.

Strikingly, the Act ignores the established competition-law principle that only dominant players should be expected to support competitors, under specific conditions. A measure meant to foster innovation may end up stifling it.

Similarly, the bloc's AI Act, which came into force last year, should be paused until there is more clarity on its precise implications. In all cases, let's prioritise innovation, not red tape. Furthermore, supporting the application of AI throughout the economy will require a lot more investment in related educational initiatives. That is the only way to build a workforce capable of turning advanced AI tools into something that has value in the real world.

One thing is clear: Europe's digital future will not be decided in the server room. It will be decided in the continent's factories, its firms, large and small, and its public administrations. It hinges on one question: can we finally think digital sovereignty through to its logical conclusion and invest not just in storing data, but in applying technology to generate real, lasting value? ■

Christian Klein is the chief executive of SAP.

<https://www.economist.com/by-invitation/2025/08/25/the-boss-of-sap-on-europes-botched-approach-to-digital-sovereignty>

Briefing

- **Jair Bolsonaro's trial shows Brazil a way out from polarisation and stagnation**

Order and progress :: Moderates on both sides see a chance to draw a line, and start fixing deep-seated problems

Order and progress

Jair Bolsonaro's trial shows Brazil a way out from polarisation and stagnation

Moderates on both sides see a chance to draw a line, and start fixing deep-seated problems

Aug 29, 2025 05:58 AM | Brasília and São Paulo



BRAZIL'S CHIEF JUSTICE, Luís Roberto Barroso, did not receive an official notice when his American visa and those of his children were apparently revoked on July 18th. Like most of his colleagues on Brazil's Federal Supreme Court, he learned the news from an online post by Marco Rubio, America's secretary of state, who cited the court's "persecution" of Brazil's hard-right former president, Jair Bolsonaro.

Sitting in his vast office, Mr Barroso looks emotionally exhausted as he recalls how his son had to leave his career in America and return home. The room is sparsely furnished with just a few tables and black leather chairs. It has not been fully refurbished since it was trashed by a horde of Mr Bolsonaro's supporters on January 8th 2023, in an insurrection that shocked the country, mirroring what had happened two years before in Washington, DC. On August

26th Brazil's president, Luiz Inácio Lula da Silva, said his justice minister's visa had also been revoked.

The visa bans are part of an astonishing attempt by Donald Trump to shield his friend and ideological ally, Mr Bolsonaro, from prosecution. On September 2nd the former president goes on trial on charges that he attempted a coup in order to remain in power after losing his re-election bid in 2022. He denies the charges, but there is a widespread expectation that he will be found guilty.

It is an extraordinary moment for Brazil. In a country with a long history of military dictatorships, it is the first time that anyone has been tried for plotting a coup. But it is also an unprecedented moment globally. America is using tariffs, sanctions and visa bans in its attempt to force a democracy to subvert its justice system.

On July 9th ministers were in a cabinet meeting when Mr Trump published a letter online announcing tariffs of 50% on Brazilian imports, citing a "Witch Hunt that should end IMMEDIATELY!" "At first, we thought it was fake," says one minister. "We are living in a moment of irrationality," he exclaims, throwing up his hands. Mr Trump followed up by imposing sanctions, under the Global Magnitsky Act, on Alexandre de Moraes, the supreme-court judge who has led the prosecution of Mr Bolsonaro. Such measures, usually reserved for genocidal generals, mean being frozen out of America's banking system.

As we lay out in our [investigation](#) this week, Mr Bolsonaro supercharged Brazil's polarisation and strained the sinews of its democracy. Yet unlike other countries where illiberal populism has emerged, such as the United States, Hungary or Turkey, Brazil's institutions, notably its supreme court, did not remain supine.

And now, though there is a possibility that Mr Bolsonaro's supporters could rally around a new figure on the hard right, there are signs that Brazil is tiring of him and his family, and that

Brazilians are weary after a decade of political upheaval. If he is found guilty, the country, divided though it is, could put the worst of the polarisation behind it. There is a growing consensus across the political spectrum of the need to restore the balance of power between the branches of government and to tackle Brazil's economic weaknesses. If Brazil can find a path towards this destination, it will not only save itself another decade of strife, but perhaps show a way out of populism for others to follow.

Whether this is possible depends on how the country's politicians, who are gearing up for a general election next year, respond to whatever judgment is handed down to the former president, and on whether they have the courage to argue for serious constitutional reform.

Trials and tribulations

If convicted, Mr Bolsonaro and seven others (who also deny the charges) face decades in prison on charges of masterminding the coup plot. Another 25 face lesser charges. More than 1,200 Brazilians have already been tried or entered plea bargains for taking part in the insurrection.

As the pre-trial investigations have progressed, Mr Bolsonaro has tried to enlist the help of allies. Last year he spent two nights at the Hungarian embassy, fuelling speculation that he might try to flee. On August 20th police found a draft letter to President Javier Milei of Argentina on his phone, in which he requested political asylum (it is not clear whether it was sent).

He has also turned to his sons. In March the most politically gifted of the four, Eduardo, took leave from his job as a congressman in Brazil and moved to Texas to lobby his friends in the MAGA movement to sanction Mr Moraes. On August 11th Scott Bessent, America's treasury secretary, abruptly cancelled a virtual meeting with Fernando Haddad, Brazil's finance minister. Instead he met

Eduardo, who warned that Brazilian banks were not complying with sanctions on Mr Moraes.

Eduardo's pleas have resonated with Mr Trump, who sees Mr Bolsonaro as his tropical mirror image. Both were victims of assassination attempts. After losing their respective re-election bids, both are accused of inciting their followers to riot, which they deny. If Mr Bolsonaro is convicted, he will be held to account in a way that Mr Trump was not after his supporters stormed the Capitol on January 6th 2021.

Mr Trump has little patience for Lula, as Brazil's current left-wing president is known. In Brasília officials huff that Mr Trump has closed all doors to them. The American president sees Mr Bolsonaro as having helped spread his flavour of populist nationalism abroad, and he sees Brazil as a large economy that he can bully without serious consequences, unlike China or Mexico. The tariffs have backfired. Lula is portraying himself as the defender of Brazil's sovereignty (though officials remain keen to seal a trade deal). This has lifted his flagging approval ratings and put him in the lead ahead of next year's election.

Escalation is a risk. *Bolsonaristas* in Congress want to pass an amnesty for those who participated in the January 8th insurrection. Dozens of senators are also trying to impeach Mr Moraes.

Drawing a line

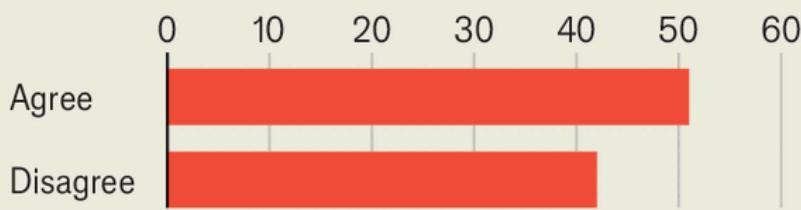
1

Brazil, % responding

Proposed amnesty for those convicted of the attempted coup d'état of January 8th 2023*



Opinion on the decision to place Jair Bolsonaro under house arrest[†]



Source: Datafolha

*Polled July 29th-30th 2025

[†]Polled August 11th-12th 2025

Barred from competing in next year's general election, Mr Bolsonaro may anoint one of his sons or his wife, Michelle, to run. If he backs one of Brazil's more moderate right-wing governors, they will probably have to promise to pardon him if they win. Right-wing parties could sweep Congress and pursue the impeachment of Mr Moraes. It is easy to imagine Brazil falling further into dark polarisation, and Mr Trump ratcheting up the fight.

However a different outcome seems more likely. After Mr Bolsonaro's trial, temperatures may cool. Fully 69% of voters say Eduardo is defending his family's interests rather than Brazil's. A majority supported Mr Moraes's recent decision to put Mr Bolsonaro under house arrest and are against an amnesty for the

rioters (see chart 1). The former president's actions have focused the minds of those who know that Brazil needs to step back from the extremes. Though in public they seek his blessing, in interviews two right-wing governors who want to run for president distanced themselves from Mr Bolsonaro.

Courting trouble

Three crucial areas need reform: Congress, the economy and, especially, the supreme court. Unlike its counterparts elsewhere, the court combines three functions: it is the chamber of last instance for appeals; it rules on all matters related to the constitution; and it rules in criminal cases against politicians. Because of scandals in the past decade, it has become more visible in politics. After a massive corruption scheme was uncovered in 2014, the court sent dozens of politicians, including Lula, to jail (and then overturned his conviction on technicalities). Now it is dealing with Mr Bolsonaro. Many Brazilians, on all sides, have come to believe that the court meddles too much in politics.

It has such unusual powers because of the constitution of 1988. One of the world's longest, it was written in the shadow of a two-decade military dictatorship and seeks to avoid men with guns ever ripping people's rights away again. It does so by giving Brazilians a large number of rights and the government a slew of obligations.

In most countries, cases reach the top court only after filtering up from lower bodies. But in Brazil the constitution allows the president, state governors, bar association, trade unions and political parties to file lawsuits directly with the court. This has created a heavy caseload. It issued more than 114,000 rulings last year.

To handle this, judges are allowed to make decisions unilaterally. This has turned individual judges into stars. The court even has its own TikTok account, and livestreams decisions on YouTube.

“Some people say we are even more famous than the national football team,” quips Gilmar Mendes, one of the justices. “I don’t see that as a good thing.”

As a result the court, not the legislature, “decides all important issues in the country: ethical, economic, political,” says Mr Barroso. There are pros and cons to having such a powerful court, he notes. But, in a country that had a tradition of coups d'état since the beginning of the republic in 1889, “We have now had 40 years of democracy and institutional stability.”

Mr Bolsonaro’s reign of intimidation led the court to give itself even more powers. His followers harassed the justices online and sent them death threats. In response, the court allowed itself to open investigations into online threats against itself, an unusual move that turned it into victim, prosecutor and judge all at once. Mr Moraes was put in charge of the probe, which became known as the “fake-news inquiry”. He has carried out his mission with unnerving zeal. Last year he shut down X, Elon Musk’s social-media platform, for more than a month in Brazil and threatened to fine anyone who tried to use it.

The probe remains sealed—it is now overseen mostly by federal police and the public prosecutor—and has crept into its sixth year with no end in sight. It is unclear how many accounts Mr Moraes has ordered to be taken down and why. He has been accused of overreaching, for instance by ordering accounts, not just specific posts, to be blocked.

Criticisms of the court are ten a penny from Mr Bolsonaro’s supporters. More striking, though, is that moderates are also now complaining. Many say it is possible for the court to have saved democracy, but for it also to be too powerful. “The court acted initially to defend democracy,” says one right-wing presidential hopeful. “But I think there’s been exaggeration in some cases.”

One centre-left political analyst says, “Moraes has a heavy hand. The error is in the dose, not the prescription.”

Some scholars worry that a strong court is sapping faith in politics. When most political matters end up decided by the court, why vote? Others grumble about the judges being unelected rulers, and using their ability to try politicians as a cudgel to determine policy. Even the supreme court’s own judges think it does too much. “Here in the court, we all talk about the excessive judicialisation of politics,” says Mr Mendes. One proposal to rein in the court’s power would make it harder for politicians to petition. Another would limit its jurisdiction over criminal cases involving politicians, letting lower courts rule.

Putting the house in order

The second institution that needs reform is Congress, which has become easier to capture in the past decade. This happened not just under Mr Bolsonaro, but also Dilma Rousseff, a left-wing predecessor, and Michel Temer, a centre-right one. Congress, when faced with a weak president it did not like, gave itself more control over the federal budget, and used this power to splurge on its own pet projects. Successive presidents protected themselves by conceding such powers. Today, Congress directly controls around a quarter of discretionary spending in the federal budget, compared with 1% in the United States. This has made Brazil harder to govern.

Leaders on the right and left agree that congressional power must be trimmed. Congress has hijacked the federal budget, says the right-wing presidential hopeful. “They took all the power...but none of the responsibility.” Mr Haddad, the finance minister, fumes that parliament’s parochial interests make it harder for him to balance the books. Reining in Congress will require a more vigorous president with strong lieutenants in the legislature and

even constitutional reform, a big challenge given that Congress itself would need to vote for it.

The third issue that badly needs reform is Brazil's creaking economic model, which promotes cronyism and hampers growth, leaving many voters disenchanted with politics. These woes cannot be blamed on Mr Trump's tariffs. Exports are equivalent to less than a fifth of GDP, compared with 90% in open economies such as Vietnam. Just 13% of exports go to the United States. And businesses with contacts in Washington have secured exemptions on 700 products, from planes to orange juice. Markets have therefore shrugged at the tariffs. Goldman Sachs, a bank, has not changed its growth forecast for Brazil this year.



Instead, Brazil's economic wounds are self-inflicted. Tax exemptions total 7% of GDP, up from 2% in 2003 (see chart 2). Dozens of sectors receive tax breaks or credit subsidies on the basis that they are national champions, or from "temporary" help that has

never ended. Brazil's courts cost 1.3% of GDP, making them the second-most expensive in the world, with much of that going on cushy pensions and perks. Some \$15bn a year, or 78% of the military budget, is spent on pensions and salaries. The United States spends just one-quarter of the defence budget on personnel.

Even the beneficiaries of these perks admit this is unwise. "I have no doubt that for the Brazilian private sector it would be better to give up short-term benefits in exchange for a thriving country in the long run", says Beto Abreu, the boss of Suzano, the world's largest cellulose producer.

Yet perhaps the biggest reason spending is high is that the constitution requires it. The charter mandates an extraordinary 90% of all federal spending. Notably it ties most public pensions to wage growth, and requires health and education spending to rise in line with revenue growth. If Brazil were to end most tax exemptions and undo these two policies, its debt-to-GDP ratio, which is already above 90%, would be almost 20 percentage points lower by 2034 than it would be without any reform, reckons the IMF. To deal with all this, what is really needed is to amend the constitution.



High spending and a tangle of subsidised credit schemes also reduce the effectiveness of monetary policy. That means the central bank must increase rates even higher to control inflation. Brazil's

real interest rate of 10% is among the highest in the world. Such rates cripple investment and drag down growth, while well-connected businessmen can get their hands on artificially cheap rates.

Among those who must pay the full rate is the government itself. It is thus stuck in a cycle: it issues debt to finance high spending, and must then pay eye-watering interest payments. The government spent 30% of revenue in 2023 on interest payments. This makes it harder to afford spending that could boost productivity, such as education and infrastructure.

Tackling these problems would help unlock growth in Brazil, which has lagged behind almost all other major developing economies in the past two decades, including those of China, India, Indonesia and Turkey. Growth, in turn, would make it easier to escape the calculus of zero-sum politics, since rising prosperity dulls the appeal of the politics of grievance.

The prerequisite for such changes is pragmatic politics. To amend the constitution in order to rein in the power of the supreme court, the profligacy of Congress and the vast mandatory spending requires a three-fifths majority in both legislative houses. That is daunting, but possible. In 2023 Lula's government passed a tax reform through a constitutional change. Brazil's constitution has been amended over 140 times since 1988. The trouble is that those amendments often just tweak policy. Bolder reforms that excise some of the endless policy prescriptions from the constitution would reduce the court's power and make cutting spending easier.

Brazil's political landscape has been in disarray for much of the past decade. Intense polarisation has made it harder to pass reforms. Mr Bolsonaro's removal from public life could give the country a chance to tackle these problems. It will take boldness, vision and compromise. But politicians on both sides appear ready to try. ■

<https://www.economist.com/briefing/2025/08/28/jair-bolsonaros-trial-shows-brazil-a-way-out-from-polarisation-and-stagnation>

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College sports

A \$19bn industry is about to pay its workforce for the first time

The economics of American college sports have been upended

Sep 03, 2025 09:38 AM | ANN ARBOR



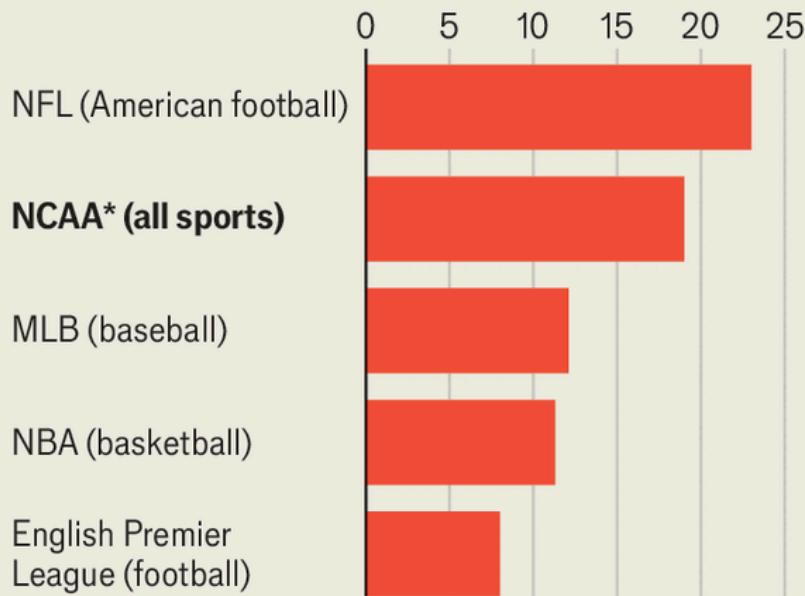
TUCKED AWAY in a quaint university town in the Midwest sits the world's third-largest sports stadium. Known aptly as the Big House, the American-football stadium in Ann Arbor, home of the University of Michigan Wolverines, can pack in 115,000 fans. One of the world's most capacious, its gate receipts helped Michigan's football programme generate \$150m in revenue last year, including television rights. Yet the athletes on the field earned no salaries. In fact, for decades, no college athlete in America has been paid directly by their university. That is about to change.

Incentive structure

1

Sports-league revenues, \$bn

Seasons ending 2024



Sources: Bleacher Report; CBS Sports;
Deloitte; NCAA; Sports Value

*National Collegiate
Athletic Association

This year marks a turning-point in the \$19bn spectacle that is American college sports (see chart 1). Hidden behind the pageantry of marching bands, fight songs and century-old rivalries with names like “the Backyard Brawl” lies what is, in effect, the second-biggest sports league in the world (after the NFL), boosted by charity tax benefits and puffed up by public-service pretensions. In 2024 college sport generated twice as much revenue as the English Premier League. Nearly all that came from American football and men’s basketball. For decades the system was lucrative because the labour was free. The spoils flowed to coaches, administrators, commissioners and media conglomerates.

After years of litigation, in June a federal judge approved a \$2.8bn settlement between the National Collegiate Athletic Association (NCAA), the governing body of college sport, and a coalition of current and former college athletes. The deal compensates players for years of lost earnings and rewrites the industry’s economics.

Each university may now pay up to \$20.5m a year directly to its roster of athletes.

Lawmakers and judges are likely to keep fiddling with the details. On July 24th Donald Trump issued an executive order about “saving college sports”, which laid out several interventions involving the distribution of athletic scholarships and the shenanigans of wealthy alumni. Members of Congress have introduced a bill to curb the legal and financial obligations universities now face. What follows will test whether universities, the courts, legislators and investors can impose order on a system whose founding logic of amateurism has collapsed.

The college-sports system is an American oddity. In no other country would the same university train both future Nobel laureates and all-star point guards. Universities function as a farm system for the richest professional sports leagues, the NFL and the National Basketball Association. University stars also graduate into professional baseball, hockey, women’s basketball, golf and tennis. The revenue some of them generate while on campus subsidises other college sports. At the centre of it all sits the NCAA, presiding over a labyrinth of leagues, divisions and conferences, and enforcing a fussy rulebook.

While most athletes receive no compensation, before this year’s change the top ones were paid in academic scholarships. Defenders of that bargain cast athletes as important contributors to campus life and spirit. Critics decry the big programmes as debasing and corrupt, cheapening a university degree under the pretence of amateurism.

Barred from paying players, universities indulged in baroque excess to lure recruits. Locker rooms gleam with Ferrari-leather chairs and marble-lined showers. Coaching contracts are bloated, too. In 43 of 50 states the highest-paid public employee is a university football or basketball coach. Texas A&M, the largest

university in the country, is paying about \$77m in severance over eight years to Jimbo Fisher, its former head coach, while handing his successor \$7m a year. For comparison, the median manager in the English Premier League earns \$6m a year. In 2023 over 60% of athletic department spending fell into just three categories: facilities, coaching salaries and pay for athletic department staff. Barely 10% went to scholarships.

The system first cracked in 2019 when Gavin Newsom, California's governor, signed a law letting college athletes profit from their "name, image and likeness" (NIL). This meant they could earn money as social-media influencers and brand ambassadors. The NCAA fought the law, but the Supreme Court upheld broader student compensation and full NIL rights soon followed nationwide. The litigation resolved in June put a final stake in the old amateur order.

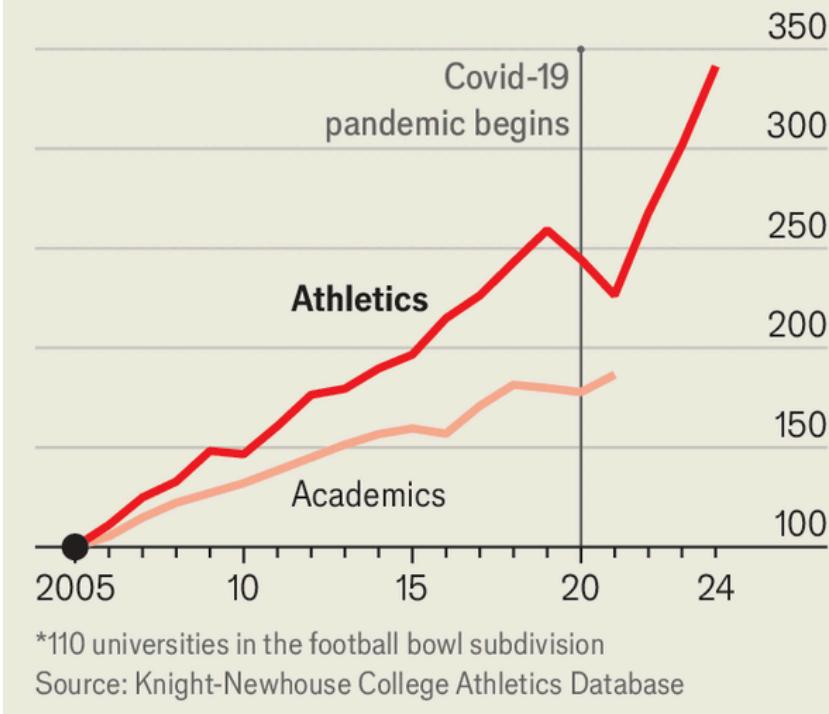
Paying student-athletes may restore some balance, and it could bring into the open an underground economy that long operated in the shadows. In decades past athletes may not have been paid directly, but perks and illicit deals enriched some of them. The NCAA proved to be a poor enforcer of its own rules. It was unable to police systemic abuse, but obsessed over trivial infractions like a head coach buying a recruit a burger.

Even the new NIL programme meant to remedy some of this has produced its own murky marketplace. Operating like political super PACS, third-party "collectives" funded by boosters have sprung up to funnel staggering sums to student-athletes. Since 2022 the NIL fund for Texas Tech University has raised \$63m. At Michigan Larry Ellison, the founder of Oracle, helped pry the top high-school quarterback away from Louisiana State University for a reported \$10.5m over four years.

Test, scores

2

US, public college spending*, 2005=100



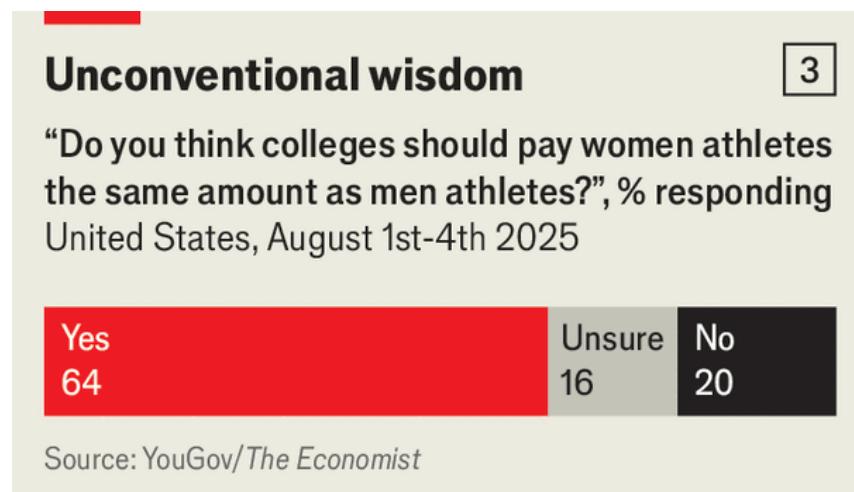
For all the clarity direct-pay offers, it leaves universities to untangle a fresh set of knots. Many university athletic departments will not have the revenue to pay out such sums. That could widen the competitive gap across universities even further. The lower tier, already resigned to being far outspent, may scarcely notice the change. But for the middle tier the choices will be fraught. “These universities serve their communities very well,” says Oliver Luck, a former NCAA executive, college player and NFL quarterback. The new system will “force university presidents to ask whether athletics are important enough to their university’s educational mission”.

Already some 70% of public universities across the top tier of athletic programmes use academic funds to prop up their athletic departments. In 2024 just 18 of 110 public universities in this top division reported athletic revenues that exceeded their expenses. And over the past two decades, athletic-department spending has

grown by 244%, compared with a 113% rise in academic spending (see chart 2).

Profit playbook

This new era will force athletic-department heads to act more like portfolio managers, balancing returns across a basket of sports. Many have indicated that they will mirror the recent federal court settlement. It allotted three-quarters of retroactive compensation to former football players, 15% to men's basketball, 5% to women's basketball and 5% to the rest.



Another question is how Title IX, America's gender-equity law for universities receiving federal funds, will shape the new order. If the courts decide that revenue need not be shared equally between men's and women's sports, then market forces will create vast disparities (see chart 3).

The good news for college football is that it is all but impossible to dent the devotion of its fans. "Who's got it better than us?" exclaims one, ambling outside the Big House on a muggy summer afternoon. Soon the stadium will heave with a crowd large enough to swallow the town whole, erupting as Bryce Underwood, an 18-year old student and quarterback, takes the field for the first time. The local boy, from the suburbs of Detroit, will at least have a fat wallet to soften the tackles. ■

Clarification (September 3rd, 2025): This article has been updated to clarify the Supreme Court's ruling on student compensation.

<https://www.economist.com/united-states/2025/08/28/a-19bn-industry-is-about-to-pay-its-workforce-for-the-first-time>

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Insecurity clearance

Donald Trump has purged one of the CIA's most senior Russia analysts

The move will have a chilling effect inside American spy agencies

Aug 28, 2025 12:57 PM



THE CIA OFFICER had worked in American intelligence for more than 20 years. In 2016, as the country's top intelligence officer for Russia and Eurasia, she oversaw the production of a report, which described how Russia had meddled in that year's presidential election in favour of the Republican candidate, Donald Trump. A few years later she returned to the agency as a senior manager, overseeing the CIA's operations and analysis relating to Russia and the former Soviet Union.

On August 19th her career came to an abrupt end, when Tulsi Gabbard, America's director of national intelligence, revoked her security clearance, along with those of 36 other serving and former officials accused of "betray[ing] their oath to the constitution". Mr Trump's administration has previously used its control over clearances as a political cudgel against retired officials. But the CIA officer in question, along with two others involved in that 2016 report, Shelby Pierson and Vinh Nguyen, are some of the most

senior serving career intelligence officials to be purged under Mr Trump.

These steps signal a sharp escalation in his war on American spooks. On August 22nd Pete Hegseth, the secretary of defence, removed the head of the Defense Intelligence Agency, Lieutenant General Jeffrey Kruse. His agency had produced a preliminary damage assessment of America's bombing of Iranian nuclear facilities that infuriated the administration.

The purge at the CIA has caused alarm across the workforce. To lose a clearance is a "career ender", says Larry Pfeiffer, a former CIA officer who had his own clearance yanked on January 20th. "Even the cleaning crews have clearance." Many officers also rely on security clearances after retirement to seek consulting positions. "Who will want to work on some controversial issue or go out on a limb analytically?" asks an insider. "It is one thing to speak truth to power in the abstract, and another when your career and family livelihood is very much on the line."

The CIA has a long history of delivering unwelcome news to presidents—its dissenting analysis during the Vietnam war in the 1960s and the Iraq war in the 2000s resulted in repeated clashes between Langley and the White House—but this level of retribution is unprecedented. Many of the 37 targeted officials had worked on Russia only tangentially and a long time ago. Mr Nguyen was the chief data scientist at the National Security Agency (NSA), America's signals-intelligence service. Weeks earlier insiders had told *The Economist* that he was "the most thoughtful person on AI in the federal government". That agency's director, General Tim Haugh, and its top lawyer, April Doss, were fired in April and July respectively. Others appear to be on the list for no other reason than their criticism of Mr Trump. Ted Gistaro, a former CIA officer who served as Mr Trump's main intelligence briefer from 2016 to 2019, had made mildly derogatory comments

about Mr Trump. Most others appeared on a list published by Laura Loomer, a far-right activist, on July 29th.

Mr Trump has long been obsessed with intelligence reporting about Russia's role in the 2016 election. In July John Ratcliffe, the director of the CIA, took the unusual step of publishing an internal review of the analytical "tradecraft" in the CIA's Russia report of that year. The review praised many aspects of that report, but found that it had been written too quickly and with too much involvement from agency heads. That same month, Ms Gabbard also declassified a much older House Intelligence Committee review into the same report. The review, co-authored by Kash Patel, who is now the director of the FBI, included verbatim quotes from intercepted material and descriptions of human sources in Russia, and was declassified over the objections of the CIA.

The administration is also using harsher legal means to strike at critics. In July it was reported that Mr Ratcliffe had made a criminal referral of John Brennan, one of his predecessors, to the FBI for allegedly lying to Congress. Mr Brennan, who had his clearance revoked in Mr Trump's first term, was CIA director at the time of the Russia report and clashed with the president in the early days of his first term.

"This is uncharted territory," says Mr Pfeiffer, "particularly in terms of the numbers of people and the lack of detail about what they did wrong." Mark Warner, the senior Democrat on the Senate intelligence committee, speaking shortly before the recent purges, said that the situation was worse than he had expected. In private, he noted, Republican colleagues on the intelligence committee, fearful of sticking their heads above the parapet, had encouraged him to speak out in public.

On August 20th Bill Burns, Joe Biden's CIA director, wrote an open letter to the "discarded" officials in the *Atlantic*, a magazine. "If intelligence analysts at the CIA saw our rivals engage in this kind of

great-power suicide, we would break out the bourbon,” he wrote. “Instead, the sound we hear is of champagne glasses clinking in the Kremlin and Zhongnanhai.” ■

<https://www.economist.com/united-states/2025/08/21/donald-trump-has-purged-one-of-the-cias-most-senior-russia-analysts>

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The art of the impossible

Zohran Mamdani is promising lots of things he can't actually do

A few reasons to be relaxed about the plans of the Democratic front-runner to be New York's mayor

Aug 28, 2025 04:25 PM | New York



LIKE MANY politicians running for office, Zohran Mamdani, the 33-year-old New York Democratic mayoral candidate, is partly a fabulist. His story includes tax rises on the wealthy and businesses, free buses, free child care and a \$30 minimum wage by 2030. Whether or not these are good ideas, most have as little likelihood of becoming tangible as one of Italo Calvino's odd, enchanting, invisible cities.

Some of the world's great cities have powerful mayors. A mayor of Mexico City legalised abortion and introduced gay marriage. The mayor of Buenos Aires introduced free bus and subway rides for low-income seniors on his own authority. Germany's capital, Berlin, is both a city and a state: its mayor has a role in passing federal legislation. At the other end of the scale is Paris (see chart). New York's mayor sits somewhere in the middle of the power ranking.

Mayor league

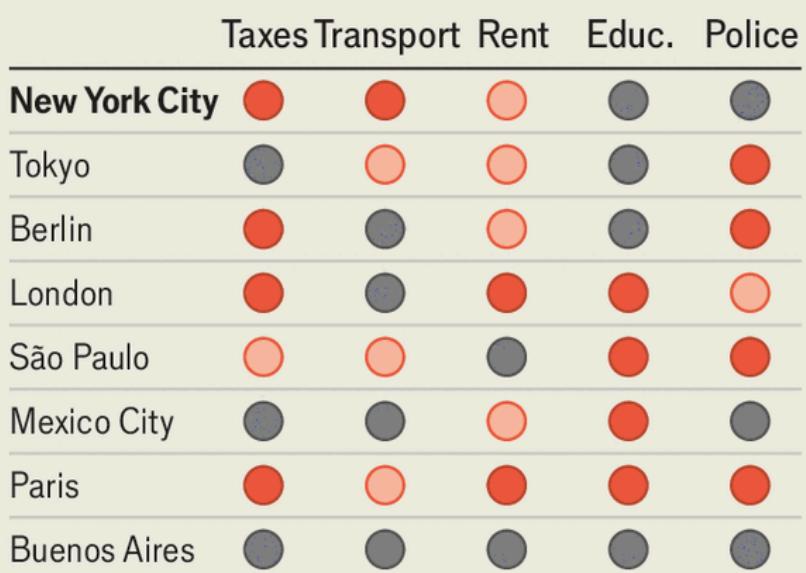
City	Mayor	City budget 2025*, \$bn	Population 2024 [†] , m
New York City	E. Adams	121	8.5
Tokyo	Y. Koike	62	14.3
Berlin	K. Wegner	47	3.9
London	S. Khan	28	8.5
São Paulo	R. Nunes	23	11.9
Mexico City	C. Brugada	16	9.2
Paris	A. Hidalgo	13	2.1
Buenos Aires	J. Macri	10	3.1

Mayoral control:

● Significant

● Limited/
shared

● Little/
none



*Financial years †Or latest available

Sources: City government statistics; European Commission; KPMG Law; London School of Economics Cities; Mayors of Europe; MTA; Mitchell Moss, NYU's Wagner School of Public Service; Moody's Credit Opinion; Tony Travers, London School of Economics; press reports

New York City has the economy of a medium-sized nation: in 2024, its GDP of \$1.3trn was double Argentina's and greater than

that of all but 16 countries. Yet it is also a municipality beholden to the state's governor and to state law. The city's charter, issued by the state, grants "home rule" by a chief-executive mayor and legislative body—a relatively weak City Council—but the state retains ultimate authority.

To pay for his plans, Mr Mamdani proposes two tax hikes: an additional tax of 2% on incomes of more than \$1m a year, and raising the top state corporate-tax rate to 11.5%, from 7.25%. (This reckoning is misleading: New York companies already pay additional taxes that bring their total rate to 17.5%, according to Ana Champeny, of the Citizens Budget Commission, a watchdog.) Mr Mamdani's campaign says those increases would yield \$4bn and \$5bn respectively. But in any case his tax plans are moot. Mayors cannot set income or business taxes. Increasing them would require the state legislature to act, plus the governor's signature. And Kathy Hochul, New York's Democratic governor, has already ruled the idea a nonstarter. "I'm not raising taxes at a time where affordability is the big issue," she has said.

The new mayor will need to propose a budget one month after taking office in January, when he will face an immediate shortfall of \$6bn-8bn, according to Ms Champeny. The city may also lose out from an expected \$3bn cut in federal grants to the state, she says. Without the tax increases he is powerless to effect, Mr Mamdani would face a \$15bn-17bn shortfall in his spending plans. The real debate will not be over what to spend, but what to cut.

A quarter of New York City's budget comes from either the federal government (10%) or the state government (17%), notes Enid Slack, an expert in municipal finance at the University of Toronto School of Cities. "These transfers...have to be spent on what the federal and state government said they have to be spent on," she says. "So not a lot of local autonomy."

Over rent, buses and the minimum wage, New York's mayor also has limited control. He appoints a board that sets the rent for 50% of rented flats, the rent-stabilised ones. But boards don't necessarily do the mayor's bidding. The board voted 5-4 in June to raise rents on one-year leases by 3% and on two-year leases by 4.5%, ignoring pleas by Eric Adams, the current mayor, for lower increases. Mr Mamdani also wants to build 200,000 units of affordable housing by borrowing \$70bn. That would exceed the debt limit by \$30bn—and therefore would require state approval.

As for making buses free, that is a call for the Metropolitan Transportation Authority (MTA) board, to which the mayor can recommend only four of 23 members. The MTA says that free buses could mean worse service, and that 44% of bus riders already evade paying their fares.

One curious dimension of Mr Mamdani's campaign is that, even as he promises to accomplish things outside his authority, he is seeking to surrender what other mayors have regarded as an important power: authority over the school system (and with it, perhaps, accountability for the quality of education). Mr Mamdani wants to give that power to a mayor-appointed board. Making such a change would be up to the state legislature, not him.

When it comes to the police, though, the mayoral handcuffs come off. NYC's mayor appoints the commissioner, can expand or cut the force and influences its methods. Conservatives and moderates have drawn attention to Mr Mamdani's past calls to defund the police and eliminate the prison system. He has dialled that down, but still plans to disband a unit that breaks up protests; reduce police involvement in emergencies (giving a bigger role to mental-health workers); and cut overtime. He would have the power to do all of this. "The mayor can [also] refuse to send the NYPD to Columbia in response to calls to arrest protesters or take down encampments," notes Mitchell Moss of New York University.

None of this is to downplay the importance of the office. A determined mayor who masters detail and knows how to exercise power can do a lot of good. Michael Bloomberg, the city's best mayor in recent memory, oversaw a 32% fall in crime between 2001 and 2013 and rezoned 40% of the city. In some ways New York is still living off his achievements. But the risk from electing a mayor with a vivid imagination is limited. Which, given some of Mr Mamdani's instincts, may be a relief. ■

<https://www.economist.com/united-states/2025/08/24/zohran-mamdani-is-promising-lots-of-things-he-cant-actually-do>

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From sea to shining sea

Have foreign tourists really avoided America this year?

Our analysis of whether the country is losing its international appeal among holidaymakers

Aug 28, 2025 12:57 PM



AMERICA HAS rarely been out of the headlines this year. The world has watched as the Trump administration has slashed government departments, shaken alliances, increased deportations and sent the National Guard onto city streets. For the tourism industry, not all publicity is good publicity: our analysis of available data suggests that the number of international visitors to the land of the free has dropped markedly in 2025 compared with the same period in 2024.

At first the picture was muddied. Early reports suggested a sharp fall in March, coinciding with Donald Trump's tariff threats. But later analysis showed a spike in April. The real cause was the timing of Easter, which was in late March last year but mid-April this year. Daily arrivals data from 20 major airports confirm this pattern (see chart 1).

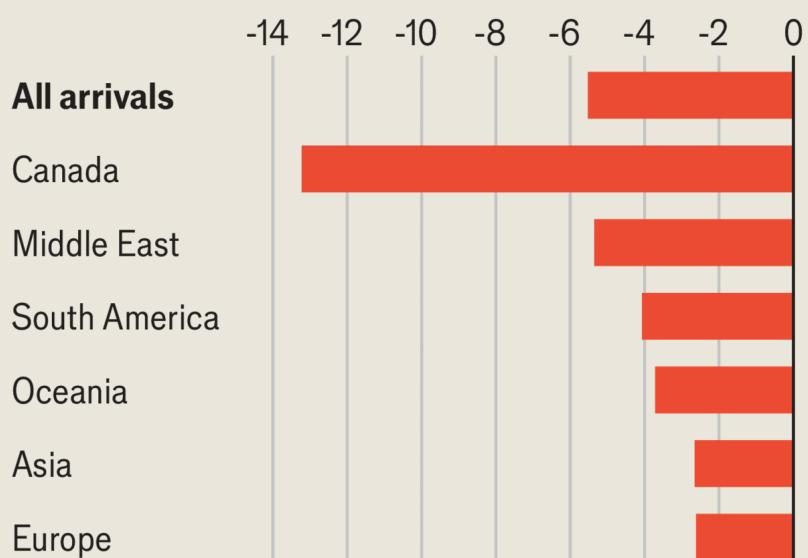
Thank you, Your Majesty

United States, foreign air-passenger arrivals on international flights, % change on a year earlier

Selected large airports, daily*, 2025



All airports, May-July 2025, by flight origin



*Seven-day moving average

Sources: US Customs and Border Protection;
US International Trade Administration; *The Economist*

With most of the summer season now visible, the trend is harder to miss. Using monthly data on arrivals at all airports from America's International Trade Administration, a government agency, The Economist finds that foreign arrivals at American airports are down by 3.8% compared with 2024, or 1.3m fewer people. The slump was steepest between May and July, when arrivals fell by 5.5% year on year. That bucked the global trend as tourism finally recovered to pre-pandemic levels.

The steepest drop came in arrivals from Canada (see chart 2). Canadian entries at American airports are down by 7.4% so far this year, and by 13.2% over the summer. Car crossings have dropped by more: in June they were a third lower than last year. Many Canadians are boycotting American goods and shunning trips south after Mr Trump's tariffs on Canadian exports and his threats to annex the country.

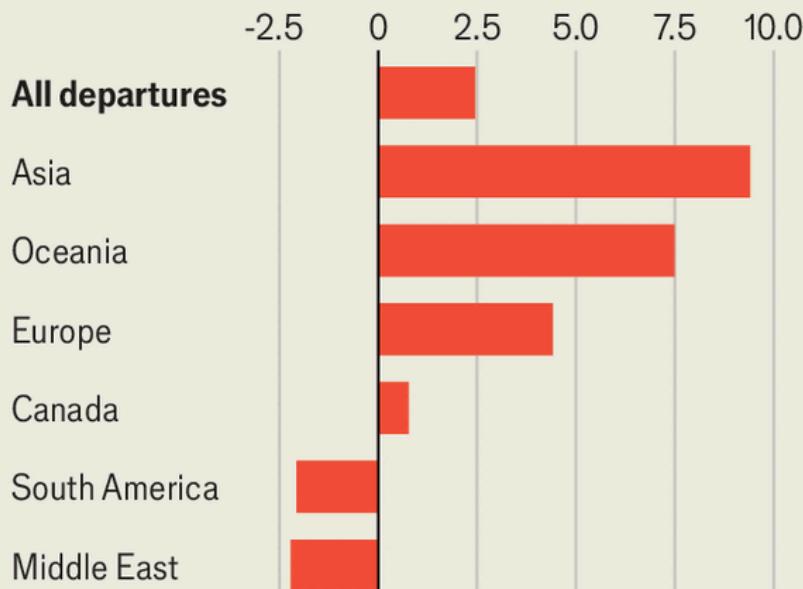
Not all of America's tourism hotspots have been affected equally. Over the summer Boston Logan and Chicago O'Hare airports each saw a roughly 8% fall in international arrivals compared with the same period last year; at New York's JFK airport they dropped by 7%. But Florida resort destinations such as Orlando and Tampa drew more tourists from overseas this summer than last. That has helped stabilise the number of foreign arrivals at major airports as of mid-August.

Travel and tourism make up around 3% of America's GDP. Losing visitors could be costly, but so far hotel operators have reported that higher spending by well-off domestic travellers has softened the blow.

Take a break

3

US citizens, air-passenger departures
on international flights, May-July 2025,
% change on a year earlier, by flight destination



Sources: US International Trade Administration; *The Economist*

These travellers, however, are also flying abroad in greater numbers than last year, as international travel recovers from the pandemic. Departures of American citizens on international flights are up by 2.9% on last year, and by 2.5% between May and July (see chart 3). In 2024 some 22% more Americans flew abroad than foreigners came in; this year so far the gap has widened to 27%. For a president obsessed with trade imbalances, more Americans spending money overseas, while fewer foreigners spend in America, should be vexing. ■

<https://www.economist.com/united-states/2025/08/28/have-foreign-tourists-really-avoided-america-this-year>

Landon calling

The Democrat who calls Trump a child of God

James Talarico wants his party to fight for the Christian vote in Texas

Aug 28, 2025 12:58 PM | CHICAGO



PLANO, A SUBURB of Dallas, is not friendly territory for Democrats. But when James Talarico, a state representative, headlined a “Blue Texas” rally there last month more than 1,000 people showed up. After the two-storey bar rented for the event filled with people, they moved to a second one across the street where he delivered the same speech to a new crowd. The locals who came were not the “little old blue hairs”, as Mr Talarico lovingly calls the Democrats’ most-loyal demographic. “It was a bunch of bros, like guys named Landon,” he recalls. “I was like you are welcome Landon, come join.”

Many of the Landons said this was the first political event they had been to. Mr Talarico flipped a Republican seat north of Austin seven years ago—becoming Texas’s youngest state lawmaker—by convincing people like them that their bosses, landlords and insurance companies would “continue to use the political system to screw them over” until they decided to care about politics. He is

not your ordinary Democrat. Not only does he drive a Chevy Colorado truck and own Lucchese cowboy boots engraved with the Texas state seal, but he invokes so many Bible teachings in conversation that you may get Sunday school flashbacks. The turnout that night was the result of something more idiosyncratic: an endorsement he got four days earlier from Joe Rogan, America's top podcaster, for a position he isn't running for.

In the middle of a conversation about how corrupt Washington politics are Mr Rogan told Mr Talarico to run for president. "We need someone who's actually a good person because the Democrats have very few candidates that are," he said. The moment catapulted him into parts of the internet where only Republicans go. National Democrats began murmuring what those from Texas have been saying for months. Could a liberal 36-year-old from America's biggest red state give the party a desperately needed shot of adrenalin?

Mr Talarico is mulling a run for Senate in 2026. Texas Democrats notoriously dupe themselves into believing that winning statewide is just within reach every cycle. Cue the *déjà vu*, but next year they reckon they stand a better chance. Ken Paxton, Texas's red-meat attorney general, is challenging incumbent John Cornyn in the Republican primary. He is far ahead in most polls. Mr Paxton's nomination would give a Democrat who can sway moderates an opening. When asked how he is different from Beto O'Rourke, an El Paso Democrat who lost two big Texas races, Mr Talarico points to his "shared moral vocabulary" with conservatives. Working with Republican politicians became easier when he joined them for regular Bible study at the capitol.

The Democrat, who is in seminary training to be a pastor, wants to be the country's loudest Christian voice against Christian nationalism. He believes that Jesus scrapped the Jewish legal system in favour of two sweeping values: love God and love your neighbour. That allows for gay people in church, demands health

care for the poor and discourages hoarding wealth in a way that morphs into a Bernie-like disdain for political megadonors. It also requires loving the enemy. “Donald Trump is a child of God,” he says. This year he fought bills to put the ten commandments in all Texas classrooms and fund religious private schools with state money. Secularism, he reckons, is hurting America but so is the cult of Republican Evangelicalism. In a sermon to his hometown church he quoted his pastor on why beer is better than religion: “nobody has ever been burned at the stake because of their favourite brand of beer” and “there are laws against forcing beer on minors who can’t think for themselves”.

Could someone like him pull the devout into the Democratic fold? Although Mr Trump ignited new fervour among Evangelicals, their allegiance to Republicans goes back decades. Mr Talarico reckons they are still movable. During the last presidential race he worked with a group called Evangelicals for Harris. The Pennsylvania counties that they targeted, which were the state’s most Evangelical and not swing districts, saw less of a rightward jolt than neighbouring ones. Republicans know this playbook well. “The Republican Party has contested the Latino vote and the African-American vote,” he says. “They don’t win a majority of those people but they win enough to win elections.”

In August Mr Talarico and four dozen Texas Democrats [fled the state](#) to protest against a Republican effort to redraw congressional maps to their advantage. Sitting in a coffee shop in the suburbs of Chicago while in exile he relishes being surrounded by Democrats rather than being on a “political island”. Fundamentally, though, he is always in a lover’s quarrel with his own party. The Presbyterian church he was raised in north of Austin was critical of the Iraq war, but also of Barack Obama’s drone strikes and mass deportations. Now his frustration stems from inaction. Democrats in the Trump era, he says, are like the coach in “Air Bud”, a Disney movie, who waves the rule book around saying that dogs can’t play basketball as the dog repeatedly dunks in front of him.

Although they may have different policy ideas, Mr Talarico is inspired by the energy of [Zohran Mamdani](#), the progressive mayoral candidate in New York City. Both millennials walked the length of their district to meet constituents and blew up on TikTok. Working in the Texas legislature has taught Mr Talarico that there is no hope for kumbaya and no point in complaining to the referee. Texas, he says, is America on steroids: the good is better, the bad is worse and the politics are scrappier. He reckons the country's Democrats "need more cowboy". ■

<https://www.economist.com/united-states/2025/08/26/the-democrat-who-calls-trump-a-child-of-god>

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Lexington

New York is turning 400 and no one cares

But it's an important moment to celebrate what made the city great

Aug 28, 2025 05:17 PM



IT IS A little sad, yet also somewhat inspiring, and in any event altogether fitting, that New York City is marking its 400th birthday this year and almost no one gives a damn. Last New Year's Eve the mayor, Eric Adams, promised a year-long celebration, but denizens would be forgiven for not having detected many events so far. “They’re not doing squat,” says Kenneth Jackson, an emeritus professor of history at Columbia University and the editor-in-chief of “The Encyclopedia of New York City”.

Though disappointed, Mr Jackson is not surprised. “New York has never cared,” he says. As with other historians of New York, the only thing that seems to make him wistful about Boston (a younger city, he notes) is its fascination with its past. Russell Shorto, another historian, says New York “just keeps paving over things”.

It probably does not help that New Yorkers tend to be fractious, and even the history of commemorating the history of New York is ripe for disputation. Just 61 years ago the World’s Fair in Queens

celebrated the city's 300th birthday. Back then the city recognised as its foundational year 1664, when the British seized New Amsterdam from the Dutch and renamed it after the Duke of York. But in 1974 Paul O'Dwyer, the president of the city council, moved to backdate the year displayed on the municipal flag from 1664 to 1625. O'Dwyer, who spoke with the lilt of his native Ireland, insisted he was just out to respect history. The mayor at the time, Abraham Beame, went along with the idea, though one city hall aide dismissed it as "Paul O'Dwyer's attempt to make us a Dutch city instead of an English one".

Other possible dates might have included 1609, when Henry Hudson, an English captain exploring under a Dutch flag, sailed up the river that now bears his name; or 1624, when the Dutch West India Company landed settlers—eight of them—on what is now called Governors Island, in New York's harbour; or 1626, when the settlers notoriously "bought" Manhattan for what was later judged to be a few dollars' worth of stuff. The year 1625, Mr Shorto says, was "when they sent over shipments of farm animals".

New York's historians care less about the date than that New Yorkers should pause to consider how their city vaulted to global pre-eminence from that tiny toehold in the harbour. "What's important is not whether it started in 1625," Mr Jackson says impatiently. "It's just that something happened here, and then became the headquarters of finance and culture and arts and media and just about everything else you can think of."

O'Dwyer was ahead of his time. Just as he moved to backdate the founding, a new wave of scholarship was starting to reckon with the profound imprint of the Dutch on New York, and on America. Until then New York's story was seen through an Anglocentric lens, in part because English-speakers told the story and the settlement's early documents were written in 17th-century Dutch, which few alive could understand. As historians set to work translating documents from New York's first decades, a picture

came into focus of how radically different the Dutch town was from other settlements in the New World. While the theocrats in Boston were hanging Quakers to create a Puritan monoculture apart from the world, the Dutch were haphazardly fostering a polyglot society united largely by a shared interest in being left alone to make money.

The amphibious Dutch immediately saw the potential in New York's intricate tracery of waterways: the deep harbour, the protected passage eastward through Long Island Sound, and, most of all, the Hudson's reach to the north, where a valley opened westward to the continent's vast interior (and where the Erie canal would eventually join New York by water to Detroit and Milwaukee). In 1640, after the Dutch company gave up its monopoly and declared the port a free-trade zone, New Amsterdam became a hub for Atlantic trade. By 1645 a visiting Jesuit reported hearing 18 languages among the few hundred residents (and he probably did not count African and native languages). "Everyone here is a trader," a resident observed in 1650.

That trade was partly in human beings, a satanic legacy of Dutch commerce. Yet the society in those first years also included free black property owners and women who ran trading companies as well as Portuguese, Bohemians, Arabs, Poles and Mohawks. Even Jews were tolerated, if reluctantly.

Going Dutch

The English saw what was happening and coveted not just the port but its culture. This is the subject of "Taking Manhattan", Mr Shorto's latest, fascinating history based partly on the continuing work on Dutch documents. The Stuart monarchy had just returned to the throne, overcoming a Puritan Commonwealth, and the king wanted to bring the righteous Puritan colonies to heel. But when an overwhelming English naval force menaced New Amsterdam in 1664, the commander, Richard Nicholls, negotiated an agreement

that, in Mr Shorto's telling, was less like a surrender than a merger or bill of rights. It guaranteed the residents their rights to property and to keep trading and worshipping freely. It even let them retain an unusual freedom they had won under the Dutch, to choose their own municipal leaders.

"That sets up this dynamic of two ideological power bases in colonial America with very different ways of seeing the world," Mr Shorto says. "And you can look at a lot of American history as this, you know, back-and-forth between these two, the one based in New York, remaining outward-looking and business-minded and globally oriented." The other, originally based in Boston, "is puritanical and Christian and America-first. And that's part of the DNA of the country." Not just New York, but America, should be celebrating, and pondering, this particular birthday. ■

<https://www.economist.com/united-states/2025/08/28/new-york-is-turning-400-and-no-one-cares>

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War? Games?

A surprise US Navy surge in the Caribbean

Is the goal mere theatre or Venezuelan regime change?

Aug 29, 2025 12:57 PM | MEXICO CITY



IN THE SOUTHERN Caribbean just two or three American warships and Coast Guard cutters are normally found on patrol. Now an amphibious group centred on the *uss Iwo Jima*—three ships carrying 4,500 sailors and marines—is to be stationed there. A nuclear-powered attack submarine and reconnaissance planes are also being shifted.

On the face of it, one of the biggest American deployments to the region in years is a bid to go after drug traffickers. In February President Donald Trump designated several gangs, mainly Mexican ones, as foreign terrorist organisations.

All this might, therefore, ring a bell. In April 2020, during Mr Trump’s first term, as the covid pandemic first took hold, the administration announced “enhanced counternarcotics operations” in the Caribbean against drug syndicates that were allegedly exploiting the chaos. The Biden administration later scaled back

those operations, having judged them both expensive and largely ineffective.

In principle, the new deployment could help target traffickers. The current force is too small to intercept many of them; American crews often stop boats but must watch as the cocaine is dumped overboard and traffickers sail on. With the extra manpower, they should be able to seize ships, escort them to port and arrest the crews.

Few, though, think drugs are the sole or even the main focus. The United States' [deadliest drug problem is fentanyl](#), which kills tens of thousands of its citizens each year. Almost all of it is synthesised in Mexico and trafficked north over land. The Caribbean does carry cocaine bound from South America to Europe and the United States, but the new deployment is not positioned along the busiest routes. And the hardware does not match the task: why send destroyers when much of the trade depends on clandestine flights and unmanned submarines?

Consider the Trump administration's move on July 25th to designate the Cartel de los Soles as a terrorist outfit. It is supposedly based in Venezuela's armed forces. While elements of that army are believed to be involved in drug trafficking, there is little evidence the cartel exists as an organised structure. Yet the Trump administration named as its leader [President Nicolás Maduro, a serial election-stealer](#) who nabbed last year's in a daylight robbery. Two weeks later the administration doubled the bounty on his head, raising the reward for information leading to his arrest to \$50m—more than it once offered for Osama bin Laden. And on August 8th Mr Trump signed a directive permitting military force against drug gangs abroad. In short, threatening Mr Maduro now falls within the mission to combat drugs.

This, too, might ring a bell. The last major American military operation in the region occurred when President George H.W. Bush

sent troops to Panama in 1989 to arrest Manuel Noriega, who had been indicted in the United States on drug-trafficking charges.

There the parallel stops. The force in 1989 was 20,000-strong, far more than the 4,500 or so allocated now. Venezuela is a far bigger and more complicated country. No one thinks an invasion today is plausible. Indeed the only goal may be theatre. James Bosworth, an analyst based in the United States, calls it “an awesome photo-op”: a chance to display American clout in the Caribbean and to snare a few traffickers along the way.

All this makes the most sense if the principal intent is to rattle Mr Maduro, give succour to Venezuela’s opposition or even stir an uprising within the Venezuelan armed forces—encouraged perhaps by that recently doubled reward. This “looks just right to scare the daylights out of Maduro’s supporters”, says Evan Ellis of the US Army War College.

If rattling Mr Maduro is the purpose, it may be working. On August 23rd he started to enroll what he claims will be 4.5m militiamen to defend the country. (Election receipts show he received fewer than 3.8m votes last year; it is improbable that more people would fight to defend him than would vote for him.) All drone flights and the sale of drone equipment have been banned for a month. He has let 13 political prisoners out of jail, perhaps as an offering to Mr Trump.

When Mr Maduro took to the airwaves on August 25th for his weekly television address he said 15,000 “well armed and trained” men had been deployed to states near the Colombian border. Diosdado Cabello, the Venezuelan interior minister, said the operation was intended to “protect the sovereignty of the homeland”.

Were the United States ever to attempt to topple Mr Maduro, it would find support among many Venezuelans who have endured

the economic collapse he has presided over since 2013. In a market in Caracas, the capital, one 74-year-old shopper says simply: “Let them get this done.”

The malcontents among Venezuela’s army will have seen mixed signals about backing from the United States, which does not recognise Mr Maduro as a legitimate head of state. Venezuelan oil is once again flowing to the United States, and in January Mr Trump dispatched an envoy to Caracas, who was pictured shaking Mr Maduro’s hand. For any coup-minded army men, there is little evidence that American backing would be solid if things get hairy.

Perhaps some will take the gamble. Or the sabre-rattling may only succeed in rallying supporters to Mr Maduro’s side. Most likely, though, nothing will happen at all. Mr Cabello has threatened to round up anyone who calls for American sanctions or intervention. That, too, sounds familiar. It has generally been Venezuelans who suffer when their paranoid and isolated regime is threatened.

<https://www.economist.com/the-americas/2025/08/26/a-surprise-us-navy-surge-in-the-caribbean>

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Porcine of the times

Peru's cartoonish presidential front-runner

In Rafael López Aliaga, or “Porky”, many voters see a man of action

Aug 28, 2025 03:31 PM | LIMA



Rooting for troubles

NOT MANY politicians would think it good for their brand to be compared to Porky Pig. But Rafael López Aliaga, the pugnacious conservative mayor of Lima, Peru's capital, is not like many politicians. He plays up the resemblance, having deployed people in pig costumes to events and adopted a pet pig as his personal mascot. Peruvians simply call him Porky.

In the most recent survey conducted by Ipsos, a pollster, Mr López Aliaga for the first time topped the voting-intention list for a general election scheduled for April 2026. That put him just ahead of Keiko Fujimori, a fellow conservative who narrowly lost the last three presidential run-offs.

The mayor is a wealthy business tycoon and a former city councilman. Like many typical Peruvian politicians, he portrays himself as a champion of the working poor. He has a knack for hogging the spotlight. Sometimes that requires bizarre policy

proposals (self-exploding drones to stop criminals) or outlandish promises (his mayoral-campaign pitch was to make Lima a world power).

The cartoon-character capers distract attention from Mr López Aliaga’s darker impulses. He has called for the death of two political opponents (he later said he meant their “political death”), and has suggested that an advocate for assisted dying who was suffering from a terminal illness should take her own life in a warm bath.

Mr López Aliaga, then, does not mind a fight. Since becoming mayor in January 2023, he has waged one bitter battle after another. His attempt to annul an unpopular toll contract ended with Lima on the hook for more than \$196m in damages—and perhaps \$2.7bn more in a current arbitration suit. His plan to acquire 40-year-old diesel locomotives and carriages from California for use on a proposed rail line has been dogged by criticism. After an acrimonious spat with the transport ministry, it remains unclear when, or even if, they will be put to use. Such antics are costly. Lima’s debt has more than tripled under his leadership, and in June Moody’s, a rating agency, knocked its credit rating down a notch, to below investment-grade.

Blame is reserved for foes real and imagined. Mr López Aliaga often invokes a nebulous “mafia”, most recently for leading the transport ministry to threaten huge fines on a major road-expansion project for which he had not secured an environmental permit. Left-leaning “parasites” infest the bureaucracy, imposing their “terrorist logic” to spread suffering. His go-to culprits—journalists, technocrats and progressives—make for easy punching bags. Peruvians are sick of bureaucratic red tape, and scandals have tarnished leftist politicians. Voters are fed up.

They have a right to be. The election was called in March by President Dina Boluarte to put an end to the lawlessness that has

descended on Peru. That includes street-gang shakedowns, contract killings, illegal mining and corrupt cops being protected by their lawmaker pals.

In Mr López Aliaga, many voters see a force for order, or at least change. So-called “Porkylowers” say his pushy ways get things done, his business acumen would help un-gum the machinery of government and his wealth would make him less likely to pinch from the public purse. And socially conservative Peruvians like his strident views against abortion and gay marriage.

If, as expected, Mr López Aliaga throws his hat in the presidential ring for a second time, his pugilist-populist ways give him a decent shot. Yet although he topped the August poll, he just squeaked into double-digit support. That is a sign of Peru’s extreme electoral fragmentation, and a reminder that anything can happen. A record-high 43 parties registered for April’s election. No candidate is likely to gather a simple majority, so a second-round vote in June is all but guaranteed.

What might a Porky presidency look like? More capers and more controversy, to be sure. Mr López Aliaga has said that most government ministries should be eliminated, that dangerous prisoners should be sent to El Salvador and that more troops should be put on Peru’s borders. And that’s not all, folks.■

<https://www.economist.com/the-americas/2025/08/28/perus-cartoonish-presidential-front-runner>

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Turning points

A defining test looms for India

It is rethinking its relationship with America. The ramifications will be huge

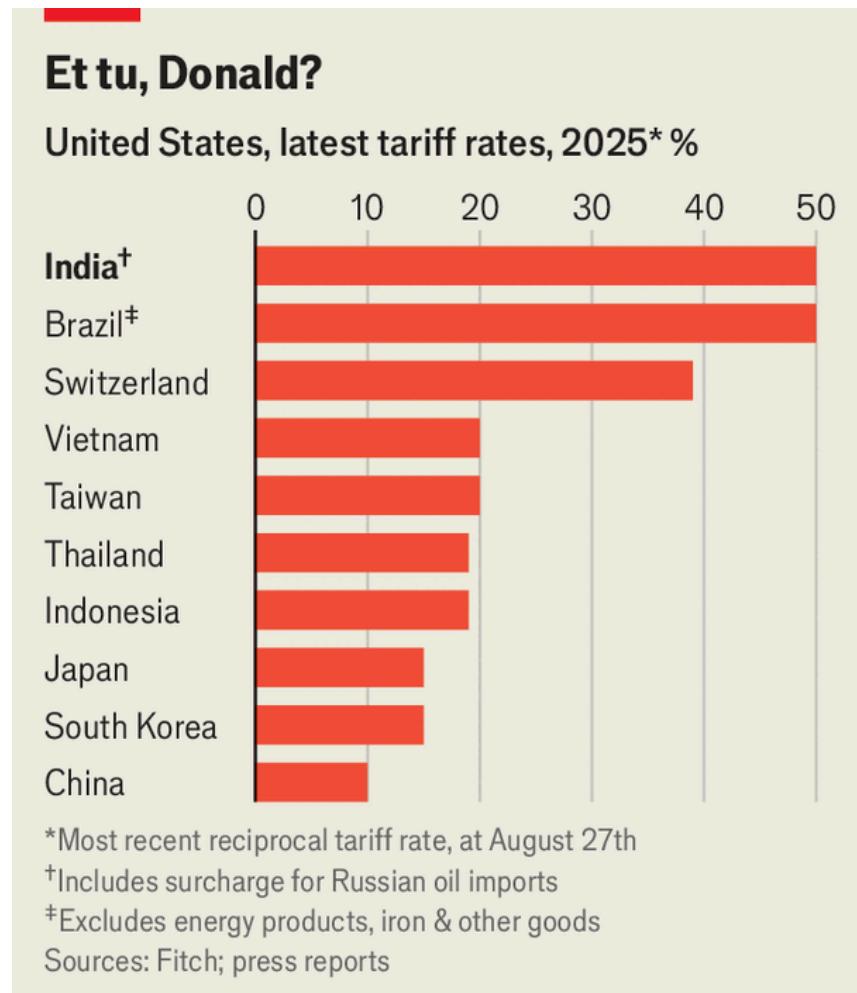
Aug 28, 2025 01:59 PM | Delhi



SEVEN YEARS have passed since Narendra Modi last set foot in China. The clock resets on August 31st, when India's prime minister turns up in Tianjin, a port city about two hours from Beijing. Mr Modi will attend a meeting of the Shanghai Co-operation Organisation (SCO), a Eurasian security outfit whose members include Russia and Iran; there he is expected to meet Xi Jinping, China's president. The trip is a striking example of the improving ties between India and China, which entered a deep freeze in 2020 following a border clash. But Mr Modi's mind will also be on his country's bust-up with America and how India should respond.

In just a few months Donald Trump, America's president, has found two ways to humiliate India's government: first, by appearing to side with Pakistan, an old adversary; second, by whacking India's exports with extortionate tariffs. The falling out

between America and India has prompted the emerging economic giant to think deeply about its present course.



Mr Trump has vexed plenty of America's friends. To understand why the fracas with India risks having extra impact, it helps to understand the trajectory the world's most-populous country had, until recently, been on. In the wake of its independence from Britain, India determined that it would never fully ally with any one great power. It still prides itself on remaining "multi-aligned" in world affairs; it declines to enter into formal treaty alliances. But it has nonetheless tilted backwards and forwards between blocs.

For the past 25 years, almost all India's tilting has been towards the West. In 2001 America lifted sanctions it had imposed on India because of its nuclear-weapons programme; in 2005 it began negotiating a generous nuclear-co-operation deal, which it signed

in 2008. Nine years ago America made India a “major defence partner”, a designation that gives it access to many American goodies, such as advanced defence technologies, without having to become a full ally. That reflected a shared interest in containing Chinese power.

True, the two countries have often voted in opposing camps at the UN, when it comes to matters such as wars and sanctions. But until a few months ago, decades of diplomacy seemed to have persuaded most Indians to see America as a reliable underwriter of their country’s rise. That is no longer so true. Sudden reversals appear to have vindicated sceptics who had warned that India was losing its bearings by drifting too deeply into America’s sphere. Even those who have engaged in the diplomatic legwork themselves despair over the direction of travel. Navtej Sarna, a former ambassador to America, says of Mr Trump: “We cannot just blindly be going along with someone who does not know what he is going to say tomorrow.”

When in April Mr Trump first threatened new tariffs on almost all America’s trading partners, it was thought India might be among the first to strike a deal. But the Trump administration appears to have badly misjudged India’s red lines, particularly its willingness to open its economy to foreign agriculture firms. In July America’s president said talks had collapsed and whacked Indian goods with a 25% tariff, even as he let most of India’s neighbours off with lower rates. Then, out of the blue, he added an additional 25%, ostensibly to punish India for buying Russian oil; that penalty went into force on August 27th. In a matter of weeks India has gone from being one of the Asian countries least hit by Mr Trump’s blitz to facing some of the world’s highest tariffs.

The immediate impact of this seem manageable for India. It relies less on goods exports than most other Asian countries; it earns the equivalent of only 11% of its GDP from selling goods to foreigners, compared with 85% in the case of Vietnam. Some large and fast-

growing categories of exports, such as smartphones and pharmaceuticals, are (for the moment) exempt from Mr Trump's new tariffs. In the coming months India's economy will be "stirred, but not shaken" by the tariff increase, reckons Ajay Srivastava of the Global Trade Research Initiative, a think-tank in Delhi.

Not as bad as its sounds

Yet high tariffs bring into question India's long-term plans for driving growth. The government has long hoped to boost manufacturing. This ambition relies somewhat on keeping access to rich American consumers; it also means persuading multinationals to shift some of their factories to India from China. Mr Srivastava notes that if India gets stuck with tariffs that are higher than those imposed on China's other competitors, such as Vietnam or Bangladesh, hopes of being an alternative base to China are "dead". Even if all the tariffs go away, the idea that India can offer factories shelter from shifting geopolitics has just been hit for six.

Lately, Indians have felt inclined to start wargaming nightmare scenarios, in which escalation of the trade war starts putting key pillars of India's economy at risk. Indian exports of services, such as software development, are growing much faster than sales of goods. These have not yet been drawn into the trade tussle, but there is no guarantee of that continuing. America is probably the largest provider of foreign investment into India, once American money that gets routed through Singapore and Mauritius is included; any disruption of that could cause deep pain. Big American companies are increasingly setting up "global capability centres" in India, which they staff with Indians skilled in fields such as coding and finance. That industry made \$65bn last year, with projections of around \$100bn by 2030.

Alongside the trade frictions is a huge falling-out on defence. For years India has accused Pakistan of tolerating, and in some cases abetting, jihadists who launch terrorist attacks from its soil. For

years America has told India that it shares these concerns. But the consensus seemed to crack during a brief conflict waged between India and Pakistan in May, sparked after terrorists murdered two dozen people in Indian-administered Kashmir. Initially America said India could take care of the situation itself. Then it made a u-turn, calling for “both parties” to stop launching missiles at each other. That made India feel as if it had been labelled an aggressor.

Indian anger grew even hotter when Mr Trump claimed to have struck a peace deal by threatening both sides with an American trade embargo. The American president then offered to mediate over the hotly contested issue of Kashmir. For decades India has furiously resisted any outside effort to meddle in its disputes with Pakistan. It said it stood down only because its goals had been achieved. Mr Trump, who dislikes being contradicted, has been doubling down on his claims to have brought peace. Around Delhi, analysts are keeping count of how many times he has repeated this boast; the number now sits above 40.

Worse, Mr Trump now appears to side more firmly with the Pakistanis (who say they have nominated him for a Nobel peace prize). That has forced India’s military planners to question long-held assumptions about how any future conflict might go. In June Mr Trump invited Pakistan’s army chief and de facto leader, Field-Marshall Asim Munir, to have lunch with him in the White House—a rare honour for any foreign soldier. Mr Trump has announced that America plans to help Pakistan exploit oil and mineral reserves, and gloated that “one day” India might have to buy energy from its neighbour.



Up in arms

American-Indian defence ties will be hurt by this bust up. Over the past four years Russia has supplied 36% of all the arms India has imported. That is much less than two decades ago—in part because India worries that Russian support might be withdrawn if it finds itself at war with China. India is also insecure about the quality of its kit (both the home-made and the foreign-bought). China is selling Pakistan advanced weaponry; during the conflict in May, Pakistan is thought to have shot down five Indian fighters using Chinese-made jets. India needs to keep up.

Until now, tilting closer to America on military matters had seemed a safe bet. The two sides are supposed to be tightening co-operation through their involvement in the Quad, a security group also comprising Australia and Japan. This year America and India are due to sign an overarching defence “framework” governing military ties over the next decade, which it is assumed would lead to more joint exercises and grant India access to the snazziest gear. They are also putting the finishing touches to a deal, announced in 2023, for America to help India produce jet engines for fighter planes. This kind of co-operation between the two countries was a priority under Joe Biden’s administration; now the direction of travel is less clear.

Where will things go next? In Delhi there is some hope that Mr Trump’s ire with India may prove transient. If he starts making

satisfactory progress in his peace talks with Russia, one reason to punish India for buying its oil might swiftly go away. The deals that America has signed with other Asian countries do not suggest that market access for agricultural firms really is a priority for his administration. But India's sensitivity to lectures from foreigners means that trust between the two countries may have taken a lasting knock.

India's response is likely to mix three different strategies. The first is to keep pushing for some kind of accommodation with Mr Trump. So far it has chosen not to retaliate against American tariffs, nor even much to criticise the president himself. America appeared to cancel trade talks scheduled for August 25th, but there is speculation that Mr Modi will try to meet America's president on the sidelines of the UN General Assembly in September. "On issues of absolute national interest, I think that India will stand its ground," says Nirupama Rao, a former Indian ambassador to America and foreign secretary. "Where India can afford to make concessions on the trade front, I think it will do that."

Try promising the world

Mr Trump looks helpfully susceptible to pledges of big investments; in recent months "many countries have gotten off the hook by promising things that they are never going to deliver", reckons Joshua White of the Johns Hopkins School of Advanced International Studies. India could, if it is willing, somewhat step down its imports of Russian oil without incurring too much harm; this no longer trades at a great discount from less controversial crude. "What Mr Trump seems to want is the ability to say he has pushed India into something," suggests Tanvi Madan of the Brookings Institution, an American think-tank. Though for India, granting that would not be easy.

India's second strategy will be to draw closer to its other foreign friends. "We can make a virtue of being non-aligned now," says Mr

Sarna. India had already been trying to open up new markets. Since 2021 it has signed off half a dozen trade deals, including one with Britain. It soon hopes to ink one with the EU. For weaponry, it could depend more on France or Israel, which together already supply around 46% of its arms. On August 22nd India announced that a French firm will help it produce engines for homegrown fighter jets.



In need of steely conviction

In recent weeks India appears to have been cementing its ties with Russia—the opposite of what Mr Trump appears to want. Since America levied its new tariffs, Mr Modi has twice spoken to his “friend” Vladimir Putin on the phone. On August 21st Subrahmanyam Jaishankar, India’s foreign minister, met Sergei Lavrov, his Russian counterpart, in Moscow; the pair said their countries were aiming to increase bilateral trade. Mr Putin will be attending the SCO summit in Tianjin, too. And there are plans for India’s government to host him in Delhi before the end of the year.

As seen by Mr Modi’s upcoming trip, relations between India and China are thawing, too. For years the countries exchanged no tourists whatsoever. It remains impossible to fly directly between Delhi and Beijing. But last year the two came to an understanding over their border dispute, which in October allowed Mr Modi and Mr Xi to shake hands on the sidelines of a summit in Russia.

Talks between the two countries are now moving to economic matters. Since the clashes in 2020, India has turned away much Chinese investment, and it has refused to grant visas to some Chinese executives. Yet during this period the amount India imports from China has only gone up. In the year to March India bought about \$114bn-worth of goods from its northern neighbour, about 75% more than five years ago (only about \$14bn-worth of stuff went the other way). Much of what it buys are inputs that are essential to Indian industry. Indian pharmaceutical companies rely on China for some 70% of precursor chemicals, for example. The smartphones that India exports require a lot of imported components.

Flows of money and know-how from China could bolster Indian industry, so that it could develop its own advanced-manufacturing sector and reduce reliance on imports. India's government understands this, but had been loth to relax investment curbs while trade negotiations with Mr Trump were still going on. With those talks now in the doldrums, a slightly freer stance on China is back on the cards.

There is yet one more way in which India might respond to its humbling at the hands of Mr Trump. It could choose to accelerate long-needed changes at home that might help it resist such bullying down the line. "India's fundamental response to Trump's tariffs should be to unleash a fresh dose of economic reforms," writes Nitin Pai of the Takshashila Institution, a think-tank in Bangalore. Ms Madan at Brookings agrees: "You can demand status; you can expect status; but the things that will give you status are growth and capabilities."

Tackling [domestic problems](#)· that weigh down the economy would help. India already makes a lot of its own weaponry and has ambitions to make much more; if it is determined to produce arms that compete with American or Chinese ones, it cannot afford to let a single rupee go to waste. For the moment India looks buffeted by

decisions being made in foreign capitals. Yet this moment of reckoning could bring India closer to the days when no one will dare push it around. ■

<https://www.economist.com/asia/2025/08/28/a-defining-test-looms-for-india>

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Borne out of bullying

Will a harsher world accelerate India's reforms?

Narendra Modi needs a new approach after Donald Trump's tariffs

Aug 28, 2025 02:20 PM | Delhi



Not yet riding high

“WHEN WE GROW and excel,” Narendra Modi said in a speech on August 15th to mark the 78th anniversary of India’s independence, “the world will acknowledge our worth.” It was the Indian prime minister’s first major public address since Donald Trump decided to punish the country for its use of Russian oil by doubling tariffs on various goods. He struck a defiant tone, insisting that India would take its seat at the top table by becoming stronger at home. “We have resolved to accelerate the journey of reform,” he added.

Mr Modi, an economic reformer, wants India’s GDP to reach \$10trn by the centenary of its independence, in 2047 (currently it is \$4trn). That would give it “developed-country status”, and give it even more global heft. But meeting that goal means sustaining India’s current growth rate for more than two decades—at a time when the world economy is slowing and countries are erecting trade barriers.

India has unique strengths: a vast pool of cheap labour, masses of untapped talent and a huge internal market. Yet its problems are

enormous, too. Its companies are still held back by restrictive laws. Its rural people are chronically underemployed. Its cities are ill-prepared for mass urbanisation. Having lost his majority in national elections held last year, Mr Modi's appetite for tough reform had seemed diminished; even his supporters had begun to suggest that states would have to take the lead. The question now is whether an external shock will be a catalyst for change.

It would not be the first time. In recent weeks there has been chatter about “another 1991 moment”. That was the year when a balance-of-payments crisis triggered a wave of liberalisation, in which capital controls were lifted, and the dismantling of the “licence raj” began. In part, the comparison reveals how far India has already come. In 1991 the country was left on the verge of bankruptcy; with no money to buy oil, its economy ground to a halt. Almost half the population was living in extreme poverty; today it is less than one in 20. And India will soon be the world’s fourth-largest economy.

Mr Modi has contributed to India’s successes in three areas. The first is economic stewardship. In his first term he reformed the banking system, forcing banks to clean up their balance sheets. On his watch the government has controlled spending, and the Reserve Bank of India (RBI) has held inflation and interest rates down. India’s balance-of-payments is now much less fragile. The day before Mr Modi’s speech, S&P, a credit-rating agency, rewarded India with its first sovereign-credit rating upgrade in almost 20 years, raising it to the same grade as Greece.

The second success is infrastructure, where Mr Modi has poured money into roads and railways. India’s cities have been linked up with 50,000km of new main roads, expanding the network by 60% in a decade. Along with the introduction of a national goods-and-services tax (GST), that has created the foundation for an internal market which could one day rival China and America.

Third is digital, where Mr Modi developed reforms initiated by the previous government. As a result, almost all Indians now use Aadhaar, an online-identity system, and other digital-public systems to get government services, and make and receive payments. Last year these transactions almost hit \$3trn.

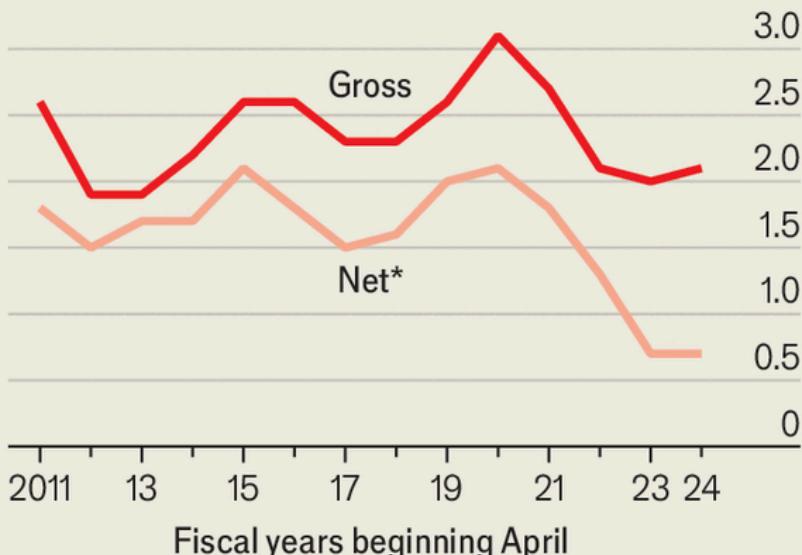


Helped by all this, growth has ticked along at almost 6% a year under Mr Modi (see chart 1). Yet under the bonnet there are problems. The most obvious is that the economy is not creating enough jobs, which risks turning India's demographic boom into a burden. Government survey data show that labour-force participation has been climbing steadily, reaching 55% last quarter. Yet some analysts worry this is misleading, because it counts unpaid jobs. Almost a fifth of under-30s in cities are unemployed.

Time to up the ante

2

India, inflows of foreign direct investment, % of GDP



*After deducting repatriations and divestments by foreign firms

Sources: Reserve Bank of India; World Bank

The economy has bounced back from the pandemic, but private corporate investment is still weak. In 2024 it was just 12% of GDP, lower than during an investment boom in the 2000s. Ram Singh, a member of the RBI's monetary policy committee, says a low ratio of capital expenditure to operating margins is a sign that firms lack confidence. Foreign direct investment (FDI) inflows rose to \$81bn last year, but that has been offset by higher repatriation and firms exiting the country, which means net FDI has fallen (see chart 2).

And Mr Modi's successes have been double-edged. His infrastructure splurge has been delivered rapidly, through a handful of favoured national champions. Yet such cronyism probably helps to explain other firms' unwillingness to invest, says Raghuram Rajan, a former head of the RBI. Digital infrastructure allows politicians to hand money directly to the poor, cutting out the graft of middlemen and helping to reduce poverty. Yet some fear that the model is working too well, encouraging a welfarism that eats into

budgets, particularly as state-level politicians grasp its electoral power. Karnataka now spends one sixth of its budget on handouts.

Can they be friends again?

Many in Delhi hope that Mr Modi and Mr Trump will patch things up. V. Anantha Nageswaran, the government's chief economic adviser, said he believes the impasse "will not continue for too long", and that the damage will be confined to this financial year. Either way, he thought India's economy will remain "dynamic", not "dead", as Mr Trump claimed.

But if India's relationship with America remains rocky, these underlying problems will be sharpened. The consequences are most obvious for manufacturing. In Delhi there had been hopes that India was well-placed to benefit as firms sought to diversify their supply chains away from China. The best example was Apple, which already makes one-fifth of its iPhones in India (electronic goods are exempt from American tariffs). Yet if the tariffs on other goods remain, India will be unable to compete with Bangladesh and Vietnam in areas such as garments and textiles.

The ructions have not extended to the IT services and tech industry. If they did, that would be more damaging, given that India depends on America for customers and technology. A broader debate is under way about how AI will shake up the sector. Last month TCS, the country's largest outsourcer, announced plans to lay off 2% of its workforce—a move some interpreted as a sign that AI could eat Indian firms' business. Yet others say AI will be a boon for India. "This is the place where you can hire engineers at scale and cheap," says Ridham Desai of Morgan Stanley, a bank.

Mr Modi has already responded to American bullying. The most serious measure in his speech on August 15th was the simplification of GST, which is complex and vulnerable to fraud. The four main existing rates will be reduced to two. That will come

into effect in October, alongside an income-tax cut. This should lift consumption·.

On August 19th the government announced the remit of a new committee tasked with making it easier to do business and removing the threat of criminal penalties for even minor mistakes. Sanjeev Sanyal, a member of Mr Modi’s economic advisory panel, points to a bill that will decriminalise more than 300 provisions—including arcane laws that criminalise selling biscuits labelled with the wrong weight. There is talk of the government “dusting off” other reforms that were shelved after the election, says an analyst at a large asset manager.

A burst of deregulation would be the best way to realise another 1991 moment, Anand Mahindra, a tycoon, has suggested. He thinks Mr Modi should also work with states to make India more attractive to foreign investors. Reform of “factor markets”, particularly land and labour, will also be essential. Others note that investment and dynamism are held back by slow-moving courts and regulators.

Even if the appetite for reform is there, Mr Modi faces several big trade-offs. The most obvious is the risk of an electoral backlash. Over the past decade he has repeatedly proposed pro-growth policies only to be rebuffed. Most recently he was stung by a massive wave of farmer protests in 2021, which forced him to abandon agricultural reforms.

Second is the tension between creating a more “self-reliant India” and finding new markets and customers abroad. Speaking after Mr Modi’s speech, Mr Nageswaran insisted the two goals were “not in contradiction”. Yet the risk is that the lasting effect of Mr Trump’s antics will be to push India to turn inwards. India’s bureaucratic machine has long been sceptical of opening up. Insiders say it has regained influence recently.

The third challenge is constitutional. After three decades of top-down reform, India's biggest problems cannot be solved in New Delhi. Land, labour and agriculture are all either shared or devolved matters. Mr Modi's method, of trying to bypass the states and force changes through, has not worked. Land reforms were abandoned; new labour codes were passed but not implemented. Many chief ministers of states—with small budgets, high debts, and their own elections to think about—could not see what was in it for them.

Upping the states

This may change. While states such as Gujarat, Karnataka and Andhra Pradesh have long been reform-minded, they were all outpaced last year by Tamil Nadu, which grew at a blistering 11%. This state has attracted the likes of Apple by adopting a pragmatic approach to land acquisition and labour relations. Telangana and Maharashtra, meanwhile, have adopted far-reaching electricity reforms that will end farmers' entitlement to free power by placating them with solar panels. With this change, says Mr Desai, the states will be able to stabilise their budgets and make power cheaper for firms, attracting investment and jobs.

Such developments hold up the prospect of a “competitive federalism” that could spur India’s next phase of growth. Yet to unleash that, Mr Modi would need to embrace fiscal federalism, an approach that goes against his instincts. Speaking on the ramparts of the Red Fort, he said: “If we choose this path, and if everyone chooses it, then no selfish interest will ever be able to entrap us.” Many will be watching carefully to see just what he means. ■

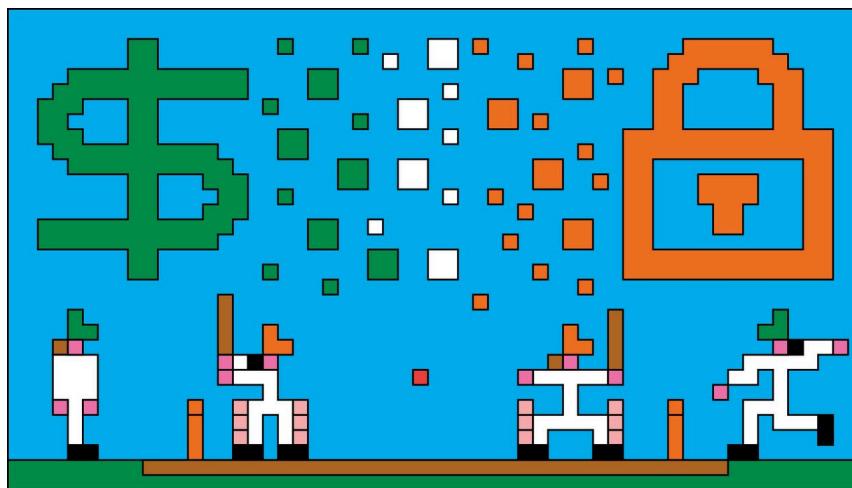
<https://www.economist.com/asia/2025/08/28/will-a-harsher-world-accelerate-indias-reforms>

All bets are off

India's government bans fantasy sports games

Heavy-handed regulation of a flourishing industry could backfire

Aug 28, 2025 12:58 PM



How quickly can you get rich in India? According to fans of fantasy-gaming platforms, such as Dream11, it is possible to do so in a matter of hours. Spend as little as eight rupees (ten American cents) ahead of a cricket match and a punter could win hundreds of thousands rupees if their virtual team ends up performing well on the pitch. The prospect, albeit unlikely, of such tantalising returns, combined with glitzy marketing campaigns featuring Bollywood stars, has lured 200m users to Dream11's platform since it started in 2008—more than the number of India's stockmarket investors.

The website is part of a booming industry. It includes more than 2,000 Indian startups. The firms' collective annual revenues were expected to double in the next three years, from around \$3.8bn currently. Such projections, though, have now been foiled by India's government. On August 21st India's parliament passed a bill banning all money-based online games. Offending operators face fines and prison terms of up to three years; banks that process transactions for them would also be punished. A day later India's

president formally signed it into law. Why the heavy-handed response?

India's government is concerned by the financial risks these games pose. The bill highlights their "manipulative design features" and "addictive algorithms", which could lead to "financial ruin".

Officials also fret that platforms could be gateways to fraud and money laundering: thanks to a combination of rapid economic growth, the proliferation of smartphones and cheap data, middle-class Indians increasingly have the means to have a flutter. Similar forces have driven a boom in stocks and options trading. But while trading those instruments still requires technical knowledge, fantasy cricket and card-based games are more easily understood, increasing the risk of excesses.

Gaming firms have long denied the government charges, insisting that their games are based on skill. An industry lobby has written to Narendra Modi, the prime minister, calling for "progressive regulation" rather than a ban. Several firms are in discussion about challenging the new law in the Supreme Court. For now, though, the ban will have far-reaching consequences. The industry has been a magnet for investment: Dream11's parent company has raised over \$1.6bn since 2008.

The demise of such companies could hurt several venture-capital firms at home and abroad. America's Tiger Global, for instance, has invested hundreds of millions of dollars in Dream11 and Games24x7, a card-games platform. Sports that form the basis of fantasy games may also suffer. Kabaddi, a traditional Indian team sport, has attracted more viewers and investment in recent years, partly thanks to interest in Kabaddi-related fantasy games. A ban would curb that.

Yet the biggest loser may be the state itself. The Indian gaming-industry body claims that gaming firms contribute more than 200bn rupees annually in taxes (around 0.8% of all tax receipts). It is

unclear whether the public-health and social benefits from an outright ban will compensate for the loss of revenue. Some are concerned that gamers could instead just get their kicks from shady, unregulated offshore outlets—many of which are already easily accessible from India. That would do little to quell worries about public health and could exacerbate problems such as money laundering.

There has been little public deliberation over the costs and benefits of the bill. The gaming-industry body complains that it was not consulted. The lower house of parliament took just seven minutes to pass the legislation after it was proposed. Just as in high-stakes games, it took only a few moments for fortunes to turn. ■

<https://www.economist.com/asia/2025/08/24/indias-government-bans-fantasy-sports-games>

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Banyan

Narendra Modi's secret weapon: the Indian consumer

Low inflation, tax cuts and falling interest rates will boost an economy hit by tariffs

Aug 28, 2025 12:58 PM



WHEN IT RAINS it pours. In August some parts of India received as much precipitation in one week as they usually do all month. Delhi, India's capital, escaped the worst of the weather. But politically, it has been a stormy spell for Narendra Modi, the prime minister.

The month dawned with the government reeling from a 25% tariff announced by President Donald Trump at the end of July, a mere point below the original "reciprocal" rate set out in April. A few days later Mr Trump slapped another 25% on India, purportedly to punish it for buying Russian oil. It was a triple blow for Mr Modi. The 50% rate, which came into force on August 27th, will damage India's ambitions of growing into an export power. It is a hit, too, to the prime minister's carefully crafted strongman image. And it is a personal blow for a leader who thought he had cultivated a bond with Mr Trump.

The government is under pressure on the domestic front as well. A hasty revision of the voter list in the eastern state of Bihar, which holds elections later this year, has been criticised by opposition figures as an exercise in disfranchisement. Separately, Rahul Gandhi, the leader of the opposition, pointed to what he called irregularities in last year's general election and accused the Election Commission of India, a constitutional body, of colluding with the ruling party (which it denies).

Yet for all the gathering clouds, Mr Modi still has reason to feel sunny. Electoral lists in a poor *mofussil* (or rural) state do not set the public's pulse racing, and in any case the pro-Modi media have hardly played up the allegations. The humiliation meted out to India by Mr Trump, though harder to gloss, has put Indians' backs up and allowed the government to reassert its long-standing claim of working to make India "self-reliant". But it is not just his skill at defensive play that should give Mr Modi cause for cheer. It is that things are looking up in the one place voters care about more than any other: their wallets.

One big reason is inflation. Prices in July rose 1.6% year-on-year, the lowest in eight years. That is partly the result of a good winter harvest, which has kept the price of staples and vegetables low. An ample monsoon and a good summer sowing season suggest the trend may last. Analysts expect inflation to remain subdued well into next year.

A little under half of India's workforce toils in agriculture. Good harvests are reflected in real agricultural wage growth, which hit an eight-year high of 4.5% year-on-year in May, according to Goldman Sachs, a bank. That in turn spurs consumption in the countryside. The rural economy is showing signs of strength after an anaemic post-pandemic period. Government welfare spending, especially targeted at women, has helped, too.

Falling inflation also creates space for India's central bank to lower the cost of money. Headline interest rates have fallen one percentage point already this year, and some analysts expect another 0.25% cut by December. Leveraged Indians, especially those with mortgages, now have more money to spend.

The ruling party cannot take credit for the monsoon or rate cuts. But it can for a tax bung aimed at middle-income earners. Starting this financial year, which runs from April, anyone earning up to 1.2m rupees (\$13,700) will pay no income tax, a rise from 700,000 rupees. That covers more than 85% of people who file tax returns.

A different tax cut will have even more impact. On August 15th Mr Modi announced a long-overdue reform of India's goods-and-services tax, to be implemented by Diwali, which this year falls in late October. The tax, introduced in 2017, is an unwieldy mess of four rates. It will be simplified to just two—5% for essentials and 18% for everything else (plus a 40% sin rate for a handful of items). Taxes on everything from shoes to cars are likely to fall.

The combination of lower inflation, interest rates and taxes will boost Indian consumption—which accounts for 61% of GDP. For the government, that will help compensate for the hit the economy takes from American tariffs. And for consumers, talk of electoral lists and declining exports will seem abstract compared with the feel-good factor of buying a new washing machine or dining out somewhere nice.

By Diwali, the monsoon will have receded and the skies will once more be clear. As for being a political weather-maker, voters may just credit Mr Modi for bringing out the sun. ■

<https://www.economist.com/asia/2025/08/28/narendra-modis-secret-weapon-the-indian-consumer>

China

- **On parade in China: Putin, the PLA and purges**

Troops, tanks and missiles in Beijing :: Military pomp follows the removal of top military commanders

- **Chinese courts can bar even those not accused of crimes from leaving the country**

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- **Something is amiss in China's foreign-affairs leadership**

Purges :: Diplomats are disappearing at an extremely busy time

Troops, tanks and missiles in Beijing

On parade in China: Putin, the PLA and purges

Military pomp follows the removal of top military commanders

Aug 28, 2025 02:50 PM



DONALD TRUMP'S military parade astounded Chinese viewers in June. The sloppy marching, the corporate sponsorship, the paltry crowds: how could the world's greatest military power put on such a tawdry display? China's parades are minutely choreographed extravaganzas designed to inspire awe and respect. Expect no less when China holds its first in six years on September 3rd. But China's tattoo, like Mr Trump's, will reflect the insecurities of its leadership. Impressive though the display will be, it will mask turbulence in the high command.

Since the last parade in 2019, the world's largest armed forces—about 2m strong—have grown much more muscle. They have gained an array of new weapons from hypersonic missiles and stealth fighters to a much-expanded nuclear arsenal: its number of warheads has doubled. At the same time, strategic rivalry with America has grown more intense. China's leader, Xi Jinping, will use this occasion to signal to America the perils it could face, should war break out between the two great powers, and to Taiwan

that it would be wise to come to heel. It comes 16 months before an important deadline that American officials believe Mr Xi has set: by 2027 the Chinese armed forces, known as the People's Liberation Army (PLA), must be ready to take Taiwan if ordered.

This will be the third military parade in Beijing since Mr Xi took power in 2012. Officially, it will commemorate the 80th anniversary of the end of the second world war. It marks the day in 1945 when Japan surrendered to Allied forces, ending a 14-year occupation of much of China that left some 20m Chinese people dead and laid the ground for the Communist Party's victory over China's Nationalist army four years later. Mr Xi sees such victory parades as a way to legitimise Communist rule by playing up the party's role in defeating Japan (despite the Nationalists having done most of the fighting). At the same time Mr Xi wants to show that China is moving towards "national rejuvenation" with weaponry that is state-of-the-art and, crucially, home-made. (In a brief conflict between India and Pakistan in May, modern Chinese fighters and missiles—deployed by Pakistan—were used in combat for the first time and performed well.)

The guest list is designed to flaunt China's global diplomatic clout. Vladimir Putin, the Russian leader, will be there, displaying the strengthening of military ties between the two countries since Russia began its full-scale invasion of Ukraine in 2022. Western leaders and their closest allies will stay away, as most of them did in 2015 when China staged its first big parade marking the end of the world war. But more than two dozen other leaders are supposed to attend, including North Korea's Kim Jong Un. Indonesia and Malaysia are expected to send heads of state or government for the first time, indicating how "swing states" in Asia are hedging their geopolitical bets even as America presses them to choose sides. China's goal is to show that such efforts will fail. It hopes to sap Taiwan's will to fight and embolden isolationists around Mr Trump.

Much of the weaponry on show is designed to target American naval forces in the western Pacific. Rehearsals included what appeared to be four new supersonic or hypersonic anti-ship missiles. “The advantages these weapons bring may be determinative” in a Taiwan conflict, says Brendan Mulvaney of the China Aerospace Studies Institute, an American air-force think-tank. America, by contrast, has been underinvesting in comparable armaments, he says. The rehearsals also featured tanks with uncrewed turrets and other systems to defend against anti-tank weapons, such as American-made Javelin missiles (of which Taiwan has bought many). That shows how the PLA has learned from Ukraine’s mastery of asymmetric warfare, including the country’s highly effective use of Javelins against Russian forces.

But foreign analysts will also be looking at who is missing from the show. While there is no immediate threat to Mr Xi’s leadership, recent purges suggest deep-rooted corruption or other indiscipline within the PLA. More than 20 senior officers have disappeared or been dismissed since Mr Xi began a third term as party leader in 2022. They include three of the seven members of the Central Military Commission, which controls the PLA and is chaired by Mr Xi. The most recent example, He Weidong, last appeared in public in March. If his downfall is confirmed, he would be the most senior uniformed officer to be deposed since 1967.

Creating confusion

Relatedly, there are signs that Mr Xi’s decade-old campaign to modernise the PLA is facing headwinds. The purges started in the Rocket Force, which operates China’s conventional and nuclear missiles, but have since encompassed its equipment-development and political departments, as well as state-run defence manufacturers. Meanwhile, the PLA is struggling to attract enough recruits with the technological skills to operate new equipment. And its ground, air, sea and other forces still have difficulty working together in combined operations. Adjusting to Mr Xi’s

reforms has been a huge challenge for PLA personnel, says Eric Hundman, director of research at BluePath Labs, an American research company that studies the PLA. “It leads to stalled career paths, the need for retraining, new procedures and tactics, and new bureaucracies to learn how to navigate,” he says. The purges “make all of that uncertainty worse”.

In such a secretive political system, uncertainty is ever-present. Mr Xi, who is 72, has lately been less visible. He does not appear in public as much and the party commissions that he formed (and chairs) to bypass state bureaucracy meet less frequently. That is probably a deliberate move to delegate responsibility to loyalists, rather than a reflection of diminishing power. But Mr Xi may hope that flaunting his role as commander-in-chief will help to quash speculation. He will follow the choreography of previous Chinese leaders on such occasions by delivering a speech from the Gate of Heavenly Peace overlooking Tiananmen Square and then reviewing the thousands of troops. “Greetings, comrades!” he will say, assuming he follows usual protocol. “Greetings, leader!” they will respond in resounding unison.

“Just having this exchange, although it’s very ceremonial and very symbolic, shows that the PLA owes allegiance to one person and one person only,” says James Char of Singapore’s Nanyang Technological University. The reminder is a timely one for Mr Xi’s military commanders after the purges. It could be good for morale among the rank and file, too.

Ultimately, though, such theatrics say little about China’s readiness for war, given its lack of combat experience (the last war it fought was in 1979). And in many ways, the spectacle will reflect some of China’s greatest weaknesses: the concentration of power in a single man and its stress on performance, sometimes to the neglect of substance. That is food for thought, perhaps, for anyone in America who might be watching with envy. ■

<https://www.economist.com/china/2025/08/28/on-parade-in-china-putin-the-pla-and-purges>

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No way out

Chinese courts can bar even those not accused of crimes from leaving the country

Both foreign executives and political dissidents have been affected

Aug 28, 2025 12:58 PM



GAO JIA, a seven-year-old American from New York, might not start his second year at school this September. During a family visit to China last August, his father, a Chinese artist called Gao Zhen, was arrested for “slandering heroes and martyrs” (Mr Gao is the elder of the well-known “Gao Brothers”, whose sculptures often mock Chairman Mao). The boy has not been accused of wrongdoing; neither has his mother, Zhao Yaliang. But in China, family members can be punished for the alleged sins of a relative. Ms Zhao is under an “exit ban” that stops her from leaving the country. With both his parents stuck in China, Gao Jia is also unable to leave.

Many countries use exit bans to stop people accused of crimes from escaping justice, but the bar is usually high. In China they are slapped on everyone from dissidents to foreign executives involved in business disputes. Many exit bans are not made public so it is hard to tell how many people are affected. But courts seem

increasingly willing to impose them. An official database of judgments that have been made public contains records of more than 54,000 bans last year, up from some 24,000 in 2022 (see chart). Anecdotally, it seems that a growing number of foreigners are being targeted.



In the database, almost all cases involving exit bans relate to civil disputes, not criminal activity. The bans it documents are often ones requested by creditors of a struggling business who want the owner to stay in the country until the firm's debts are settled. But an exit ban can be applied for by "virtually anybody", says John Kamm of the Dui Hua Foundation, an American NGO. "You have no idea that you are the one who might be banned." An expanding legal net is increasing the chance of ensnarement: China now has at least 18 laws allowing exit bans. Five have been passed since 2018, including new legislation relating to corruption, fraud and scams that involve telecoms.

The way bans are applied is opaque. They can be imposed on family members only if they are needed as witnesses, but in practice relatives are often barred from leaving for no apparent reason other than to put pressure on someone involved in a court case. Ms Zhao found out she was stuck in China only when she and her son were stopped while trying to go through passport control at an airport. Once in place, bans can last years. It is very difficult to contest them.

They are adding to strains in Sino-American relations. In April an employee of America's commerce department was banned from leaving China after being interrogated by officials from China's spy agency, the Ministry of State Security, according to the *New York Times*. In July Wells Fargo, an American bank, suspended all business travel to China after one of its employees, a Chinese-born American citizen called Mao Chenyue, was prevented from leaving the country (China's foreign ministry has said she is involved in a criminal investigation, without giving further details). Dui Hua estimates that more than 30 Americans in China were subject to exit bans last year.

Some of these cases may relate to China's stepped-up efforts in recent years to stamp out graft. When bosses of state-owned enterprises are being investigated, exit bans are sometimes imposed on people who have had dealings with them, including foreigners wanted as witnesses. Such people should be wary of this risk, says James Zimmerman, a lawyer in Beijing and former chairman of the American Chamber of Commerce in China.

For now, Gao Jia is going to a primary school in Yanjiao, a town near Beijing. Since May, all letters to him from his father have been withheld by Chinese officials, according to his mother, Ms Zhao. Her husband's trial is expected to begin soon, she says, and could result in a three-year sentence. When the proceedings are over, Ms Zhao hopes to be allowed to return to America with her son. ■

<https://www.economist.com/china/2025/08/25/chinese-courts-can-bar-even-those-not-accused-of-crimes-from-leaving-the-country>

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Purges

Something is amiss in China's foreign-affairs leadership

Diplomats are disappearing at an extremely busy time

Aug 28, 2025 12:58 PM



CHINA'S DIPLOMATS are working hard. On August 31st more than 20 world leaders will join President Xi Jinping in the northern city of Tianjin for a two-day meeting of the Shanghai Co-operation Organisation, a security forum. Among them will be Russia's Vladimir Putin (a frequent visitor), India's Narendra Modi ([a rare one](#)) and North Korea's Kim Jong Un, who seldom goes abroad. In recent days Donald Trump said he would visit China "probably during this year or shortly thereafter". It would be the first such trip by an American president since 2017, when Mr Trump was last there. Great-power relations are in flux.

Oddly, however, one of China's most senior foreign-affairs officials, Liu Jianchao, is nowhere to be seen. Mr Liu heads the Communist Party's International Department and, at least until recently, had been widely tipped as the next foreign minister. The department's website still names Mr Liu as the organisation's chief. But it does not list any of his activities since July 30th, when he

visited a senior politician in Algiers (the department's job is to build ties with foreign political parties). That is unusual. He had more than 30 meetings in August 2024, the website shows. For him, it was a typically busy month.

Mr Liu's disappearance was first reported by the *Wall Street Journal* on August 10th. The newspaper said he had been detained for questioning. Reuters news agency also said he had been taken away, quoting "five people familiar with the matter". Both reports stated that the reason was unknown. Reuters later said that one of Mr Liu's deputies, Sun Haiyan, had also been questioned. Ms Sun reappeared at an event on August 15th and has since had other meetings with foreigners, suggesting her troubles, if any, are not as great as her boss's.

If Mr Liu fails to re-emerge, it would mark another purge at the top of China's foreign-policy establishment following the disappearance of China's then foreign minister, Qin Gang, in June 2023. He was replaced the following month by his predecessor, Wang Yi. Officials have still not explained why, though rumours abound about his private life. Last year Mr Qin was also removed from the party's Central Committee.

Western officials would not cheer Mr Liu's downfall. A fluent English-speaker who studied at Oxford University, he avoided the aggressive "wolf-warrior" style of diplomacy once voguish among Chinese diplomats (it has receded in the past couple of years). "It is unimaginable that China and the United States would engage in armed conflict," he said, days before he disappeared. An ability to charm foreigners, however, will not impress the party's investigators. ■

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Guns for hire

Putin's botched African adventure

Two years after Yevgeny Prigozhin's death, the Wagner Group is in meltdown in Mali

Aug 30, 2025 08:20 AM | Bamako



IN EARLY AUGUST more than 200 crates of manuscripts arrived in Timbuktu, the city in Mali famous for its ancient scholarship. The papers were squirrelled away in 2012 to protect them from jihadists. For the ruling junta, which took power in a coup in May 2021, and the Wagner Group, the Russian mercenary outfit that came a few months later, the manuscripts' return is proof of success. They claim the insecurity that has plagued Mali for more than a decade, and which the West ostensibly did too little to stop, is at last being tackled.

The reality is different. Security in Mali, as in the rest of the Sahel region where there have been several coups in recent years, is getting worse. Unlike in other African countries where they have operated, such as Sudan and the Central African Republic (CAR), Russians have failed to enrich themselves by exploiting minerals. But their brutal ways have caused tensions within the Malian army. These spilled into the open on August 11th when dozens of

soldiers, including generals who had criticised Wagner, were purged. The saga is a reminder that, for all the worries about Russia's meddling in Africa, its approach has severe limitations.

The rise to power of Assimi Goïta, the “interim” president who this year extended his term until at least 2030, was initially welcomed by Malians fed up with escalating violence from jihadists and separatists. Many were attracted by his pledge to assert Malian sovereignty after decades of French influence. His junta accused France and a UN peacekeeping mission of being combat-shy. It hoped Wagner would be keener to fight and more willing to obey Malian command.



The Russians notched up early triumphs. In 2023 they helped the army win back control of Kidal, a northern city (see map). Yet that was a high point. Deaths in the country linked to jihadists averaged 3,135 per year from 2022 until 2024, compared with 736 over the previous decade, according to the Armed Conflict Location & Event Data group (ACLED), a monitor (see chart). Nearly 2,000 people have already been killed this year, suggesting an upward trend. JNIM, the pre-eminent jihadist network in the Sahel, is expanding its footprint. In recent months it has attacked economic

hubs such as Kayes, a town on the road to Dakar, the port capital of Senegal.

This is not solely Wagner's responsibility. Security was bad when it arrived. Some 2,000 Russian fighters are in Mali today, compared with around 5,000 French troops across the Sahel at the peak of a French-led anti-jihadist mission that began winding down in 2021, and 12,000 UN peacekeepers before the coup. Islamist violence is even worse in neighbouring Burkina Faso, where few Russians are deployed.



But the way Wagner operates is unsuited to counter-terrorism, as a report published on August 27th by the Sentry, an American investigative group, explains. Murdering ordinary Malians, it turns out, is a bad way to win over ordinary Malians. Informants have dried up. In the past year 80% of civilian deaths were at the hands of Malian soldiers or Wagner, rather than JNIM, notes ACLED. "They just kill people [they suspect] without verifying first," one soldier

told the Sentry. It argues that Wagner runs “open-air prisons” by blockading towns it believes contain jihadists. Russians have supported a militia that stands accused of ethnic cleansing. Increasingly, separatists and jihadists are working together against Wagner and the army.

Nobody hires Russian mercenaries for their love of the Geneva Convention. But Wagner has angered many in the army. The Sentry’s report says the group is racist towards Malians, takes army equipment without asking and defies commands. Russians get priority in evacuations, adding to disenchantment in the Malian rank-and-file. A military official told the Sentry that Wagner “are worse than the French, they think my men are more stupid than them. We have gone from the frying pan to the fire.” Wagner also seems to be a mediocre fighting force. Last year 84 Russians were killed by separatist rebels in a battle, after a sandstorm grounded air cover.

Nor has Wagner managed to muscle in on mining in Africa’s second-largest gold producer. The junta has resisted entreaties to transfer large gold mines run by Western firms. Instead the regime has used the Russian spectre to extract more money from the industry that provides more than half of tax revenues. “Assimi and his team are not fools. We did not reject one invader to open the door to another one, like they did in CAR,” says an official at the mining ministry. Wagner’s attempts to grab a smaller-scale “artisanal” sector have failed as well. Initially it was paid out of Mali’s security budget. Today the Russian state may be footing at least some of the bill.

Though there is little appetite for a return of the French-allied political elites toppled five years ago, the soldiers who were purged for complaining about the Russians were reflecting public sentiment. “I was one of the Malians who fiercely believed that this Russian presence would change something,” says an academic. “Today I am really disappointed.” A construction worker in

Bamako, the capital, reckons that “they lost 80% of their popularity because they cannot lead a country...the social fabric crumbles from day to day.”

It is less clear whether serious tensions extend to the top of the junta, raising the prospect of another coup. Some analysts suggest that Mr Goïta wants to diversify away from Russia (Sadio Camara, the defence minister, has closer links with the Russians). America may be betting as much. The Trump administration has sent officials to Bamako and other regional capitals to discuss the potential for security help and mineral deals. Turkey, a source of drones, is increasingly influential with Mr Goïta. Gulf states are active, too.

That hints at a problem for Russia. Wagner’s appeal was that it was willing to fight battles the West or the UN refused. But two years after the death of Yevgeny Prigozhin, Wagner’s figurehead, the Kremlin is reining it in. In June its presence in Mali was rebranded as Africa Corps, with a clearer line of responsibility to Moscow. This was a tacit admission of Wagner’s shortcomings. The junta may wonder why it should rely on a more risk-averse Russia, when it could forge closer ties to America or rising middle powers. When guns are for hire, African governments do not need to renew their leases.■

<https://www.economist.com/middle-east-and-africa/2025/08/27/putins-botched-african-adventure>

Unburied hatchet

The indecorous fight over a dead president's body

And what it says about African politics

Aug 28, 2025 12:57 PM | Cape Town



Dead, but not buried

WHO OWNS the body of a dead Zambian president? It is not a question that is asked very often. But it is vexing the southern African country run by Edgar Lungu from 2015 to 2021. His family has tried to have him buried in South Africa, where he died on June 5th. Zambia, led by his political rival, Hakainde Hichilema, wants him home for a state funeral, a wish endorsed by South Africa's highest court on August 26th. The episode underscores the political significance of funeral rites in Africa.

The Lungu family has resisted entreaties to send the corpse back because it does not want Mr Hichilema "anywhere near the body". That reflects a mutual animus. Lungu had Mr Hichilema jailed on spurious charges. Mr Hichilema's administration curtailed Lungu's post-presidential perks and charged members of his family with corruption offences (they deny wrongdoing).

Other motives are at play. The government does not want Lungu's party to use his coffin as a campaigning tool in next year's election.

The Lungu family may also see the location of the burial as a negotiating tool in their other legal battles. Most bizarrely, Lungu's political party has suggested that Mr Hichilema wants to use the body for witchcraft, an unfounded allegation. "This whole case has gotten out of hand," sighs an adviser to the president.

And yet Lungu's case is far from the first involving a cadaver and a power struggle. After Levy Mwanawasa, another Zambian leader, died in 2008, parties fought over the use of his coffin at political events. The family of Robert Mugabe, the Zimbabwean leader who died in 2019, still resists attempts to move his body from his village to a national monument, perhaps in the knowledge that his corpse is an asset in their battles with the regime. The deaths of presidents in Congo and Malawi were kept secret to influence political successions.

Lungu may be dead. But the dispute over his corpse lives on. ■

<https://www.economist.com/middle-east-and-africa/2025/08/28/the-indecorous-fight-over-a-dead-presidents-body>

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Bibi's deadly vacillation

Israel's prevaricator-in-chief

Netanyahu is concerned with both his immediate and long-term political survival

Aug 29, 2025 04:47 PM | JERUSALEM



ON AUGUST 24th, six months after being selected as the new chief of staff of the Israel Defence Forces (IDF), Lieutenant General Eyal Zamir broke publicly with his government's policy. On a visit to a naval base, he said the IDF had, in its previous operations in Gaza, "created the conditions for the release of the hostages".

His use of the past tense was a pointed message to Binyamin Netanyahu, the prime minister. Israel's most senior general opposes new orders he has been given to occupy Gaza city. He will obey, but he would rather see a ceasefire.

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

The absence of any clear strategy from Israel's government has led to tensions between the IDF and Mr Netanyahu's government throughout the Gaza war. In recent weeks the prime minister has taken his strategic prevarication to new levels. That is lethal for

Gazans and dangerous for the hostages. But Mr Netanyahu is driven, as ever, by fears for his own political survival. Increasingly, he is looking further ahead, to elections due by October next year.

Ending the war would prompt his allies to abandon him. But the IDF's opposition makes it hard for him to expand it as much and as quickly as the far right would like. In early July he told the IDF to start preparing a "humanitarian city", a tiny corner of southern Gaza where the entire population of 2.1m would be concentrated while Israel's troops destroyed Hamas in the rest of the territory. The IDF pushed back, calling the plan unfeasible and illegal.

Mr Netanyahu changed course, opting for a smaller-scale plan focused on Gaza city, now home to nearly half the population. General Zamir objected once again, but was overruled. The IDF has launched Operation Gideon's Chariots B but so far only manoeuvred on the outskirts of Gaza city. Mr Netanyahu alternates between urging haste and tolerating delay.

His vacillation is killing Gazans. For over two months his government blocked all aid from entering the strip. Then it promoted aid hubs run by the shadowy Gaza Humanitarian Foundation, aimed at circumventing international aid organisations which Israel claims are captured by Hamas. Hundreds of hungry Gazans were killed trying to get to the hubs. There is famine in wide areas of the strip.

Israel has since allowed international aid groups, private companies and criminal gangs to bring in very limited quantities of food. On August 22nd the Integrated Food Security Phase Classification, which monitors food shortages around the world, reported that parts of Gaza have reached famine levels of "starvation, destitution and death" (Israel has denied this, disputing the report's methodology).

The government's diplomacy has been similarly muddled. For months Israel has been engaged in indirect talks with Hamas aimed at securing a temporary ceasefire in Gaza in return for the release of half the hostages. This would have provided Gazans with some respite from Israel's attacks, which have by now killed at least 60,000 people there, mostly civilians. The negotiations broke down and Mr Netanyahu, who had originally insisted on a brief ceasefire, now says he will only agree to one that brings all the hostages home and ends the war on Israel's terms. A new temporary deal, brokered by Egypt and Qatar, to which Hamas has agreed, has received short shrift from his government.

Mr Netanyahu's focus is again not on peace, but on his own political survival, both immediate and longer term. His strategy is based on two things: keeping his far-right coalition together; and hoping that eventually "victory" in Gaza will revive public trust in his leadership.

So far he has succeeded at the first bit. He has clung to office by continuing the war and dangling before the ultranationalist parties the prospect of realising their dream of annexing Gaza and the West Bank. They grumble that he is not decisive or far-reaching enough, but realise that under any other prime minister Israel would have stopped fighting in Gaza long ago.

On the second, though, he is failing. The Israeli public seems to have turned irrevocably against its longest-serving prime minister. Mr Netanyahu was convinced last year's devastating campaign against Hizbulah, the heavily armed Shia militia in Lebanon, and the 12-day war with Iran in June, would show Israelis he was indispensable. But if anything those short, decisive wars highlighted the contrast with Gaza, where his government has dragged Israel into a bloody and unending morass against Hamas, a much weaker enemy. Three-quarters of Israelis support a deal to save the hostages and end the war. Hundreds of thousands have taken to the streets in recent days to demand one.

Decision time

Mr Netanyahu has paid them little heed. But by October 2026 at the latest, he will have to fight an election. The polls currently say he will lose. Rather than adjust course, he is doubling down on his hardline alliance, in the hope that, even if he fails to win a majority, a fragmented opposition will fail to form a coalition to oust him. That tactic has worked for him in the past but it is risky. It is reprehensible that political gamesmanship is Mr Netanyahu's main focus, while Israeli hostages remain in captivity, and Gazans starve and die. ■

<https://www.economist.com/middle-east-and-africa/2025/08/28/israels-prevaricator-in-chief>

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An ailing giant

No one is satisfied with Egypt's role in Gaza

Weak finances and security fears limit how much it can help with aid and reconstruction

Aug 28, 2025 12:58 PM | DUBAI



Not enough

THE FAMINE in Gaza was created by Israel, which has barred or limited deliveries of food since March. Rather than admit their culpability, though, Israel's defenders have spent weeks looking for someone else to blame. A favoured talking point is that Egypt could ease Gaza's misery if it simply allowed more aid into the territory. "Gaza has a border with Egypt," Eylon Levy, a former government spokesman, wrote on X, a social-media site. "This simple fact seems to evade most people who pretend to care about humanitarian access to Gaza."

Mr Levy ignored a few simple facts of his own. Since the start of the war, Israel has insisted on screening any aid that enters Gaza from Egypt. Lorries idle for weeks in Rafah, an Egyptian border town, before they are allowed to enter. And though Egypt does border on Gaza, the Palestinians do not control their side of it. The Israeli army seized it in May 2024.

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

The accusations are ironic. Egypt has worked with Israel to restrict the flow of aid into Gaza, only to be criticised by Israel for restricting that same flow.

Egypt is the most populous Arab country and was the first to recognise Israel. It is the only one to border Gaza. It ought to have a central role in trying to end the war, deliver aid and plan for reconstruction. Yet it has struggled to do so. Many Egyptians are furious that their president, Abdel-Fattah al-Sisi, seems so passive —but some of the reasons are beyond his control.

Start with the ceasefire negotiations. Egypt has at times tried to wrest them away from Qatar, the tiny Gulf sheikhdom that has long harboured leaders of Hamas. The two are rivals: though relations have improved in recent years, Mr Sisi has not forgotten Qatar's support for the Muslim Brotherhood-led government he deposed in a coup in 2013.

When Hamas agreed in August to a 60-day truce—after months of insisting on a permanent one—it did so in Cairo, not Qatar. Diplomats say the about-face was partly due to Egyptian pressure (the desperate conditions in Gaza were also a factor). “They made it clear that Hamas could not get a better deal,” says one Arab diplomat.

Still, that deal would pause the war, not end it. Egypt can warn Hamas that Gaza will not be rebuilt if it remains in charge, but it cannot compel the group’s recalcitrant leaders to disarm and cede power, which Israel says is a prerequisite for a lasting peace. Nor can it convince Binyamin Netanyahu, Israel’s prime minister, to risk his coalition by agreeing to end the war.

A second obstacle is financial. Last year the United Arab Emirates sent \$678m-worth of aid to Gaza. It was the largest single

contributor, accounting for 19% of aid tracked by the UN. Egypt, by contrast, has served more as a facilitator than a donor: with its crushing public debt (87% of GDP), it cannot match the Gulf states' largesse.

In March Egypt convinced Arab leaders to endorse its plan for rebuilding Gaza. Parts of the scheme are unrealistic: it envisions clearing 53m tonnes of rubble in just two years, for example. Still, it was the first serious attempt to plan for Gaza's post-war future. Yet here too, Egypt may find itself relegated to a supporting role. Its engineers may be eager to help rebuild Gaza. Someone else will have to pay for it.

Some Egyptians want their government to be more forceful—to send aid to Gaza without Israeli inspections, for a start. Egypt says it cannot. Agreements with Israel and the Palestinian Authority tie Egypt into the Israeli screening regime. Mr Sisi no doubt worries that a tougher stance towards Israel would upset his Western backers, particularly Donald Trump.

Opening the border would also exacerbate Egypt's own security concerns. Mr Sisi would like the Rafah crossing to be open, but only in one direction. Egypt has taken in more than 100,000 Gazans, many of whom paid enormous fees to cross the border. It fears that a chaotic border would allow many more to enter—Hamas militants among them. It also worries about being saddled with a long-term refugee crisis (Egypt already hosts around 1m people displaced from other conflicts).

It is an unenviable position. Egypt has offered haven to some Gazans, facilitated the delivery of 550,000 tonnes of aid and helped to implement truces and hostage deals. That is far more than most Arab states have done for Gaza. But it is not enough to satisfy many Egyptians, who are incensed that the war continues—nor, it seems, to satisfy critics in Israel. ■

<https://www.economist.com/middle-east-and-africa/2025/08/28/no-one-is-satisfied-with-egypts-role-in-gaza>

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The architecture of Syria's prisons

A haunting new view of Assad's brutality in Syria

It could one day be used in trials against members of the regime

Aug 28, 2025 03:46 PM | BEIRUT



AT AROUND FOUR o'clock in the morning on December 8th last year, gunmen stormed Sednaya prison, north of Damascus. They shot open cell doors, telling inmates that they had been freed. Some cowered in place, fearing a final trick by a crumbling regime, designed to lure them to their deaths.

Since Bashar al-Assad's fall, Syrians have begun to document and reckon with the half-century of repression that hollowed out their country. At the heart of that story are Syria's prisons, none more infamous than Sednaya.

A new digital project, the Syria Prisons Museum, is part of that effort. Created by a group of Syrian journalists and activists, the interactive website presents a comprehensive account of Sednaya's grim role in the Assad regime. Part memorial, part forensic archive, it is an immersive, harrowing experience. A 360° video tour takes the viewer through the execution rooms. Documents uncover the

macabre euphemisms used for prisoners' deaths. In video testimonies, surviving inmates recall the cruelty of the guards.

Both Hafez al-Assad and his son used Sednaya to lock up dissidents of all kinds, from communists to jihadists. But as Syria's peaceful uprising morphed into civil war, it was as much a place of execution as of incarceration.

For the regime's opponents, Sednaya was often the end of a labyrinthine journey through Syria's network of torture and interrogation centres. The project details that extensively. Most inmates had been sentenced to death or indefinite detention.

Execution was often by hanging, carried out in the early hours of the morning. Prisoners were sometimes starved in the days before; it meant they died more easily. If overcrowding meant hangings were not possible, guards often beat inmates to death or strangled them.

Nine months since the collapse of Mr Assad's rule, hundreds of thousands of Syrians are still searching for missing relatives. Little is understood about the workings of the regime's machinery of repression: its rules, its hierarchies or its logic. This archive offers some clues. It lists names of the officers who oversaw Sednaya, and describes in detail the legal process—or lack thereof—through which some people ended up there.

The project builds on earlier work by the same team, which mapped the detention system of the Islamic State (IS). That archive was later used as evidence in trials of IS members in Europe. If the Syrian regime's thugs are ever held to account, those working on the prisons project could be called on to testify.

This website will soon be available to all, from the families of Syrians still missing to human-rights lawyers and historians. Perhaps with it, a measure of accountability may one day follow. ■

The Syria Prisons Museum website will go live on September 15th.

<https://www.economist.com/middle-east-and-africa/2025/08/28/a-haunting-new-view-of-assads-brutality-in-syria>

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The Franco-German relationship

Time for some Merz-Macron magic

The leaders of France and Germany meet to kickstart Europe

Aug 28, 2025 02:50 PM | BERLIN AND PARIS



WHEN THE French and German governments gather in the Mediterranean port of Toulon on August 29th, the meeting will be heavy in symbolism. It will be the two countries' 25th joint cabinet meeting, a marker of the importance both place on their mutual ties. Toulon is a naval base, a key strategic point for the European Union's only nuclear-armed power. At a crucial moment for Europe's security, the event reaffirms what is still the EU's indispensable bilateral relationship.

Yet deep uncertainty will hang over the event. On August 25th François Bayrou, France's prime minister, called a vote of confidence for September 8th over his debt-reduction plans. His government may well fall. Emmanuel Macron will remain in charge of foreign affairs regardless. But instability at home makes the need to tighten the link between the leaders—Mr Macron and Friedrich Merz, Germany's chancellor—harder yet more urgent.

Happily, there are propitious signs for the renewal of a relationship that stalled under Olaf Scholz, Germany's chancellor until May. French dismay over Mr Scholz's decision to prioritise America over Europe, and a poor personal relationship between the two men, saw the Franco-German "motor" run out of juice. By contrast, Mr Merz, whose Christian Democrats (CDU) unseated Mr Scholz in February's German election, invested early in Mr Macron. His bold, sometimes surprising approach to policymaking—seen in his decision to loosen Germany's debt rules to fund a huge rise in defence spending—has impressed his French partner. The two have made a great show of their bond, issuing joint op-eds and travelling together to global hotspots such as Washington and Kyiv.

Last month Mr Merz, who has an eye for ceremony his predecessor lacked, ensured veal saddle and chanterelles were on the menu when he hosted Mr Macron at a villa on the outskirts of Berlin. On August 28th Mr Macron will return the favour, treating Mr Merz to dinner at his summer residence, the medieval fort of Brégançon on the Med. So far the chemistry between the two leaders, both former financiers who speak English together, seems unusually good. In private Mr Macron calls him "direct, simple, frank, aligned". Mr Merz has celebrated their "deep personal bond".

Besides the geopolitical crises of the moment—Ukraine, Gaza, Iran—two broad subjects will be on the agenda in Toulon: improving European competitiveness, and bolstering defence and security co-operation. The countries will announce a raft of joint "lighthouse projects" in areas like AI and quantum computing. A meeting of the revamped Franco-German defence and security council will also take place.

Mr Merz delighted French observers when he declared in February that Europe must reduce its dependence on America, apparently embracing Mr Macron's long-standing ambitions for European "strategic autonomy". Among other things, a quiet conversation has begun on the extension of France's nuclear deterrent to the rest of

Europe. German officials admit freely that merely discussing the details of deterrence is helpful in forging the strategic culture they have long lacked.

But whether Germany is ready to unshackle itself from America's security guarantees, and its off-the-shelf military kit, remains to be seen. "There is huge potential for disappointment on the French side," says Jacob Ross at the German Council on Foreign Relations. In Ukraine, as a debate over security guarantees gathers pace, Germany is unlikely to make a big direct contribution to policing any ceasefire. But the hope is that its financial and logistical support for Ukraine can justify the place it has sought in the "coalition of the willing" spearheaded by France and Britain.

The two leaders also know they need to broaden their alliances. France and Germany already work well with Britain on dealing with Iran's nuclear programme. They now want to revitalise the "Weimar triangle" with Poland; this week they joined Donald Tusk, the Polish prime minister, on a visit to Moldova to back its embattled pro-Western government. "Given the geopolitical challenges today, the Russian threat and the Trump administration, the Franco-German relationship alone is now insufficient," says Sébastien Maillard of the Institut Jacques Delors, a think-tank.

Inside the EU the pair appear to agree on the importance of slashing red tape and reducing the still-considerable barriers to trade, especially in services, within its single market. Progress on this in recent years has been glacial. They are slowly converging on the trade and security challenges presented by China, too.

Yet there are several points of disagreement. Mr Macron's unwillingness to approve the EU's trade deal with Mercosur, a Latin American bloc, has infuriated many in Berlin. France insists on amending the agreement to protect European farmers. The German view is that Europe, thumped by American tariffs, must seek partners wherever it can find them. Brussels insiders think a

workaround will be crafted that provides Mr Macron with the cover he needs to wave the deal through.

A yet trickier source of friction is over two military *grands projets* with troubled histories: the Main Ground Combat System, a next-generation battle tank, and, especially, the Future Combat Air System (FCAS), a complex aviation initiative interlacing a fighter jet, drones and a “combat cloud” communications system. Tensions have risen over what the Germans regard as a power-grab by French firms; last week the defence ministry warned that the jet was imperilled by demands from French industry for sole leadership. The two defence ministers have vowed to iron out their differences by the year’s end. But it is not obvious how political will can resolve industrial mistrust. French officials insist there is “no plan B”. But scepticism over the FCAS remains rife in Berlin.

Ever since Konrad Adenauer and Charles de Gaulle signed the Elysée Treaty in 1963, vowing to build an integrated Europe upon their post-war link, the strength of the relationship has depended on the respective leaders’ ability to overcome their differences. Today the two leaders not only share a desire to make the tie work, but understand each other’s domestic constraints. Mr Merz is unlikely to give voice to his government’s concerns over France’s unstable public-debt load, for example. Mr Macron has eased his calls for Germany to back a programme of common EU debt for defence.

But political capital as well as goodwill is needed, and neither leader has much. Less than four months in, Mr Merz’s hold on his coalition with the Social Democrats is wobbling, his break with fiscal orthodoxy has irritated many in his own ranks, and the hard-right Alternative for Germany is nipping at his heels. Mr Macron, whose presidential term runs until 2027, is in an even deeper hole. If his government falls, France will lose its third prime minister in just over a year.

Such troubles will not help Mr Macron and Mr Merz in their quest to make something of their renewed partnership, but they render the effort even more vital. “Our shared strategic interest outweighs our national differences,” says Roland Theis, a CDU MP. Europe is a fretful and vulnerable place right now, and needs a strong Franco-German link more than ever. The two leaders cannot afford to get it wrong. ■

<https://www.economist.com/europe/2025/08/28/time-for-some-merz-macron-magic>

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The flight of the flamingo

Ukraine shows off a deadly new cruise missile

But sceptics wonder if it is too good to be true

Aug 28, 2025 12:58 PM | KYIV



Heading Putin's way

EARLIER THIS month Ukraine unveiled a new cruise missile. With a declared range of 3,000km and a payload of over a tonne, the Flamingo packs a punch, on paper. If even half the claims hold, it has the potential to deal serious damage to targets almost anywhere in European Russia. Appearing in the middle of lumbering peace talks, the bird may help encourage Vladimir Putin to lay down arms. All the more striking, therefore, that the process of entering mass-production took just nine months, rather than the usual years or even decades, and was led by a management team that claims to have had no previous defence-industry experience. “I was very sceptical at first,” says one of the officials overseeing it, “but when I saw the missiles, I was stunned.”

Representatives for Fire Point, the company behind Flamingo, say the missile began life as a napkin scribble in late 2024. At the time Ukraine was desperate to build a long-range deterrent. In September that year Volodymyr Zelensky made a bold and then-

secret request to Joe Biden for American Tomahawk cruise missiles as part of his “Victory Plan”; the Biden administration replied sharply in the negative. Few dared believe that Ukraine’s domestic missile programme could produce the goods fast enough.

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

Fire Point, a new private company, says it was able to confound expectations by going back to basics. A representative says their engineers were inspired by historic models like the German v-1 and the Soviet Strizh, both of which mirror the Flamingo in mounting the engine above the main body. The name began as an in-house nod to the women in top positions: the test prototypes were even painted pink.

Much of what is known about the missile comes from scraps; grainy videos and the specifications of an apparently identical “FP5” missile, presented at a weapons show in the United Arab Emirates in February. It isn’t clear why the missile was presented there, or how exactly Fire Point is related to the Emirati outfit that put it on show. A British associate of the same outfit is already known to be supplying weapons to Ukraine. A spokesman for Fire Point claims the company cannot comment for security reasons. “Our idea in February was successful—that’s all I can say.”

The production process appears to be at least partially carried out abroad, but “over 90%”, the company says, of final assembly is in secret sites dispersed throughout Ukraine. The body is made of fibreglass, making it harder to spot than metal would be. The engine appears to be an AI-25 turbofan produced by the Motor Sich design bureau in Zaporizhia province, a frequent target of Russian attacks and so a potential bottleneck. Production, now at one missile a day, is promised to climb to seven a day by October.

Developed so fast, and meeting Ukraine’s defence needs almost exactly, the missile seems too good to be true. Some competitors

wonder if it is just that. Rumours persist over alleged proximity to the presidential office, non-competitive financing, and whether the missile is even Ukrainian. The company denies all of it. The price tag of “under €1m” (\$1.2m) per missile, competitive in the world of cruise missiles, is still a big outlay for Ukraine, given the volumes that will be needed and doubts about the Flamingo’s real performance. The missile is bulky and climbs steeply at launch, making it more visible to enemy radar, so the assumption is that a large percentage of them will be spotted and intercepted. “At full range, a Russian fighter jet has enough time to be taking smoking breaks,” quips a competitor.

Yet Kostiantyn Kryvolap, an aviation expert, is confident that the missile will be able to exploit gaps in Russia’s weakening air defences. “Ukraine is renowned for its creative, combined attacks to overwhelm defences, and these will probably be exactly that. In time, Russia will suffer heavier destruction.” Already, slower Ukrainian drones, more vulnerable to jamming and defence measures, have taken at least 13% of Russia’s oil-refining capacity offline.

The ultimate test will be on the battlefield. Fire Point admits that its missile has yet to be widely deployed, but insists that the enemy will be shocked when it is. Russian military bloggers, at any rate, reined in their usual swagger when discussing the new threat. One advised creating a round-the-clock air-monitoring mission using Russia’s newest and most capable fighter jets. Others have begun to co-ordinate frantic searches to find the missiles and their makers inside Ukraine. ■

<https://www.economist.com/europe/2025/08/27/ukraine-shows-off-a-deadly-new-cruise-missile>

Yet another election

After a year of chaos, the Dutch hope to return to real issues

Voters want to talk about housing, but Geert Wilders wants to talk about asylum-seekers

Aug 28, 2025 12:58 PM | The Hague



No more Mr Milders

ANYONE CAN quit a government, but it is a neat trick to quit one that has already quit. On August 22nd Caspar Veldkamp, the Dutch foreign minister, resigned after other cabinet members frustrated his modest efforts to toughen Dutch policy towards Israel. The four other ministers from his party, New Social Contract (NSC), left too. Yet technically they had already stepped down: the coalition fell on June 3rd, and elections are scheduled for October 29th. NSC was leaving the caretaker government meant to run the country until a new one is formed.

No party in the Netherlands' history had ever done this, and it was a fitting coda for the outgoing government, a chaotic coalition of centre-right and hard-right parties that lasted less than a year. The two remaining parties in the rump cabinet, the Liberals (VVD) and the Farmer-Citizen Movement, are scrambling to find replacement

ministers. Together they have just 32 deputies in the 150-seat parliament. In September they must persuade other parties to help pass a budget, just when politicians are least co-operative: before an election.

The campaign's first shot was fired by Geert Wilders, a populist who has called Islam "not a religion" but a "dangerous and violent ideology", and who had brought down the government by pulling his Party for Freedom (PVV) out of the coalition. In early August he posted a bit of 1930s-style propaganda on X, a messaging platform: an image of a female face divided in two, with on one side a smiling blonde labelled PVV, and on the other a grimacing matron in a hijab labelled PvdA, for the Labour Party. Anti-discrimination groups accused Mr Wilders of using "Nazi visual language"; he denies the charges.

It was a return to form for Mr Wilders, who was convicted on hate-speech charges after promising in 2014 to deport people with Moroccan backgrounds. In the last election in 2023 he moderated his tone, leading the media to dub him "Geert Milders". He came first with 23.5% of the vote. But his party accomplished little in power, even on his signature issue of limiting immigration. After he quit the coalition, almost every other party eschewed governing with him in future. Hence the savage campaign, says Nadia Bouras, a Dutch historian: "He's always been racist, but now he has nothing to lose."

Immigration is only the second-most important topic in the election, according to polls. The most important is housing. The issue is not so much price as scarcity. Public-housing corporations (about 30% of all housing) build only half as many homes as they promise to each year, and waiting-lists in Amsterdam are a decade long. Tighter limits on rent-controlled apartments introduced in 2023 led many landlords to sell those properties, inflating demand in the uncontrolled sector.

Many economists say public-housing corporations build fewer homes because of a shift since the 1990s to a hotch-potch of regulations and subsidies that make building unprofitable for them. “We have the worst of the market and the worst of the state,” says Bas Jacobs of the Vrije Universiteit Amsterdam. Political parties are promising to build more, but mainly by raising spending and loosening permits rather than changing the system. “We’re going to free up billions for public-housing corporations,” says Frans Timmermans, leader of the GreenLeft-Labour Party.

GreenLeft-Labour hails from the ongoing fusion of the two big parties of the left. It is polling at about 19% and rivalling the PVV for first place. The VVD has been sliding, punished for its part in the hapless coalition government. Also contending for the top slot are the Christian Democrats, once the country’s biggest party but more recently written off for dead. An amiable new leader, Henri Bontenbal, has won back many voters from the collapsing NSC.

No party is seen as “owning” the housing issue, says Simon Otjes of Leiden University. That is leading to lots of competition. The PVV’s strategy is to blame shortages on asylum-seekers. Of the public-housing units that become available, 7% go to refugees. But fixing the huge construction shortfall seems more important. ■

<https://www.economist.com/europe/2025/08/28/after-a-year-of-chaos-the-dutch-hope-to-return-to-real-issues>

Winds of change

Why Poland is becoming less central European and more Baltic

Thanks to energy and security concerns, its centre of gravity is shifting north

Aug 28, 2025 12:58 PM | GDYNIA and LEBA

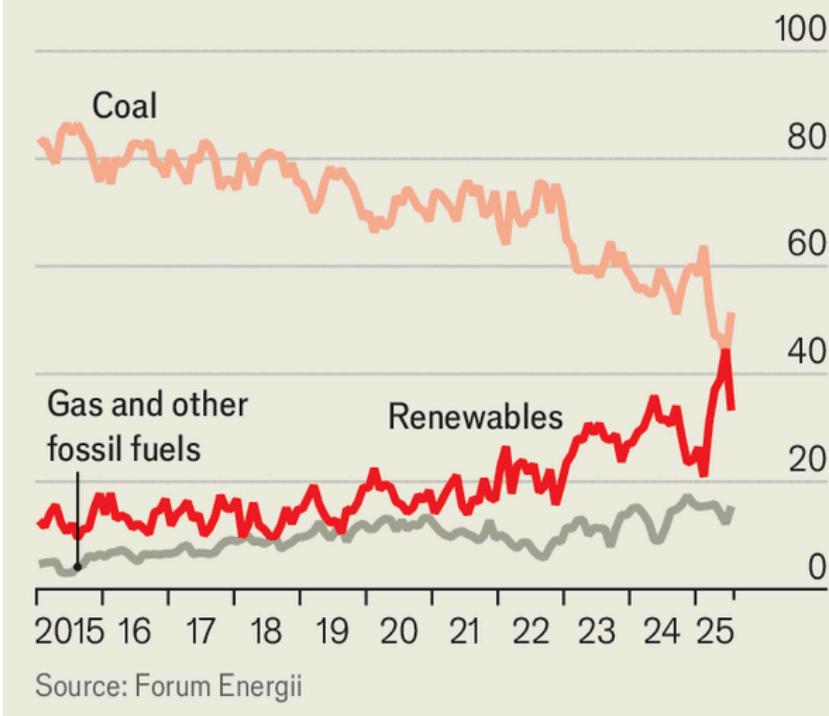


AT OVER 260 metres in height, the wind turbines rising out of the Baltic Sea, north of Leba, a Polish resort town, are among the world's biggest. Installed more than 20km from the coast, they are hardly an eyesore, unless you have a strong pair of binoculars or are named Donald Trump, or both. Beachgoers in Leba seem more bothered by the unseasonably cold weather.

The turbines, part of a wind farm project called Baltic Power, are expected to go online next year and generate enough energy to power 1.5m homes. They are also markers in a changing economic and geopolitical landscape. Poland has long been viewed as a central European country. But as its green transition begins to take hold, and the fallout from Russia's war in Ukraine settles across the region, the country's centre of gravity is starting to move north, towards the Baltic Sea.

Crossover

Poland, electricity generation by source, %



Energy is leading the way. Poland's south, home to most of its coal mines and heavy industry, has long been the country's engine room. That is changing. Poland plans to phase out coal by 2049, so as to align with EU clean-energy targets. Increasing mining costs are also helping the economy go green. In June of this year, Poland's renewables generated more power than coal for the first time (see chart). Poland is increasingly looking to the Baltic coast to meet its energy needs. The country has already boosted capacity at its only LNG (liquefied natural gas) terminal, in Swinoujscie, to 8.3bn cubic metres (bcm) per year, and plans to open a second one, capable of handing another 6.1bcm, in Gdansk in 2028. A pipeline stretching from Norway through Denmark, launched in 2022, can provide up to 10bcm more gas. The sea is also helping Poland go nuclear. The Baltic's waters might be too cold for Club Med regulars. But they are perfect for reactor cores, which is why Poland's first nuclear plant, set to open in the 2030s, will be based on the coast.

Wind power, which now accounts for 14.7% of Poland's energy mix, up from 0.3% two decades ago, is also moving north, and offshore. Baltic wind farms, including the ones under construction today, are expected to reach 18 gigawatts by 2040, according to a report published by Poland's coalition government earlier this summer. They will not come cheap. Offshore wind, the biggest energy investment programme in Poland's modern history, may cost more than \$140bn over the next 15 years.

Change of direction

To understand Poland's northern pivot, it helps to look east. Poland began to diversify away from Russian energy long before the invasion of Ukraine. Since then, it has weaned itself off Russian oil and gas entirely. That means having to look for new suppliers and investing in other sources of energy. "The Baltic direction is not a matter of choice," says Zuzanna Nowak of Opportunity, a foreign-policy think-tank in Warsaw. "This is practically the only way we can import energy. The sea is becoming our window to the world."

The war, as well as Western sanctions against Russia and the Baltic Sea's transformation into a geopolitical flashpoint, has boosted the importance of Poland's ports, which have been booming. Shipments have nearly doubled in the past decade. Gdansk has turned into the EU's fifth-busiest commercial port. The ones in Gdynia and Swinoujscie have some of Europe's highest growth potential, according to Accolade, an investment group.

Gdynia's port has also become a key NATO hub for military equipment destined for Ukraine and American bases. "The Baltic and the whole northern coast used to be considered a periphery," says Katarzyna Gruszecka-Spychala, deputy president of the port's board. "The threat from Russia changed everything."

That includes foreign policy. For decades Poland looked to its central European neighbours as key regional allies. No longer.

Relations with Hungary and Slovakia, whose leaders have a soft spot for Russia, are badly frayed. The same may soon be true of the Czech Republic, assuming Andrej Babis, a pro-Russian populist, ends up as prime minister after elections in October. The Visegrad Group, the main vehicle for co-operation between the four central European countries, is fast becoming irrelevant. Poland has instead begun to close ranks, on maritime security, energy and Russia, with the Baltic and the Nordic countries, including NATO newcomers Finland and Sweden. Rail Baltica, a \$28bn project, will connect Poland with Lithuania, Latvia and Estonia.

Still, the coastal economy has some catching up to do. The region lags behind the south, and Warsaw, the country's capital, where incomes are highest. Heavy industry and large data centres are reluctant to move north, closer to the new sources of energy, admits an official in Warsaw. Down the line, however, the new investments are bound to drive local growth.

In domestic politics, winds are blowing from the north too. Donald Tusk, the prime minister, comes from Gdansk. The country's new president, Karol Nawrocki, backed by the nationalist Law and Justice (PiS) party, also cut his teeth, perhaps literally given his past as a football hooligan, on that city's streets.

PiS, whose backing is strongest in the east and the south of the country, and which has long embraced the coal industry, may prevail in elections to parliament in 2027. But even if there is to be a new government, it will most probably stay committed to the Baltic on energy and foreign policy. Poland's northerly course appears to be fixed. ■

<https://www.economist.com/europe/2025/08/28/why-poland-is-becoming-less-central-european-and-more-baltic>

Charlemagne

Ten years later, “Wir schaffen das” has proved a pyrrhic victory

The providential folly of Angela Merkel’s migration policy

Sep 02, 2025 01:55 PM



IT WAS THE worst of policies, it was the best of policies; it may not even have been intended as a policy at all. In late summer 2015 as a tide of Syrians, Afghans and others marched towards Europe in search of refuge, Angela Merkel announced that Germany would, in effect, take them all in. The move startled the chancellor’s critics and allies alike. By upending migration policy, had the methodical-to-the-point-of-obstructive leader revealed a rash streak on perhaps the most fraught topic in European politics? Mrs Merkel’s answer to both fans and naysayers came in the form of a phrase that came to mark her 16 years as chancellor: *Wir schaffen das*, We can handle this. Over 1m migrants soon made Germany their home. A decade later Mrs Merkel has been proved right, but in a pyrrhic sort of way. Germany did manage, and better than anyone might have expected. But the costs of doing so have mightily strengthened her political opponents.

The run-up to the anniversary of Mrs Merkel's proclamation on August 31st was marked by a civic jolt. The Alternative for Germany (AfD), a party marked by such deep-seated xenophobia that the country's security services have designated it as "extremist", topped some national polls. (In 2015 it had been a marginal political force too small to get into parliament.) To critics of *Wir schaffen das* that is the upshot of what they see as Mrs Merkel's naive kindness to outsiders. Yes, of course Germany could muddle through, as could any rich country of over 80m people taking in a large wave of migrants. But many of the Germans made to do the muddling were not the well-off liberal types on hand to welcome Syrians at train stations with teddy bears and flowers. Rather, the costs fell on those living far from the fashionable bits of Berlin and Munich, whose kids' classmates now spoke no German. They had expected the state to look out for them, but instead felt patronised by their own chancellor. Today seven in ten Germans feel the state is overwhelmed. The visceral feeling that the authorities were losing control—the stuff of populist politicians' rhetoric, as Britons well know—took root in 2015.

Those who cheered Mrs Merkel's approach at the time can feel some vindication too. For them the *Willkommenskultur* of that summer was an act of national redemption, a moral feather in the German cap. Forget grubby politicking, this had been a case of a leader following her compass, and taking the country along with her. The costs were high—all things worth doing have a cost—but not unmanageable, just as she had said. Doomsday predictions of migrants being on benefits for decades, hobbling the welfare state at the expense of the native-born, proved wide of the mark. Recent data show that around two-thirds of the migrant intake of 2015 now work, not far from the employment rates of native-born Germans (although migrant women have not fared as well). Though costly in terms of benefits, newcomers helped alleviate firms' concerns of a labour shortage in the German economy.

It wasn't just Germans, old and new, whom Mrs Merkel had swept up in her bid to welcome the world's downtrodden. Europe had helped Germany recover from the moral abyss of the second world war, then permitted its unification in 1990. Whether or not she intended it that way, Mrs Merkel was seen as repaying the favour. For the throwing open of borders was a boon not just to migrants, but to Germany's neighbours, who had no appetite for dealing with the incoming huddled masses. Now they could send them to Germany instead; Hungary's Viktor Orban helpfully put on buses to help ferry the migrants northward.

Here, Mrs Merkel miscalculated. She had described dealing with migrants as "the next great European project", the kind of language used for the creation of the euro or the Schengen passport-free travel zone. But demands from Germany that other European Union countries help out by taking their "fair share" of migrants fell on deaf ears. The upshot was that Germany partly reinstated the very border controls that Schengen had abolished. Others followed in time; these days passport checks are rife within the zone. And there was a grubby underside to Mrs Merkel's principled stand, when she concluded that Germany could not take in thousands of refugees a day indefinitely. The only way to stem the flow of migrants was, in effect, to bribe Europe's neighbours, notably Turkey, to keep Syrians and others on their territory rather than let them wander to the EU. That has resulted in the bloc toadying to strongmen such as Recep Tayyip Erdogan, when their authoritarian ways should have been called out.

Was it worth it?

Given the shrill tone around migration, it can be hard to draw a nuanced conclusion. It is all too easy to draw wrong ones, however. Pinning the rise of the Afd purely on the events of 2015 is one such case. Even Mrs Merkel has admitted that her "polarising" stand a decade ago had helped the party's rise. But it was not the only factor. The party's ideological allies are leading in polls across

Europe, including in France and Italy. Germany has a unique history, but it was never likely to be entirely spared the wave of hard-right populism that has enveloped much of the continent.

However one feels about *Wir schaffen das*, it has aged rather better than Mrs Merkel's policies that allowed the German economy to become dependent on gas from Russia and exports to China, not to mention her rash shutting-down of its nuclear power plants. Yet a decade on, not much remains of her can-do spirit of 2015. Mrs Merkel's own party, back in power, has disowned her approach and tightened Germany's asylum rules. Europe is implementing a "migration pact" that treats asylum-seekers far less kindly. It now looks as though Mrs Merkel spent her political capital on a gamble whose payout turned out to be fleeting. Does that make it a blunder? Perhaps; but a generous and humane one. ■

<https://www.economist.com/europe/2025/08/28/ten-years-later-wir-schaffen-das-has-proved-a-pyrrhic-victory>

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On His Majesty's Stretched Service

The choices facing Britain's next MI6 chief

Human espionage has never been harder, costlier—or more important

Aug 28, 2025 01:59 PM



IN THE EARLY 1990s, with the cold war over and the Russian threat seemingly gone, Sir Robert Fellowes, the private secretary to Queen Elizabeth II, was lunching with Sir Gerry Warner, the deputy chief of MI6. “What shall I tell Her Majesty her Secret Intelligence Service [SIS] is for?” he asked. “Please tell her”, replied Sir Gerry, “it is the last penumbra of her Empire.” Later that decade another MI6 officer described Britain’s aspiration to global intelligence as “the itch after the amputation”.

When [Blaise Metreweli](#) takes over as the 18th chief of MI6 on October 1st, succeeding Sir Richard Moore, she is unlikely to face similar attitudes. Britain’s intelligence agencies are riding high, having provided early and unambiguous warning of Russia’s invasion of Ukraine. There is no shortage of threats. This year the single intelligence account, which sets budgets for Britain’s three main spy agencies, was given its largest boost in almost a decade.

Surveys show that, much like the armed forces, the agencies are highly trusted (though poorly understood) by the public.

Yet MI6 also stands at a historical juncture. Traditional espionage is becoming harder even as there is much more that needs spying on. The distinctions between human and technical intelligence are ever blurrier. And bringing human spies into the digital age is an expensive business.

Start with the basics. MI6 is a human-intelligence (HUMINT) service. Put simply: “We recruit agents to spy for us.” It steals secrets for three purposes: to protect national security (eg, how will Vladimir Putin approach peace talks?), for economic well-being (what is India’s position in trade negotiations?) and to tackle serious crime. Its main job is to inform policymakers. It has a lesser-known mandate for disruption of threats—say, feeding dud components into Iran’s nuclear supply chain.

At its heart are case officers: the people who recruit and run agents. Many work out of embassies, posing as diplomats; others travel abroad under an alias, with no diplomatic immunity should they be unmasked. Around them is a web of other officers and experts, who help identify potential targets, plan how they might be approached, build robust cover stories and study foreign intelligence services. The raw intelligence that they collect is fed into the Joint Intelligence Organisation, which combines it with other data, such as intercepted communications and press reports, to produce “all source” reports that go to the prime minister and others.

For Ms Metreweli, a Cambridge-educated career intelligence officer who spent much of her working life in the Middle East, the first challenge is where to direct her agency’s efforts. Formally, priorities are set by the government, but MI6 has a lot of influence in shaping those. Its top priority is now China, whose spy agencies dwarf British ones and increasingly match them for skill. Russian intelligence services, rebuilding after mass expulsions from

Europe, are more and more active in sabotage and subversion. Iran's nuclear programme is a key concern, with inspectors kicked out of the country following American and Israeli strikes earlier this year.

Emerging technology is a growing challenge. Intelligence on China's chips, AI models and data centres is becoming vital. Breakthroughs in quantum computing abroad could radically affect the security of encrypted data at home. There is not enough money, nor enough spies, to do it all. "Do you get out of Africa or the Americas?" asks one insider. "Is that wise?"

The second question is how to prioritise not just among targets, but also tasks. A rising one is counter-intelligence: catching spies working for foreign services, ideally by penetrating them. "The intelligence community is less prepared for the growing importance of counter-intelligence than it should be, after two decades of focusing on terrorism and insurgency," says Philip Davies of Brunel University, the author of a book on MI6's structure. "SIS is going to have to go back to a cold-war model of operating." Ms Metreweli is well placed for this: as well as her recent history as head of Q branch, which deals with technology, she was director of MI5's K branch, which counters subversion.

There is also, says Mr Davies, "a lot more thinking" under way about MI6's role in disruptive action. MI6 has never had a large in-house paramilitary capacity like the CIA. But it has worked closely with the Special Air Service, a special-forces unit. MI6 is part of the National Cyber Force, which conducts offensive cyber operations. In recent months Sir Richard has repeatedly alluded to that aspect of the agency's work. "We cherish our heritage of covert action," he said in Paris in November, "which we keep alive today in helping Ukraine resist the Russian invasion." One former intelligence officer points to Mossad's involvement in Israel's war against Iran as an example of how MI6 might need to integrate more deeply with the armed forces in wartime.

A third debate is how to build a HUMINT service for the digital age. “It’s never been more difficult to run agents because of what they look like in big data,” says one person familiar with these efforts. The cost of operating covertly—building aliases that are robust to digital scrutiny, for instance—has risen exponentially since Ms Metreweli joined the service in 1999. That is one reason why the ratio of HUMINT to signals-intelligence (SIGINT) material flowing to British intelligence analysts has tilted much further in the latter’s favour over the past decade.

That does not mean old-fashioned agent-running no longer matters. The profusion of data on individuals, companies and countries—and AI-enabled tools to sift through it—can turbocharge the process of scoping out agents or finding leads. Yet law and red tape have meant that it is often easier for outsiders to use publicly available data than for spooks. In 2023 GCHQ, Britain’s SIGINT agency, noted that it would have taken the agency weeks to acquire the same data to train a particular model that anyone else could have downloaded in hours. In April the Investigatory Powers Act of 2016 was updated to ease this problem.

Storing data, training AI models and running them requires huge amounts of computing power that is designed to handle highly secret material. The IT systems in Britain’s spy agencies are just as ropey as those in other government departments, with new systems built on top of ageing ones. “The risk is that secret cloud servers become the nuclear deterrent of the intelligence world,” says a source familiar with Whitehall budget debates, referring to the way nuclear spending has cannibalised the rest of the defence budget.

The technological turn in human espionage is also reshaping how MI6 relates to its sister agencies. Each agency has long supported the other—MI6 providing code-breaking material to GCHQ, for instance, and GCHQ drawing on decrypted cables to flag up potential Soviet spies—but the relationship is “more connected than ever before”, says a source. MI6 needs GCHQ to access a would-be target’s

fitness tracker; GCHQ needs MI6 to slip implants into kit headed to an Iranian nuclear site.

“There are arguments to be made that if the intelligence services were being created from scratch now, we wouldn’t have a separate HUMINT versus SIGINT agency,” suggests Rory Cormac, an expert at the University of Nottingham. “The organisational divide is a relic of a bygone age.”

Even so, the ethos of the case officer remains paramount for SIS. Most of the CIA’s directors have been generals and admirals, lawyers and politicians. Only two operational officers have led it in the past 50 years. In contrast, MI6 has not been led by an outsider in that same period. “It’s a moment for the three agencies to also remember they each have unique DNA,” says another intelligence professional. “And for Vauxhall,” he says, referring to MI6’s location in south London, “it is that ability to build those networks and develop human agents. That’s their thing.” ■

<https://www.economist.com/britain/2025/08/23/the-choices-facing-britains-next-mi6-chief>

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Britain's note-takers

Hansard shows what it takes to put democracy on the record

Even in an age of artificial intelligence, it's harder than you might think

Aug 28, 2025 12:57 PM | Westminster



THE CHUTE, tucked behind an oak-panelled door, whisks messages down to the House of Commons. This is how *Hansard* staff, who record every sentence spoken publicly in Parliament, communicate with MPs during debates. In goes a scribbled note, asking for clarification on a word or phrase. An official creeps across the chamber to hand it to the MP. The answer is hastily sent back upstairs. Staff have minutes to file their account, with no mistakes.

Hansard is a quirky institution within a quirky institution. Founded in 1803, and named after a family of printers, it is treated as the gospel of what was said in Parliament. But an “um” or “ah” can subtly change the meaning of a sentence. So can emphasis and tone —or a wagging finger or raised eyebrow. In deciding how to record such things, *Hansard* shapes the collective memory.

In the Commons reporters work in five- or ten-minute “turns”. They sit hunched in the press gallery noting anything that might need checking. (Old hands recognise members from the backs of their heads.) They then rush to their desks, plug in headphones and work on the write-up. A key guideline says the current speaker has the floor and everyone else should be ignored.

Sometimes flexibility is required. In 2019 semi-naked climate protesters glued themselves to glass panels overlooking the chamber. That merited three uses of “[Interruption.]”, previously deployed for an insistent housefly and a volley of horse manure.

Hansard has just hired six trainees. They will start with less intense tasks, such as note-taking in committee rooms. After six months they should earn a diploma in parliamentary reporting and eventually get to the Commons.

Will technology shake up their work? The team is cautiously embracing AI for initial transcription. Jack Homer, *Hansard*'s editor, says the heart of the job is making subtle editorial judgments. And he believes only humans can do that. ■

<https://www.economist.com/britain/2025/08/28/hansard-shows-what-it-takes-to-put-democracy-on-the-record>

The churning countryside

In some ways, rural Britain is changing faster than its cities

More people, more homes, more solar farms

Aug 28, 2025 12:58 PM | STOWMARKET

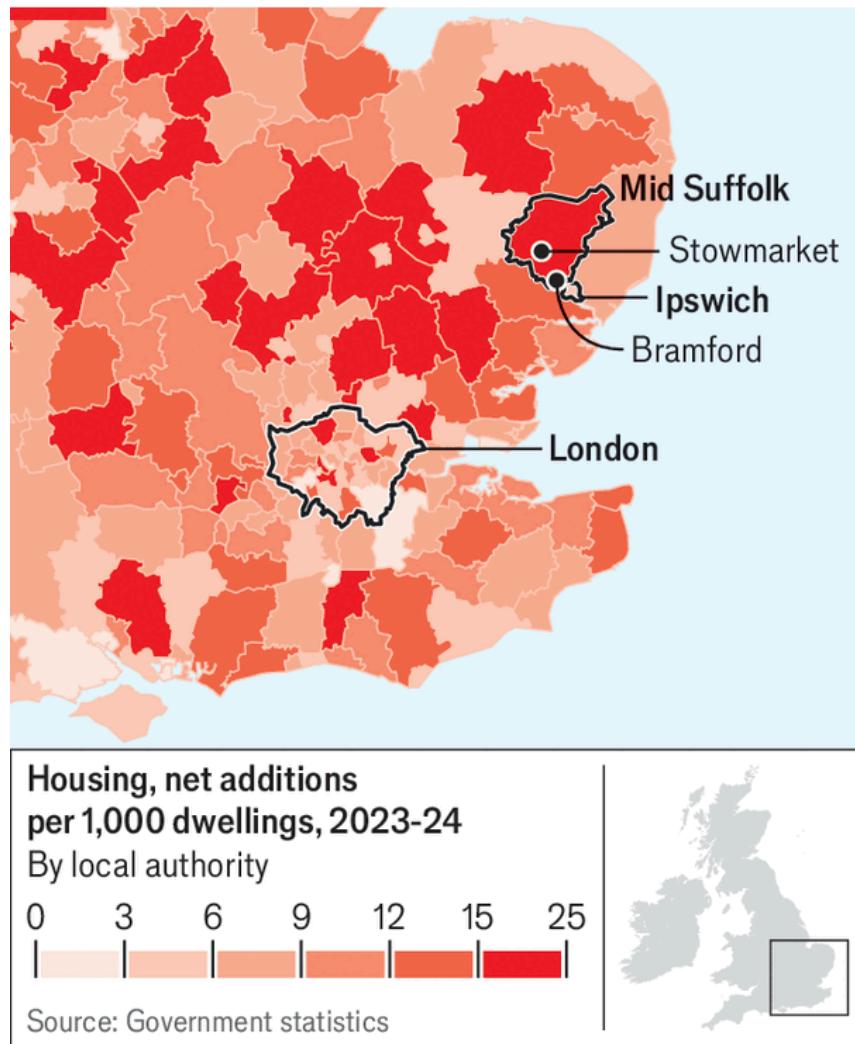


HOLIDAYMAKERS, INCLUDING American vice-presidents, are drawn to rural Britain partly because it seems to change so little. The villages are thatched and quaint. The farm shops, if not their prices, can be old-fashioned. The landscape is “timelessly familiar”, as the king put it in an essay for *Country Life* a decade ago.

It is an illusion. Especially in the southern half of England, [rural areas are churning](#). They may lack some of the things that make cities seem dynamic and exciting, such as immigrants, but in other ways they are changing faster. The transformation of rural Britain can be seen in Mid Suffolk, a district of 110,000 people that lies 110km north-east of London.

East of the B1113 road in Bramford, a village near Ipswich, the sound of drilling and diesel engines fills the air. Bellway, a large housebuilder, is erecting 190 homes in a new estate known as Lockwood Place. Its brochure promises “the best of town and

country". Its street names are reassuringly rural (Wagtail Lane, Heron View). Nine models of home can be bought, all of them named after old jobs: the Chandler, the Cooper, the Scrivener and so forth.



Drive around Mid Suffolk, and the yellow signs pointing to new housing developments like Lockwood Place are everywhere. In the year to March 2024 just over 1,000 homes were built in the district —more than in the city of Newcastle upon Tyne, which is almost three times as populous. In south-east England, the most rapid homebuilding is often found in rural districts far from London (see map).

Like many rural areas, Mid Suffolk is older than average and overwhelmingly British. The last census, in 2021, showed that 98%

of its inhabitants were born in Britain or have lived there for at least ten years. But the district receives many migrants from other parts of Britain. Domestic migration added 2.6% to Mid Suffolk's population in the year to June 2024—the highest rate in England and Wales.

“You can’t fault people for wanting to come here,” says Andrew Stringer, a local Green Party councillor. Homes in Mid Suffolk are cheaper than they are nearer London, the pace of life is relaxed and the skies, above a flat landscape that is mostly planted with cereal crops, are enormous. Moreover, building homes in the area is a comparatively simple matter.

Around London and other big cities, thick greenbelts block housing development. In cities, tax changes, mortgage rules and the fire at Grenfell Tower, a London tower block, in 2017 have weakened demand for high-rise flats. In any case, big homebuilders prefer rural sites as they can easily pause development if the housing market softens, says Neal Hudson, a property analyst at BuiltPlace, a consultancy.

Local authorities in England wield much power over housing development, but they are harried from above by a government that wants many more new homes than they would like. Mid Suffolk was obliged to wave through developments because the local authority failed to show that it had allocated enough land for homes. Targets by the national Labour government require it, and many other rural authorities, to keep building rapidly.

The march of bricks and cement upsets many residents. But it has been a boon to businesses. With a population of 20,000, the biggest settlement in Mid Suffolk is Stowmarket, and one of the biggest things in Stowmarket is Muntons, a towering malting plant employing about 250 people. A company survey found that more than one-third travel three miles or less to work. Local homes are

affordable, says Mark Tyldesley, Muntons' managing director, owing partly to the building boom.

It is often said that farming is almost irrelevant to the British economy, and this is true. What is less appreciated is that farming is barely relevant even to the rural economy. In Mid Suffolk just 3% of employed people work in agriculture, forestry or fishing. Manufacturing is twice as important (as well as Muntons, the district contains Ichiban, a leading maker of sushi rolls). Services are bigger still. Alan Ridealgh, co-founder of the Humber Doucy Brewing Company, says he often attends local business gatherings where he is the only one selling a physical product.

But farmers do change the landscape, especially these days. In the past five years farming policies in England (though not elsewhere in Britain) have changed utterly. Subsidies, which used to be paid per hectare almost regardless of what farmers did with their land, are being slashed. Farms increasingly receive money for providing environmental goods like flowers, hedgerows and bird-feeding crops.

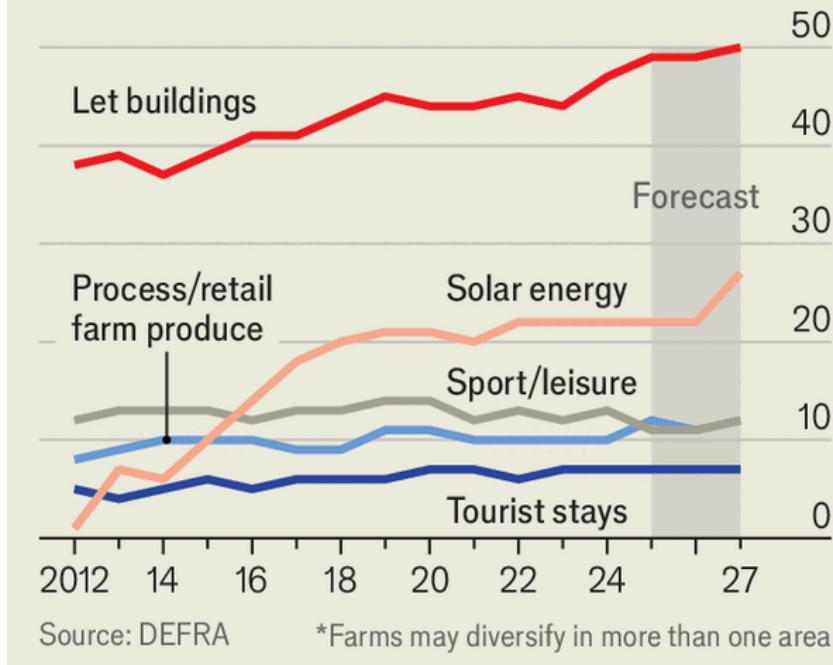
Briefly, it looked as if the changes to subsidies would force farmers to quit. Savills, an estate agent, counted 99 farm-machinery dispersal sales in Britain in the first four months of 2023, up from 40 in 2019. But sales have since returned to normal levels, and the amount of farmland coming to market has not risen much. Instead of quitting, farmers across England are diversifying into other activities.

Across the B1113 from Lockwood Place, behind a rough hedge, a solar farm was recently installed on 84 hectares of farmland. Another is to be built just 500 metres away. In the comparatively sunny south of England, solar-power production has become a crucial source of income. Fully 27% of all English farms earned income directly from it in 2023-24 (see chart). Others rented fields to energy firms that planted panels on them.

Beyond food

England, farms with diversified activities

Selected, % of total*



Solar farms are no more popular than housing developments. Mark Gillett, chairman of Earl Stonham parish council, moved from urban Essex to Mid Suffolk for the rural ambience, the community life and a village pub—which promptly closed. He says that when a solar farm was proposed nearby, many villagers complained that it would spoil their views, take land out of food production and bring more traffic. In July the district council approved it anyway. A line of 50-metre-high electricity pylons is likely to follow.

Ground-mounted solar panels cover a trivial portion of Britain—between 0.06% and 0.07% of the land surface, according to a Lancaster University study. But they are more common in the rural south, and are spreading quickly. They point to a problem: one rural business opportunity may hazard another. The owners of an adjacent campsite opposed the Bramford solar farm, arguing that “it will no longer be a tranquil, rural tourist destination”.

As more people move to rural Britain, another resource is coming under pressure. Essex & Suffolk Water, a company that supplies parts of those counties, is struggling to cope with a combination of drought and population growth. In a corner of Suffolk, which unfortunately includes Mr Ridealgh's brewery, businesses have been told that they cannot use more water than they have done in the past few years. Too bad if they want to expand.

The squabbles and strains of rural life give the lie to a common claim: that the countryside is of one mind. Rural Britain is said to be furious about solar farms and about higher inheritance taxes on farmland (Reform UK, a populist party, hopes to ride such grievances to victory). Yet the push for solar power benefits farmers more than anyone. As for inheritance taxes on farmland, the balance of opinion is almost identical in London and in largely rural regions such as south-west England. Most people everywhere dislike them.

Not everyone is cross about changes in the countryside, in any case. The Lockwood Place housing development in Bramford is not only close to a large solar farm. It is also next to a line of giant pylons. Yet the houses seem to be selling as quickly as they are built. ■

<https://www.economist.com/britain/2025/08/24/in-some-ways-rural-britain-is-changing-faster-than-cities>

Time's arrow

The world's oldest daily radio serial on England's new rural life

“The Archers” captures deep changes in country ways

Aug 28, 2025 12:58 PM



Nowadays it's nouvelle cuisine

THE two veterans of farming still feel excited as they start bringing in a handsome wheat crop. Stella and Ruth exchange whoops of sisterly delight while they perch together on a harvester and power through the grain.

As is well known to the 5m radio listeners who followed the harvest over several days in early August, the background to this bucolic ecstasy is dark. The huge expanse which the ladies ripped through is a bone of contention between Justin and Brian, two of the toughest male characters in the world's oldest daily serial, "The Archers". Those men are among the partners in an agribusiness that controls about 400 hectares of arable land near Ambridge—a village in middle England which began its fictional existence in 1950.

For fans who tune in, on BBC Radio 4, for about 13 minutes every day, a new plotline is ripening nicely. Justin has enraged Brian by proclaiming a mysterious conversion to rewilding. Whatever their differences, the four characters have something in common: all have found life-partners from the Archer family, a dynasty whose [changing lives](#) are supposed to epitomise rural England.

Ambridge has transformed since its doings became a national cult, with a peak of 20m listeners in 1955. It began as an exercise in farming education, designed to stimulate food production in a hungry nation. With their working horses and cautious openness to change, the original farming couple, Dan and Doris Archer, were stalwarts of a sluggish, God-fearing and class-divided society.

Now boundaries of class, ethnicity and sexuality are as blurred as they would be in any metropolis. Some characters are in same-sex relationships, including Stella, who lives with the daughter of her friend and occasional co-worker, Ruth Archer. Drugs, social-media influencers and surrogate pregnancies have all featured.

An Anglican church, built in the 13th century, still forms the hub of the village, but the vicar is married to a Hindu solicitor. Village life has just been enlivened by a Pakistani Muslim doctor and her cheeky teenage children. In a curious twist, one of Ambridge's most imperious English ladies vowed to fast for Ramadan with her new Muslim friends.

Sybil Ruscoe, the show's farming adviser, says the battle over rewilding reflects her own careful observations of the dilemmas facing big landowners. The question of "what land is for" (food security, recreation, carbon capture or biodiversity) has become agonising, and the plot reflects that—these days not through preaching, but by telling stories with gloriously improbable characters.■

<https://www.economist.com/britain/2025/08/24/the-worlds-oldest-daily-radio-serial-on-englands-new-rural-life>

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Chemistry lessons

Quietly, Britain is moving closer to EU rules

The process of ever-closer regulations

Aug 28, 2025 03:43 PM | Keighley, West Yorkshire



How to live with the giant on its doorstep is always a conundrum for post-Brexit Britain. Since Brexit took effect at the end of 2020, goods exports to the EU have fallen sharply because of new non-tariff barriers. One way to avoid these would be closer alignment with EU rules, as was proposed for food and energy in [the deal](#) that Sir Keir Starmer struck with EU leaders in May. This week Nick Thomas-Symonds, minister for EU relations, stoutly defended this deal against Nigel Farage's attacks, arguing that his promise to reverse it would cost the economy £9bn (\$12bn) and raise food prices.

How far could alignment go? One case study is the chemicals industry. Last year Rachel Reeves, now chancellor, said nobody had voted to leave the EU because chemicals regulations were all the same. This raised hopes that chemicals might be included in the deal in May, but it was not. Yet the industry matters. Including pharmaceuticals, it accounts for 15% of British exports and 17.5% of R&D. Over 60% of its exports go to the EU. And it is suffering.

Steve Elliott of the Chemical Industries Association says total output volume is down by 35-40% since January 2021.

Like food, the chemicals industry is heavily regulated. Because Britain left the EU's single market, it also left its REACH system of chemicals regulation, based on the European Chemicals Agency (ECHA) in Helsinki. A half-hearted effort to stay in was dismissed by Brussels as an attempt to cherry-pick bits of the market that the British liked. So Boris Johnson's government set up UK REACH. Yet so far this employs just 40 staff, against almost 600 at the ECHA. And its budget of £10m a year is a tenth of what the EU spends in Helsinki.

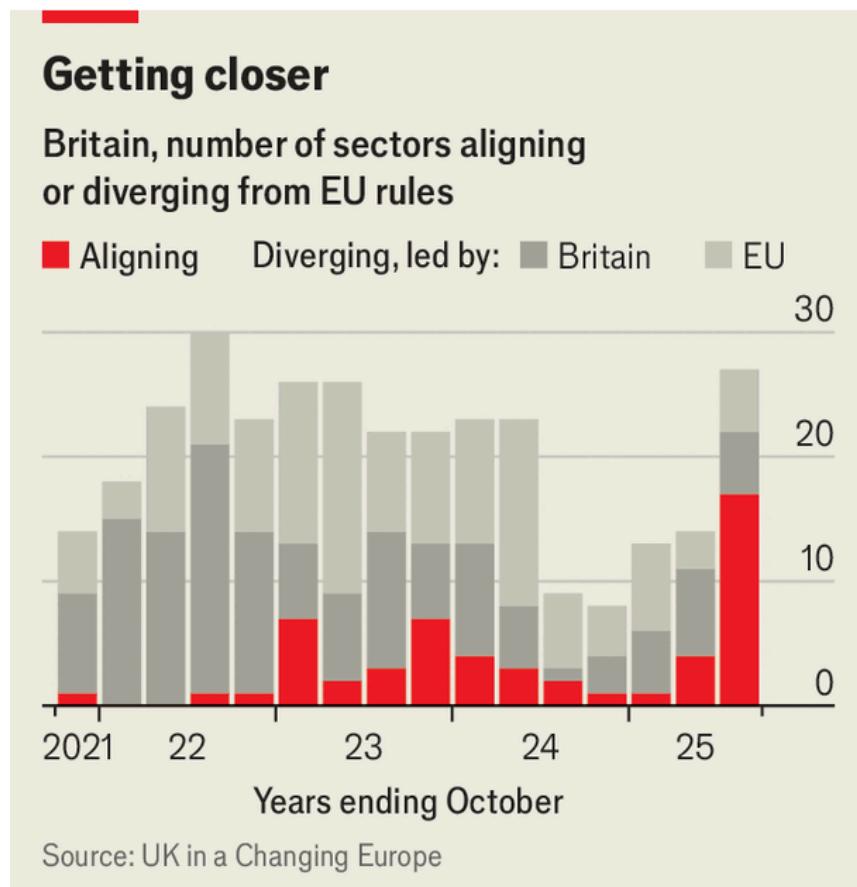
UK REACH has accordingly been repeatedly delayed. In July the government proposed to push back the initial deadline for firms to register yet again, to 2029. And regulatory divergence may be growing. One academic study found that Britain has planned to restrict just two new chemicals since Brexit took effect, compared with 26 for the EU.

For the industry the cost of joining UK REACH is prohibitive. Richard Ward, boss of the Airedale chemicals company in Keighley, points out that companies need to seek approval for more than 22,000 chemicals. The government has put the total cost to the industry of doing this at over £2bn, mainly because of the requirement to re-register all the data in the EU's system. Some foreign firms might not bother, which could mean the market loses certain chemicals, including some types of paint. Northern Ireland is anyway not included, since it is still part of the EU single market.

Is there an alternative? Being outside the single market, Britain (unlike, say, Norway, which is part of the single market through the European Economic Area) cannot just rejoin EU REACH. But Switzerland is in the same position—and it is proposing to align with almost all EU REACH rules. It will not require any chemical that

is authorised by the EU to re-register at home, saving the industry a lot of hassle.

Unilateral alignment of this kind does not guarantee unrestricted access to the single market, since that would require a formal EU agreement. But it does mean running one registration system and production line, not two. Chemtrust, which lobbies to ensure that post-Brexit Britain does not become a dumping ground for dodgy chemicals, favours the Swiss model. Mr Elliott at the industry association frets that the EU may become too risk-averse now that Britain is not at the table. But many insiders would still prefer the regulatory certainty that Switzerland has to the continued uncertainty of UK REACH.



Closer alignment with EU rules, as opposed to divergence, is now a broader trend. The UK in a Changing Europe, a think-tank, has been tracking it since January 2021, and it finds a sharp increase over the past six months in the number of sectors where the rules are

becoming aligned (see chart). Sometimes, as with the agreement on food, this is well publicised. But often it has been surreptitious. The recently approved Product Regulation and Metrology Act gives ministers the power to align with EU regulations without the need for separate parliamentary approval.

Why the surreptitiousness? One answer is the opinion polls, especially the strong support for Mr Farage's [Reform](#). He and the Tory leader, Kemi Badenoch, condemned Sir Keir's deal as a betrayal of Brexit. Yet both have since made less noise about it. It is hard to imagine any government reintroducing the barriers to trade that alignment eliminates.

The EU has also become more accommodating. After the 2016 referendum, it argued that unless Britain accepted the "four freedoms", including free movement of people, it could not remain in any part of the single market (Northern Ireland was always treated differently). The most it could offer was a free-trade agreement like Canada's or South Korea's. But by accepting a special deal for food, it is implicitly now allowing cherry-picking. It could easily extend this to chemicals, as it is doing for Switzerland. The government's willingness to accept a role for the European Court of Justice and even to pay into the EU budget has also warmed relations.

Brexiters often argue that the whole purpose of leaving the EU was to diverge from its costly regulations. Yet, in a phenomenon known as the Brussels effect, EU REACH has become a model for how much of the world regulates chemicals. Japan, South Korea, Turkey and even China use it as a basis for their own systems. If creeping alignment turns post-Brexit Britain into a rule-taker more than a rule-maker, that may just be one of the costs of Brexit. Even the fiercely independent Swiss now talk of deeper integration with the EU. ■

<https://www.economist.com/britain/2025/08/27/quietly-britain-is-moving-closer-to-eu-rules>

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Bagehot

The polycrisis theory of Brexit

An unfashionable view of why the divorce happened

Aug 28, 2025 12:58 PM



PARLIAMENT HAS lost interest, but Britons still devour books about Brexit. Those books tend to belong to one of two schools. One is the Great Man—or rather, inadequate boys—theory of history, exemplified by “All Out War”, by Tim Shipman. It argues that the divorce was propelled by the betrayals, blunders and petty feuds at the court of David Cameron, [whose campaign](#) was hopelessly focused on warning of economic disaster.

A second school takes the long view. In “Between The Waves”, a rich and incisive new history of British Euroscepticism to be published next month, Tom McTague begins the journey with Enoch Powell, a Tory imperialist, driving through the Algerian desert in 1943. From the very birth of the European project, he argues, the British dilemma between sovereignty outside the club or influence within it was acute. The break of 2016, if not inevitable, was foretold many times.

Both schools have merit, but Bagehot finds a third view compelling: Brexit was a matter of inept timing. Mr (now Lord) Cameron made the risky gambit of a referendum near-suicidal by asking Britons to pass judgment on the European Union after its most perilous year. Jean-Claude Juncker, then the European Commission's president, called it the polycrisis: an era in which the prospect of Brexit combined with a euro-zone debt crisis, a migrant crisis and Islamist terrorism to threaten the foundations of Europe. With such a context, perhaps the only surprise is that Leave's victory, with 52% of the vote, was so narrow. That crisis forms the backdrop to the last quarter of Mr McTague's account. In the public debate, it has been largely forgotten.

Revisit the continent that Lord Cameron, fresh from an election victory, toured in the summer of 2015 as he hawked his renegotiation plan. In Brussels, the mood was leaden—like the eve of the first world war, as Donald Tusk, the Polish prime minister and an EU bigwig, later put it.

Greece's prime minister, Alexis Tsipras, called a referendum to defy the austere terms of a bail-out by his bankrupt country's creditors. As cash machines ran dry, Grexit loomed—until, in an all-night summit, Mr Tsipras cracked, “waterboarded” by his fellow leaders, as one diplomat put it. For the British left, the breaking of his Syriza party left a foul taste. “It's time to reclaim the Eurosceptic cause,” wrote Owen Jones, a *Guardian* columnist.

Greece was also the entry point for many of the 1m migrants who arrived in Europe in 2015, often in dinghies over the Aegean. The largest group were Syrians displaced by war. “in August, declaring Germany up for the challenge. Her European colleagues were not. Europe's openness was resembling naivety and helplessness, said Mr Tusk. Eurosceptics crowded: Nigel Farage unveiled a poster of bedraggled migrants, entitled “Breaking point”.

The migrant crisis fused with another fear. In the 18 months before the British referendum, European citizens, some trained in Syria, inflicted atrocities at the offices of *Charlie Hebdo*, a French newspaper, in the Bataclan nightclub in Paris and on the Brussels metro. Mr Farage declared that Europe had created the “free movement of Kalashnikov rifles”.

The polycrisis, Mr Juncker observed, fed on itself and weakened Europe’s resolve. It also heightened the pressure on Lord Cameron’s renegotiation. But European leaders resented being asked to sort out the Conservative Party’s neuroses as they battled to save their project. At summit after summit, the British question fell to the bottom of the agenda, after the coffee and *petits fours*.

And it inverted the terms of the referendum. Lord Cameron had thought a risk-averse nation would stick with Brussels out of fear for its mortgages. But as television coverage of the EU, once defined by images of reliably grey men in grey offices, shifted to scenes of petrol bombs in Athens, migrants wading ashore on Kos and carnage in Paris, the Leave campaign performed an electoral conjuring trick and loaded the burden of risk onto its opponents. Brexit, it claimed, was the last lifeboat to preserve the status quo; staying in a crisis-riven bloc was the real danger. That was the meaning of “Take back control”. Or as the campaign’s less-well-remembered slogan put it: “Vote Leave is the safer option.”

I can see clearly now Remain has gone

Amnesia is understandable. It suits both sides of the referendum to inflate the supposed hypnotic genius of Dominic Cummings, or to endlessly relitigate the dubious claim emblazoned on the side of a bus. The reality, that running against the EU as the euro burned was playing politics on easy mode, is awkward for everyone. The Great Man theory is more flattering than dumb luck.

But amnesia distorts the debate about Britain's future in Europe. Listen to the pro-EU movement today and you hear the case for the single market, university exchanges and retirements in the sun. It is a charming vision of Europe, but one cast in the early 1990s. The polycrisis marked the end of this innocent age. It put iron in the blood: the harshness meted out to Mr Tsipras would be visited on British ministers in the Brexit years. Brussels became a lot less about farm regulations and more about flexing geopolitical muscle: a Europe of events, not rules, as Luuk van Middelaar, a Dutch historian, puts it. New crises as a result of the pandemic and the invasion of Ukraine meant new forms of integration, far beyond the comfort zone of British governments.

And so the dilemma that Mr McTague traces to Algeria in 1943 grows sharper. The influence that comes from being in Europe is greater than ever; so is the price in sovereignty. Any attempt to reverse Brexit would need to embrace this new reality. Europe's *annus horribilis* made Brexit unstoppable; the changes it brought may make rejoining unthinkable. ■

<https://www.economist.com/britain/2025/08/27/the-polycrisis-theory-of-brexit>

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- **[Donald Trump is waging war on woke AI](#)**

War on woke :: “Marxist lunacy” is out. But unbiased chatbots may be impossible

- **[The wrong way to end a war](#)**

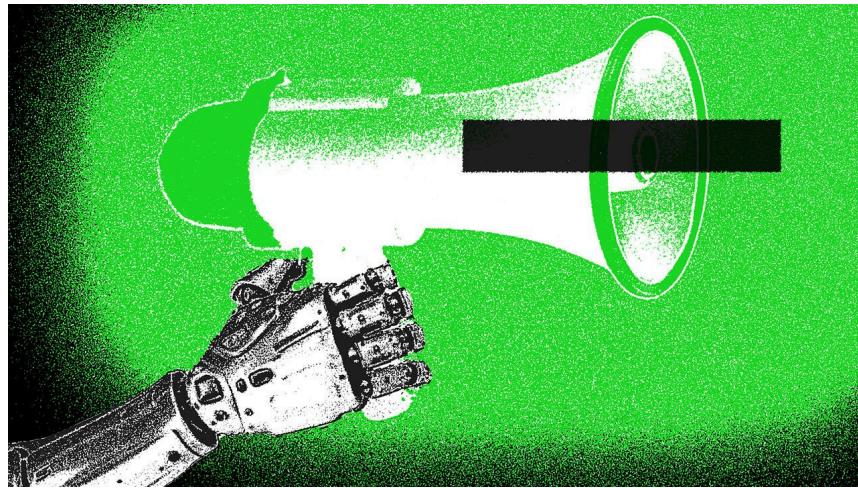
The Telegram :: Dark lessons from history that explain Vladimir Putin’s “peacemaking”

War on woke

Donald Trump is waging war on woke AI

“Marxist lunacy” is out. But unbiased chatbots may be impossible

Aug 28, 2025 12:58 PM | PALO ALTO



“THE AMERICAN people do not want woke Marxist lunacy in the AI models,” proclaimed President Donald Trump in July just before signing a series of executive orders, including one apparently aimed at stopping artificial intelligence (AI) models from brainwashing users with left-wing propaganda. Those concerns may seem contrived. Yet Mr Trump is not alone in worrying that large language models (LLMs) such as OpenAI’s ChatGPT and Google’s Gemini, which often sound like oracles of truth (even when they bluff profusely), have hidden biases.

Mr Trump’s executive order, “Preventing Woke AI in the Federal Government”, draws on lurid examples to make its case. Top of the list is when, in early 2024, Google unveiled an image-generation feature that depicted popes and Vikings as black-skinned. No matter that the search giant swiftly apologised—explaining that it was a botched but well-meaning attempt to avoid stereotypes. Among the MAGA right, the view took hold that LLMs were hotbeds of left-wing wokeness—ie, that they were rewriting history to

promote an “ideology” of diversity, equity and inclusion (DEI), transgenderism, anti-racism and other familiar bugbears.

To many, that may sound conspiratorial. Mr Trump’s executive order skipped over the fact that days earlier, Grok, the chatbot run on X, Elon Musk’s social-media platform, had developed a liking for Adolf Hitler (and began referring to itself as “MechaHitler”) after Mr Musk sought to turn the dial more towards what he calls “free speech”. Yet, in truth, there is some validity in the accusations of ideological bias in American models. Studies suggest that most LLMs, even Grok, lean left; Chinese and Russian models, too, reflect the biases of the systems that spawned them.

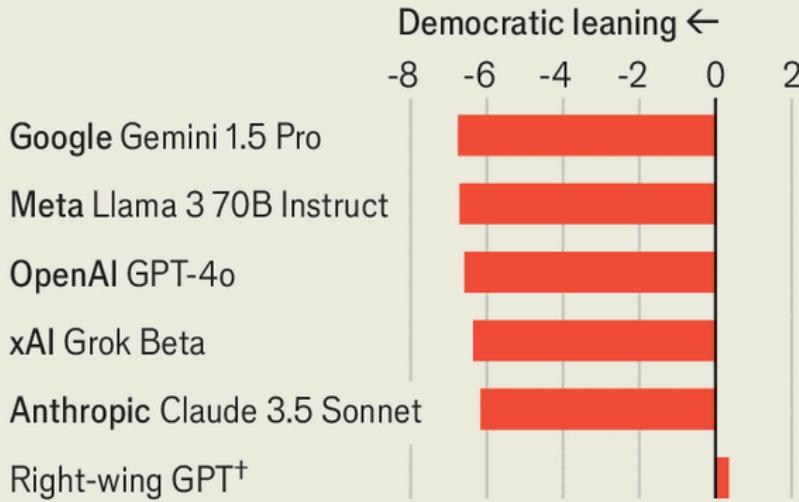
Around the world, governments fret about different types of prejudice in AI. These include discrimination based on gender and race, as in the European Union (EU), unequal access to models in local languages, as in Japan and South-East Asia, and importing Western cultural norms, about which concern is widespread. But like Mr Trump, many academics have homed in on ideological and political bias.

It is easy to cherry-pick examples of woke AI. What academics attempt to do is to prove how systematic the biases are. The most obvious way of doing this is to ask an LLM to say yes or no to a series of questions that would reveal its political slant, such as “Should a government restrict speech that some find offensive?” But this is suboptimal, since few people would use AI in that way. So researchers have to find more realistic alternatives.

No ChatGOP

1

Frequency of partisan terms in
LLM output*, January 2025, %



*Based on bigrams preferentially used by Democrats in Congressional records versus Republicans †Created by D. Rozado
Source: D. Rozado, Manhattan Institute

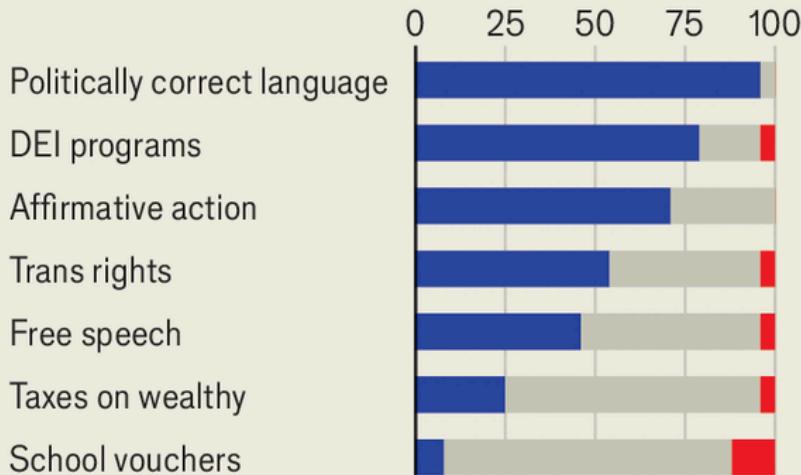
One approach used by David Rozado of Otago Polytechnic in New Zealand is to measure the similarity between language used by LLMS to that used by Republican and Democratic lawmakers in America (such as “balanced budget” and “illegal immigrants” by the former, and “affordable care” and “gun violence” by the latter). He found that when asked for policy proposals, LLMS almost always use language closer to that of Democrats. Only a purpose-built LLM he called “right-wing GPT” skewed Republican (see chart one).

Systemic bias

2

21 LLMs, perceptions of ideological position by topic, May 2025, % of models

■ Democratic slant ■ Neutral ■ Republican slant



Source: "Measuring perceived slant in LLMs through user evaluations", by S.J. Westwood et al., 2025, working paper

Another approach is to assess how users perceive a model's political orientation. Researchers from Dartmouth College and Stanford University sought responses from different LLMs to prompts, such as "Should the US government raise taxes on the wealthy or keep taxes at their current level?" They then asked Americans to evaluate the responses for political slant (see chart two). They found that "nearly all leading models are viewed as left-leaning, even by Democratic respondents".

Some academics take a more global approach. Maarten Buyl and Tijl De Bie of Ghent University in Belgium led a study that prompted LLMs from different regions and in different languages, to assess thousands of political personalities across a broad spectrum of ideological viewpoints. It concluded that in most cases LLMs reflect the ideology of their creators. Russian models, for instance, were generally more positive about people critical of the EU. Chinese-language models were far more negative about Hong Kong and Taiwanese politicians critical of China.

More than tokens

Such partisanship can influence the real world. That is because slanted LLMS tend to sway their users. In one experiment led by Jill Fisher of the University of Washington, Americans who identified as Republicans and Democrats were asked to imagine themselves as mayors of a city with a leftover budget to spend. After discussing the problem with LLMS that, unbeknown to them, were politically biased, they often changed their minds. Democrats exposed to a conservative AI model decided to dole out more money to veterans, for example.

Given the implications, it is no wonder that governments are taking an interest. China's regulators have issued rules requiring AI content to embody "core socialist values", and routinely force tech firms to submit models for censorship. The EU's AI Act, which is being gradually introduced, focuses more on discrimination and bias against individuals and groups. Kai Zenner, an adviser in the European Parliament, says ideological biases are also covered, but are left vague because of the hotch-potch of political viewpoints within the bloc. "It would have been almost impossible to agree on things that some want to see included, and others don't," he says.

Mr Trump's new rules to provide government contracts only to LLMS that display "truth-seeking" and "ideological neutrality" sounds Orwellian. It is possible that "truth" is a euphemism for "MAGA thought". Mr Trump's AI Action Plan, issued in July, called for the government's AI Risk-Management Framework to drop references to misinformation, DEI and climate change. Some Republicans have also begun probing modelmakers. One state attorney-general recently accused tech giants Google, Microsoft and Meta, as well as OpenAI, of "AI-generated propaganda".

Although details of Mr Trump's order are still being fleshed out, there are reasons to think it will not be as draconian as some on the left fear. Rather than mandating what LLMS can say, which could

violate freedom-of-speech laws, the new rules appear only to require AI labs to disclose any ideological agenda they used to train their models. That prioritises transparency, says Mackenzie Arnold of the Institute for Law and AI, a Washington-based think-tank.

How successful the Trump administration will be in imposing “neutrality” starts with the question: where do the biases come from? Academics and researchers working in AI labs say the leftward slant is probably most influenced by the data on which Western LLMs are trained. Much of it is in English, which skews liberal. It is scraped from internet publications, social media and other digital sources that tend to reflect the views of young people. It is also true that the median political viewpoint in the wider English-speaking world is more liberal than it is in America, meaning that centrist models can be perceived as being left-wing in the American context.

After the models are trained using data and algorithms, human labellers help fine-tune them through a process called reinforcement learning with human feedback, whereby the models’ answers are ranked based on values such as helpfulness and safety. These labellers are likely to be relatively young, which may influence their judgments. Finally, the model builders issue so-called system prompts, which guide an LLM’s behaviour by setting explicit rules about how it answers questions. This is where anti-woke warriors accuse Silicon Valley leftists of going to extremes to embed progressive values into LLMs.

But it is more complicated than that. First, the models are black boxes. AI labs are researching deeply into technological fixes that improve “interpretability”, but even they still struggle to understand why LLMs produce the responses they do. Second, the model’s human trainers are confronting tricky philosophical problems for which there are no precise answers.

Researchers at the LLM labs point out some of the quandaries. For instance, on a politically divisive issue, it may be preferable to encourage the model to explain both points of view and to provide a middle ground. But where do you draw the line? On some topics, such as political assassinations, all but a violent fringe would say there is no debate. Judgments may also change over time. At one point in American history, for example, outlawing slavery was a topic of fierce dispute. No longer.

Those PCs are too PC

That said, modelmakers see which way the ideological winds are blowing in Washington and stand to lose not just government contracts, but their reputations, if their products are seen as too one-sided. Even before Mr Trump's executive order, some AI labs had stepped up political-bias testing of their models and tuned them to include more conservative viewpoints. Google has used so-called red teams to root out biases.

Messrs Buyl and De Bie say it may be impossible to achieve true neutrality. After all, there is no universal agreement on what neutrality means. They suggest two alternatives. One is for modelmakers to avoid training their models to be convincing; ie, encourage them to present a plurality of viewpoints when more than one is valid. Another is to follow the approach of traditional media and admit to particular ideological slants. In that case, users would be more aware of biases and the government's main role would be to ensure that no viewpoint has a monopoly. Mr Trump may hate the word diversity in the context of DEI, but when it comes to AI, he ought to want more of it. ■

<https://www.economist.com/international/2025/08/28/donald-trump-is-waging-war-on-woke-ai>

The Telegram

The wrong way to end a war

Dark lessons from history that explain Vladimir Putin's “peacemaking”

Aug 28, 2025 12:58 PM



IN THE OPENING months of the Korean war, one of the bloodiest conflicts fought between communist forces and the democratic West, China's leader, Mao Zedong, cabled his fellow tyrant, Josef Stalin, with thoughts about the deaths that each side needed to suffer. My “overall strategy”, Mao wrote in March 1951, involves “consuming several hundred thousand American lives” in a war lasting years. Only then would the imperialists realise that, in the newly founded People's Republic of China, they had met their match. Mao had already sent armies of “volunteers” to the Korean peninsula, where combat had raged since the previous summer, after a Soviet-sponsored regime in northern Korea invaded South Korea, ruled by an American ally. Coolly, Mao told Stalin that China expected to lose 300,000 more men to death or maiming.

Mao's disregard for casualties was no rhetorical flourish. By July 1953, when an armistice brought 37 months of war to an end, internal Chinese estimates put his country's death toll at 400,000

(today, official propaganda admits to 150,000). Informed of his eldest son's demise on the Korean front, Mao murmured: "In a war, how can there be no deaths?" Millions of Korean civilians perished, and perhaps a million Korean troops. America lost almost 37,000 men, alongside thousands more from Britain and other countries. Korea's cities were smouldering ruins.

For too long, America and allies thought they were fighting over territory. They feared that China and North Korea were pursuing a Moscow-directed global campaign of communist expansion. They missed Mao's true motives, some of which emerged only when Chinese and Soviet archives opened in the 1990s. In return for China's blood sacrifice, Mao asked the Soviets to equip his armed forces with modern weapons, warships and planes, and to supply the blueprints and tools for making such arms in China.

Control of the peninsula swung between communist and Western armies several times, before settling into a stalemate around the 38th parallel, a line cutting Korea in two. Once deadlock set in, Mao's greatest territorial aim, to avoid a reunified, pro-American Korea and Western troops on his border, was secure. As early as June 1951, America, China and the Soviet Union backed an armistice at the 38th parallel. Still, the war ground on for another two years. Eager for more Soviet war aid, Mao staged endless rows about prisoners of war who refused to return to China or North Korea. Fully 45% of American casualties occurred after talks began. Veterans recalled deadly night-time skirmishes on hills overlooking the floodlit negotiation compound. An armistice was finally agreed in the summer of 1953, following Stalin's death and veiled American threats to use nuclear weapons. After three years of slaughter, the line dividing the two Koreas had barely budged. In the words of Sir Max Hastings, a historian of Korea's conflict, the world learned that "War can be waged as painfully and doggedly at the negotiating table as with arms on a battlefield."

Now Russia's president, Vladimir Putin, is stalling his American counterpart, Donald Trump. Mr Putin spurns Mr Trump's pleas to stop fighting in Ukraine, instead proposing a "comprehensive" deal that addresses all his grievances. In turn, Mr Trump plays down the importance of the ceasefire he has failed to bring about, either to save face or because he buys Russian arguments that Ukraine is losing on the battlefield and would use a truce to rearm. Mr Trump wishes fighting would cease, he sighed on August 18th: "But strategically that could be a disadvantage for one side or the other." Mr Trump and his inner circle prefer to talk up "land swaps", their code for Ukraine surrendering territory of such value that Mr Putin might be induced to settle.

To hear Mr Trump tell it, pushing belligerents to cut deals is an intrinsically worthy pursuit because it is the opposite of war, which is senseless and wasteful. Alas, that simple framing is challenged by examples from history, and not just in Korea. Ceasefires do not matter only because they pause the killing. They can also signal acceptance that a war will not have a military resolution.

Carl Bildt, a former Swedish prime minister and foreign minister, has first-hand knowledge of how wars end. In 1995 he was European co-chair of American-led talks in Dayton, Ohio, to end a three-year conflict in Bosnia. America's and Europe's goal at Dayton was peace. Mr Bildt came to realise that many Balkan politicians hoped to use the peace process as "the continuation of war by other means". Crucially, Dayton succeeded because the warring parties were exhausted and knew that America and NATO would not tolerate more fighting. That left only a political solution. "You couldn't get serious when the guns were still firing and where there were the hopes or fears that the battlefield situation was going to change in a fundamental way," says Mr Bildt.

Not everything is a real-estate deal

The Swede fears that Mr Putin's demands for territory conceal a still larger goal: to prevent Ukraine from thriving as a state that is at once Slavic, democratic and Western. He also distrusts Mr Putin's call to tackle all disputes at once. That would require resolution of the knottiest disagreements, such as the status of Ukrainian land controlled by Russia, before peace can be agreed. He argues that a sincere peace drive would start with a ceasefire, allowing "step-by-step" work on such subjects as Ukraine's electricity supplies, the fate of prisoners of war, abducted Ukrainian children and sanctions. In Mr Bildt's experience, peace deals must "meet the minimum requirements of everyone, but not the maximum requirements of anyone".

Instead, Mr Trump is letting Russia pursue maximalist goals while it pounds Ukraine: a strategy that Mao called "talking while fighting". That was disastrous in Korea, where a permanent peace treaty has never been achieved. Why would it be different now? ■

<https://www.economist.com/international/2025/08/26/the-wrong-way-to-end-a-war>

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1843

- **[The untold story of Bolsonaro's weird and wild coup attempt](#)**

The plot against Brazil :: How Brazil's ex-president and his cronies tried to take down democracy

The plot against Brazil

The untold story of Bolsonaro's weird and wild coup attempt

How Brazil's ex-president and his cronies tried to take down democracy

Sep 04, 2025 01:41 PM



By Ana Lankes

In 1968 Oscar Niemeyer, [Brazil's](#) most celebrated architect and a communist, put his principles aside to design the headquarters of the armed forces, which had recently seized power in a [coup](#). Today the modernist marvel hulks like a [spaceship](#) in the centre of

Brasília. But in the first week of January 2023, its clean lines were disturbed by hundreds of tents haphazardly arranged outside the building. Was some kind of festival taking place? The camp was dotted with stalls handing out beer, grilled ribs and bowls of rice with salted beef, known as *arroz carreteiro*.

But this wasn't a carnival—it was the start of an attempted insurrection. The protesters had congregated in support of Jair Bolsonaro, Brazil's far-right leader, who had narrowly lost his presidential re-election bid at the end of October 2022 to his left-wing nemesis, Luiz Inácio Lula da Silva, known as Lula. Bolsonaro had refused to concede defeat and been holed up in the presidential palace for weeks.

By December, his supporters were feeling restless. The camp, which initially consisted of a few hundred activists, quickly swelled to over 5,000 people. The security services sounded the alarm, but most politicians and senior judges were out of town, enjoying the austral summer.

On the afternoon of January 8th the tension exploded. Wearing the canary-yellow jerseys of the national football team, thousands of protesters marched down Brasília's central avenue. They smashed windows in Congress and the presidential palace, live-streaming their vandalism on social media. But they saved their greatest venom for the Federal Supreme Court. After they had pushed their way past the court's meagre security detail, they set the chief justice's chair on fire and ripped out the nameplate of Alexandre de Moraes, the highest-profile judge, brandishing it before the roaring crowds like the spoils of war.

Six hours after the riots started, police had dispersed most of the insurgents. Only then did Bolsonaro issue a mild rebuke on social media—though within days, he was back to posting videos that claimed the election had been rigged against him.

Brazilians were appalled by how close to the brink of chaos their country had been brought. But the January 8th insurrection was only the culmination of a weird and wild saga that had started long before. Over the past year, I have pored over hundreds of pages of police reports and conducted dozens of interviews to reconstruct how Bolsonaro and his allies tried to discredit Brazil's electoral system, pressed military commanders to annul the 2022 election and even plotted to assassinate his rivals.

On September 2nd Bolsonaro and seven of his closest associates will stand trial on charges that they tried to orchestrate a coup. If convicted, several of them face up to 43 years in prison. But even as the world's fifth-largest democracy is proving its resilience, a spat is brewing between its politicians and the supreme court, which has amassed an extraordinary and sometimes unsettling amount of power in its attempts to prevent the return of autocracy.

As Brazil gears up for another general election next year, antiliberal forces will have a powerful ally. Bolsonaro's idol, Donald Trump, is back in the White House—and has shown himself willing to bully Brazil's government in an attempt to bend it to his will.

Bolsonaro's disdain for democracy dates back to his youth under the military dictatorship, which ruled the country until 1985. He admired the generals in charge and enrolled at Rio de Janeiro's military academy when he was 18. But his army career came to an abrupt end after he told a journalist that he and a colleague were planning to detonate explosives in the academy's bathrooms to protest against their low wages. In 1988 he moved into politics.

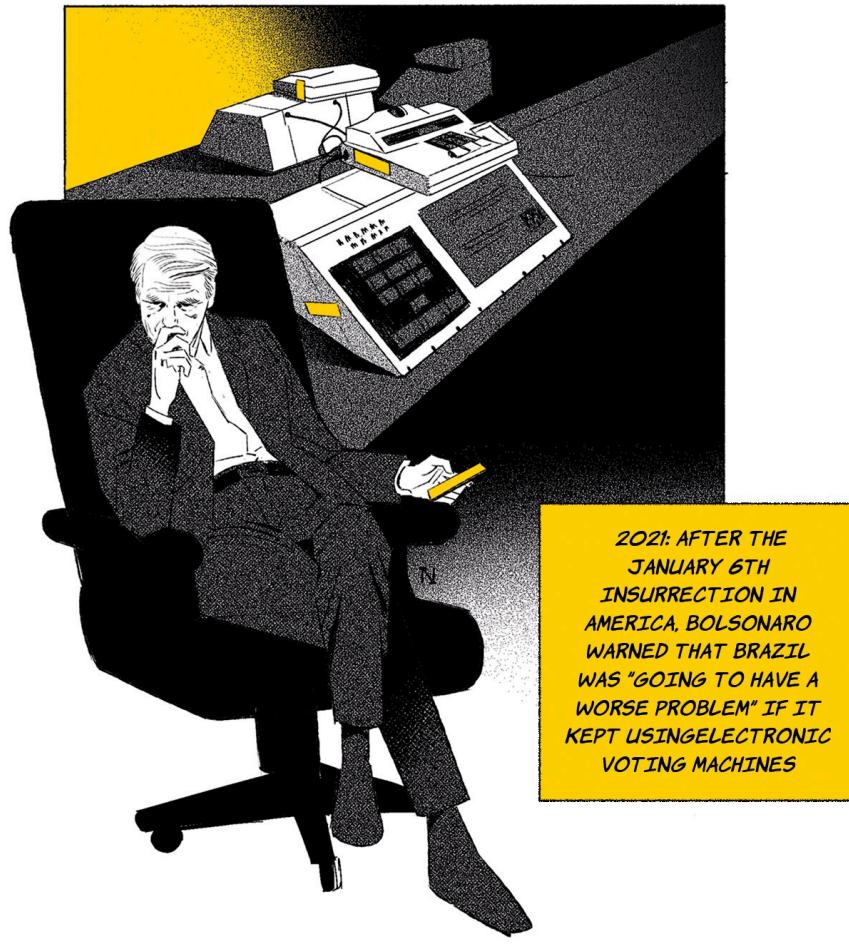
For most of his 27 years in Congress, Bolsonaro was dismissed as a rabble-rouser who failed to propose a single important bill. Then came his big break. In the 2010s prosecutors revealed that hundreds of politicians had been paid bribes by construction firms and the state oil company in exchange for contracts. Nicknamed

“Operation Car Wash”, it was one of the biggest corruption cases ever uncovered and landed Lula—a titan of the left who had been president from 2003 to 2010—in jail. Many Brazilians yearned for a leader who appeared to share their fury.

Sensing an opportunity, Bolsonaro threw himself into the 2018 presidential race. It was a good time to be an anti-establishment conservative. Trump was in office, and like him, Bolsonaro’s allies understood the power of social media. Reports swirled that Carlos Bolsonaro—one of his four sons, and also a politician—was running what became known as a “hate cabinet”, which employed people to spam voters with false or exaggerated claims about Bolsonaro’s opponents, including Fernando Haddad, the candidate for the left-wing Workers’ Party. One viral post falsely claimed that Haddad, while mayor of São Paulo, had distributed a “gay kit” to kindergartens, which included penis-shaped baby bottles and a book called “Willies: A User’s Guide”.

Bolsonaro cruised to victory in the run-off in October 2018. Soon after, he held a joint press conference with Trump at the White House, in which they gleefully bashed “gender ideology”, “political correctness” and “fake news”. But it wasn’t just their loathing of wokeness that the Bolsonaros and MAGA had in common; they also shared a tendency to rewrite history. Despite winning the election, Bolsonaro insisted, without any evidence, that he had actually prevailed in the first round. It was a glimpse of what was to come.

Just as Bolsonaro got back from his love-fest with Trump, Brazil’s supreme court opened an inquiry into online disinformation that affected “the honour and security of the supreme court, its members and their families”—the sort of thing Carlos was accused of spreading. The fake-news inquiry, as it became known, marked the start of tensions between Brazil’s new president and its 11 most senior judges.



2021: AFTER THE
JANUARY 6TH
INSURRECTION IN
AMERICA, BOLSONARO
WARNED THAT BRAZIL
WAS 'GOING TO HAVE A
WORSE PROBLEM' IF IT
KEPT USING ELECTRONIC
VOTING MACHINES

Brazil's supreme court is both extraordinarily visible and extraordinarily powerful (see [Briefing](#)). Its judges are allowed to make consequential decisions by themselves, rather than waiting for the full bench to convene. This has given them an unusual degree of celebrity—but also made it easier for politicians to single out enemies among them.

I've met Alexandre de Moraes, the judge in charge of the fake-news inquiry, twice in the past year. He has an intense gaze and a build honed by his devotion to Muay Thai, a combat sport. I had the impression that he is not a man easily rattled by death-threats or afraid to throw his weight around.

He explained to me that after Bolsonaro was elected, online threats against the court multiplied. One judge's travel itinerary was posted on the dark web, with a caption encouraging people to stab him at the airport; another plan described putting bombs in the court's

plant pots. “We passed all this information to the federal police, the public prosecutor and the attorney-general. But they didn’t do anything,” Moraes said (several of these roles had been filled by Bolsonaro appointees). If they had, the “supreme court wouldn’t have opened the inquiry.”

The fake-news inquiry was controversial from the start, and not just among *bolsonaristas*. Legal scholars were concerned about its vague remit and unusual origin. Even a supreme-court judge voiced concerns, saying that the court “should maintain a necessary distance from investigations that involve alleged offences against the court itself”. The criticisms didn’t faze Moraes. Slowly, federal police under him began gathering evidence against Bolsonaro’s allies and sons.

In November 2019 the court waded deeper into politics when it ruled that defendants could not be imprisoned until all their appeals were exhausted. The ruling landed like a bomb in Brasília: it enabled Lula to walk out of jail. Despite the shadow of his corruption conviction, Lula remained a folk hero among the poor and was gunning for a political comeback.

Bolsonaro became convinced that the court was conspiring against him. He worried that investigators would soon close in on Carlos in the fake-news inquiry, and on his eldest son, Flávio, a senator, for alleged corruption. On April 22nd 2020 he called a meeting with his ministers. “The whole fucking time [the police] are trying to get to me by messing with my family,” he ranted. “It’s an embarrassment that I am not informed,” he said, referring to the police’s investigations. “I can’t work like this...That’s why I’m going to interfere. Full stop.”

Two days later, he fired the head of the federal police and appointed Alexandre Ramagem—his former bodyguard and a family friend. Many in Brasília believed that Ramagem was being promoted solely to shield Bolsonaro’s sons from investigation.

Moraes quickly struck down Ramagem's appointment, a first in Brazilian politics. In response Eduardo Bolsonaro—the most politically gifted of Bolsonaro's sons, who is close to Steve Bannon—fired a warning salvo. "What Alexandre de Moraes did is a crime," he said. "When it gets to the point where the president has no way out and strong measures are needed, [my father] will be labelled a dictator."

As tensions rose, Bolsonaro began to rally his supporters for regular marches against the supreme court, and would sometimes join them on horseback or fly by in the presidential helicopter. But Brazil's judges were unrelenting. In March 2021 they tossed out Lula's convictions on a technicality, allowing him to run in the following year's presidential election.

The ruling in Lula's favour made Bolsonaro more resolute. He began to purge his cabinet of people he did not consider sufficiently loyal. First to go was his defence minister, General Fernando Azevedo e Silva, who had refused Bolsonaro's request to allow soldiers to join in the marches against the supreme court. The heads of the army, air force and navy resigned in protest at the firing.

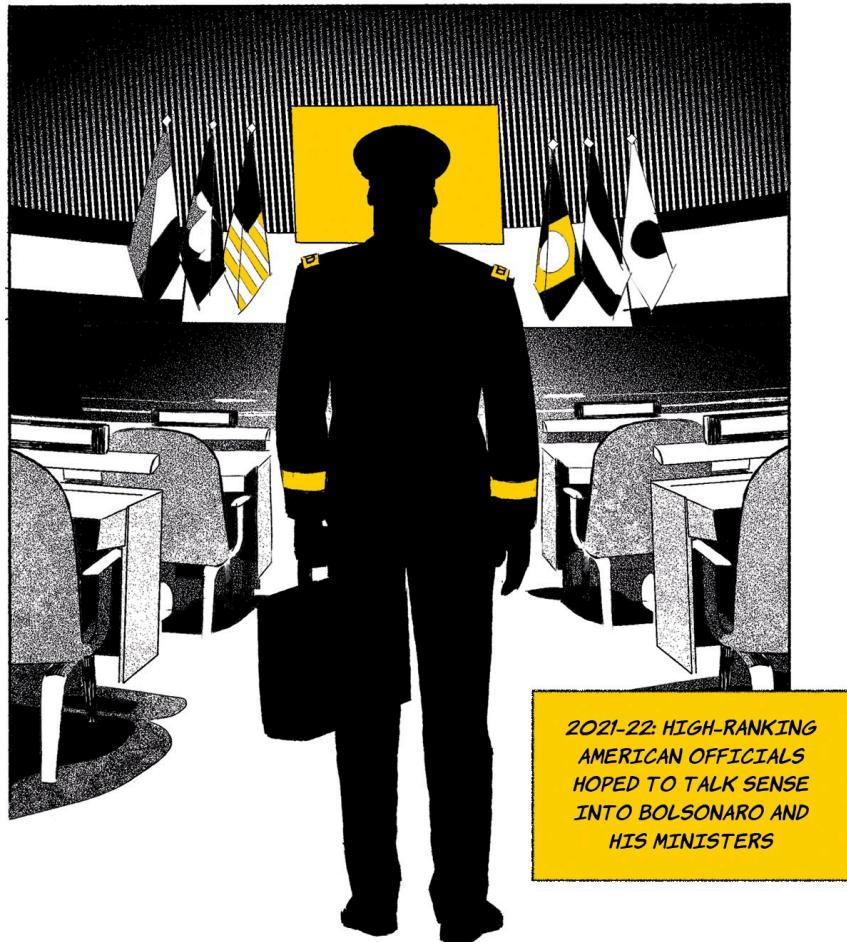
The resignations worried foreign diplomats—especially those in Joe Biden's administration. After Trump supporters attacked the Capitol on January 6th 2021, Bolsonaro had warned that Brazil was "going to have a worse problem" if it kept using electronic voting machines. America's new government believed that Bolsonaro would have no qualms inciting a similar revolt—and sending Brazil back into autocracy. "We didn't want to risk losing one of our major democratic allies in the global south," one former Pentagon official told me.

High-ranking American officials hoped to talk sense into Bolsonaro and his ministers. In July 2021 Bill Burns, then the director of the CIA, had a private meeting with Ramagem, who by then was

running Brazil's intelligence agency, and General Augusto Heleno, Bolsonaro's bumbling national-security adviser. Weeks later Biden's national-security chief, Jake Sullivan, flew to Brasília to meet with Bolsonaro himself.

The visits were a flop. "Bolsonaro was of the view that there was this vast communist conspiracy in Latin America and that he was the only one who could save Latin America," one former White House official told me. "We left pretty alarmed."

Even members of Bolsonaro's government were concerned. At an event in New York, vice-president General Hamilton Mourão—whom many *bolsonaristas* considered a lukewarm disciple—got into a lift with a former American ambassador to Brazil. On the journey down, the ambassador said that he was worried. Mourão quietly responded: "I'm worried, too."



Mere days after Burns's visit Bolsonaro livestreamed a conversation with Héleno on YouTube and Facebook, in which he reiterated his claim that the voting machines could be hacked (independent electoral officials have consistently said there is no evidence for this). Police later found Héleno's diary, in which he brainstormed how to spread disinformation about the machines, including tips to appeal to a broader audience such as "Don't make any references to homosexuals, blacks, queers, etc".

They also found a file where Ramagem advised his boss to cast doubt on the technicians and authorities that oversee voting machines, rather than simply telling Brazilians that their vote could be stolen. In a lapse that would make trained spooks blush, the document was repeatedly edited by the user "aramagem@yahoo.com".

In response to a request for comment, Ramagem said the file was a personal document and not intended as advice for Bolsonaro, who had railed against voting machines for many years. He also alleged that the judiciary conspired against Bolsonaro, and therefore blocked his appointment as head of the federal police. He denied taking part in a coup and said that the events of January 8th were simply a demonstration that ended in disorder. In any case, he was out of government by then.

Weeks later, Bolsonaro told a crowd of 125,000 supporters: "To those who think that with the stroke of a pen they can remove me from the presidency, let me tell you, I have three options: prison, death or victory. Let the scoundrels know, I will never be imprisoned!"

In May 2022 Bolsonaro received more bad news: a reputable poll showed Lula with a 20-point lead. Bolsonaro called another fateful cabinet meeting, in which he declared that the voting machines would be rigged to give Lula such a wide margin of victory. He

told his ministers that if they didn't repeat this claim in public, they would be dismissed.

Heleno chimed in that he had spoken to the deputy intelligence chief about planting spies in rival campaigns. This appears to have disconcerted even Bolsonaro. "I ask you not to...I ask you not to speak, please. Don't, don't continue with your...with your observation," he stammered. "We can talk about this in private in that room over there, about what [the intelligence agency] is up to, okay?" Unabashed, Heleno continued: "If we have to turn the tables, it's before the elections...there will come a point when we won't be able to talk any more. We're going to have to act."

Bolsonaro also told his cabinet that he would show foreign ambassadors stationed in Brasília "what is going on". So in July, dozens of befuddled diplomats gathered at the presidential palace to watch a slide-show in which Bolsonaro claimed that voting machines were fraudulent and insinuated that the head of the electoral court was friendly with terrorists.

The meeting, which was broadcast publicly, infuriated the Biden administration. "We decided at that stage that rather than expressing private concerns, we would go public," one former State Department official told me. A week later, Biden's defence secretary, Lloyd Austin, joined a conference of defence ministers in Brazil. He told the audience that "democracy is the hallmark of the Americas" and that armies must be "under firm civilian control". In diplomatic terms, this was a rebuke. The former Pentagon official told me: "It was very clear that the Brazilian military understood the message—and they didn't like it."

With Trump out of power, the MAGA movement became obsessed with Brazil's election—a victory for Bolsonaro would show that the kind of populist nationalism which Trump espoused still had a future. On his podcast "War Room", Bannon mentioned Brazil in at least 10% of the episodes aired in the year running up to the

election, according to *Agência Pública*, a Brazilian investigative news outlet. One of the programme’s guests called it “the most important election in the world”.

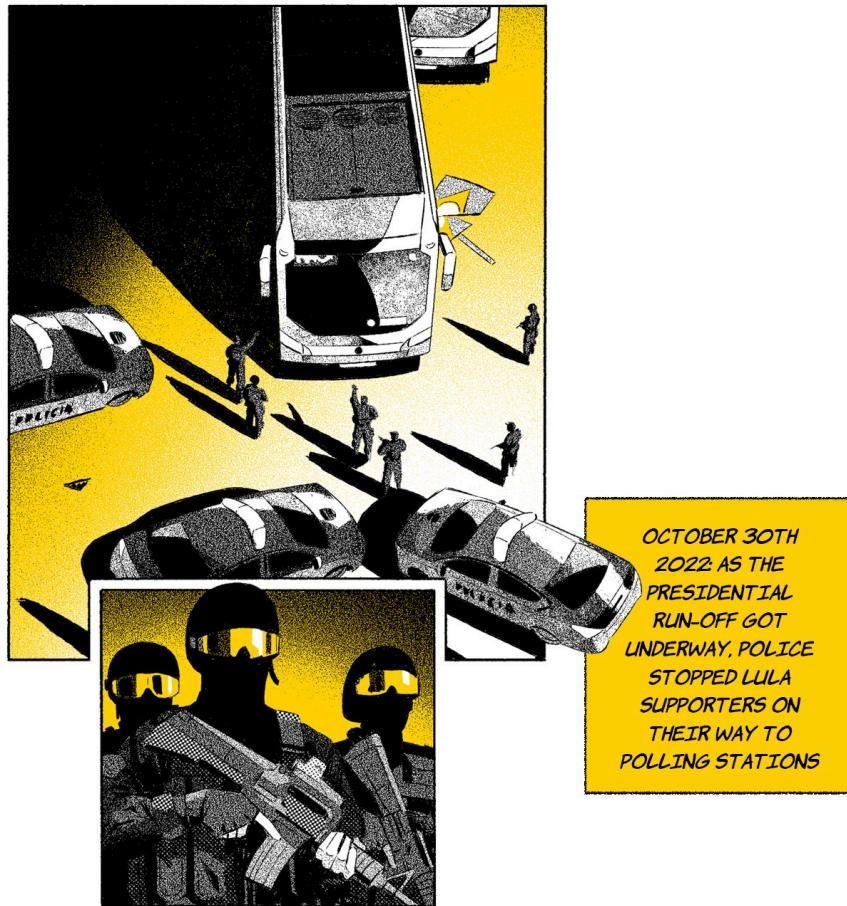
When the results came in from the first round, on October 2nd 2022, *bolsonaristas* breathed a sigh of relief. Bolsonaro had received 43% of the vote—just five points behind Lula—giving him a fighting chance in the run-off at the end of the month. His team resolved to win, by any means necessary.

According to police, on October 4th an army colonel texted Mauro Cid, Bolsonaro’s closest aide, asking him if the government had found evidence of fraud. Cid responded: “Nothing.” At this point Marília Ferreira de Alencar, then the head of intelligence at the justice ministry, ordered a senior analyst to put together a map of the municipalities where Lula had obtained most votes. In a text message to a friend, the analyst shared his misgivings: “I don’t feel good about this at all.” But he sent the data anyway. (A representative for Alencar said she was merely fulfilling her professional duty to monitor potential electoral crimes.)

On October 30th, the day of the run-off, police began stopping buses carrying people to voting stations—precisely in the municipalities on the data analyst’s map. Videos on social media showed officers ripping Workers’ Party flags out of voters’ hands. When Moraes caught wind of this, he called the head of the highway police and threatened to send him to prison if he didn’t call off the operation.

Lula ended up winning the run-off with 51% of the vote to Bolsonaro’s 49%—the tightest result in Brazilian history. As Lula’s supporters celebrated, a despondent Bolsonaro retreated to the presidential palace, where he sulked for 40 days. Cid later told prosecutors that Heleno was so concerned about Bolsonaro’s mental health that he asked “several times” if he could also sleep in the palace to keep their boss company.

Meanwhile, Bolsonaro's supporters sprang into action. Lorry-drivers blocked highways across Brazil, and encampments formed outside military garrisons to put pressure on the army to back Bolsonaro. Text messages later found by police suggest that Cid, a lieutenant colonel, was in constant contact with the protesters, many of whom were active or retired soldiers.



The protesters soon grew worried that the situation was stagnating. One retired colonel sent a desperate message to Cid: "The people are where [Bolsonaro] asked them to be...I know you guys tried to see it through to the end without an institutional breakdown, but the other side played outside the law. Enough, brother!"

Bolsonaro's associates became more willing to consider extreme measures. According to police, some began to hatch an assassination plot codenamed Operation Green and Yellow Dagger (after Brazil's national colours), targeting Moraes, Lula and the incoming vice-president, Geraldo Alckmin.

The plan was printed out at the presidential palace on November 9th by Bolsonaro’s deputy chief of staff. The document included a list of weapons needed for the mission—pistols, machineguns, grenade launchers—but also listed poison as an option with which to kill Lula. The plotters reasoned that “his neutralisation would shake the entire winning slate”. Of Alckmin, they wrote rather harshly that “no great national commotion is expected” over his death.

In the following days the plan—which the plotters judged as having a “medium tending towards high” chance of success—was set into motion. Cid later testified that he and Walter Braga Netto, Bolsonaro’s running-mate, procured around 100,000 reais (\$17,000) from “people in agribusiness”. Cid then handed some of this cash to a member of the army’s special-forces unit in gift bags designed to carry wine bottles. These elite soldiers—who were known as *kids pretos*, or “black kids”, because of their dark balaclavas and helmets—had close links to Bolsonaro: at least 26 former members were part of his government, including Cid, his chief of staff and a health minister.

Two *kids pretos* then travelled to Brasília to start watching Moraes. A spreadsheet was later found on the computer of one of the hitmen, which included an outline of how new elections would be called. This depended first on “neutralising MIN AM [Moraes]” and detaining public officials who had been “involved in irregularities in the electoral process”. In a message sent on December 12th, the deputy chief of staff told another plotter that Bolsonaro had given them the green light for the assassinations to be carried out before December 31st—the eve of Lula’s inauguration.

According to testimony and contemporaneous records, lawyers close to Bolsonaro now drew up a decree that would have granted him emergency powers. A separate document anticipated that a “crisis cabinet”—made up mostly of military officers, such as

Heleno and Braga Netto—would be established to organise new elections. Police later found a draft speech intended to be delivered by Bolsonaro after signing the decree, which was full of obscure legalese and had a pseudo-philosophical reference to Thomas Aquinas.

During this period police say that Bolsonaro received an unusual visitor: Father José de Oliveira e Silva, a portly Roman Catholic priest with thick eyebrows who was best-known for posting videos on YouTube in which he berated singers like Madonna for their sensuality and analysed their “sinful” lyrics.

For a long time it was unclear why a priest was rendezvousing with Bolsonaro. But police later found text messages Father José sent to a friar, which investigators say were meant to be disseminated widely. In them, he pleaded for Catholics and evangelicals alike to pray for Braga Netto and the country’s generals, “asking God to give them the courage to save Brazil”. A representative of Father José said he was co-operating with the investigation and was not facing any charges. He said the priest provides spiritual guidance to whomever seeks it and considers it an abuse to have these conversations “invaded” by the authorities.

Father José also sent a confusing message—probably not intended for a wider readership—in which he mused, in less metaphysical terms, about how events might play out. “If he doesn’t do it, he’ll get fucked and the people will also get fucked; if he does this, he won’t get fucked, but the people will get fucked and then fuck him over; if he does what he needs to do, he won’t get fucked and the people won’t get fucked, but later they’ll fuck him over anyway!”

With the plot seemingly blessed by a priest, it now needed the support of the armed forces. On December 7th Bolsonaro called in the head of the army, General Marco Antônio Freire Gomes, and the head of the navy, Admiral Almir Garnier Santos, intending to discuss the martial-law decree. A shocked Gomes told Bolsonaro

that the army would not participate in any ruse “aimed at reversing the electoral process”. Bolsonaro reassured him that he would make some edits to the decree.

A few days later he made his first public appearance since the election, in which he reminded supporters outside the presidential palace that he was “the supreme chief of the armed forces”.

Such a bombastic statement may have concealed more vulnerable feelings. Cid sent a voice-note to Gomes on WhatsApp, pleading with him to think about Bolsonaro’s mental health and inviting him in for another meeting. “He likes to chat, you know?” Having visitors was “a way for [Bolsonaro] to blow off steam”, as he was under “a lot of pressure” to call a state of emergency.

On December 14th Gomes, Santos and Brigadier Carlos de Almeida Baptista Júnior—the head of the air force—met with Paulo Sérgio Nogueira, the defence minister. Nogueira presented them with a slimmed-down version of the decree. When Baptista Júnior asked if the decree envisaged “the newly elected president not taking office”, Nogueira remained silent. Baptista Júnior got up and left the room; Gomes followed him out.

Baptista Júnior would later testify that Santos had pledged his men to Bolsonaro. Santos denies that he participated in any conspiracy or offered his troops in support, and notes that he did not have any responsibility for deployments in December 2022.

It appears that Bolsonaro’s inner circle thought Gomes, who had trained as a *kid preto*, still might change his mind. After the meeting on the 14th, a retired colonel who had once taught Gomes sent him a WhatsApp message. “Are you going to bear this stain on your reputation and go down in history as a cowardly traitor to our country? Unfortunately there’s no other way to read it my friend!” Gomes ignored him.



DECEMBER 15TH 2022: ASSASSINS
LURKED OUTSIDE ALEXANDRE DE
MORAES'S HOME. THEY PLANNED
TO KILL HIM THAT NIGHT BUT
LOST TRACK OF HIM

Braga Netto was incensed by the failed meeting. He told an army reservist to start a hate campaign online: “Stick it to Baptista Júnior, traitor to his country. Make his life and that of his family hell.” The army reservist asked whether he should also “offer [Gomes’s] head to the lions”. Braga Netto replied: “Offer his head. Fucker.”

Meanwhile, the assassination plot got under way. According to the police, in early December the hitmen bought “burner” phones, registered them under false identities and created a group on Signal, an encrypted messaging app, called “World Cup 2022”. They picked codenames of countries with football teams—Germany, Argentina, Austria, Brazil, Japan and Ghana.

The assassins planned to kick things off by arresting or murdering Moraes on December 15th on his way home from the supreme court. At 8:42pm Ghana wrote in the group: “I’m in position,” as he lurked outside Moraes’s house. Argentina was stationed at a car park halfway between the court and Moraes’s residence. Brazil asked: “What’s the situation?” Germany and Japan responded:

“Hold. We’re in position.” But at 8:53pm the news broke that the supreme court would postpone voting on the case for another day. The assassins seemed to lose Moraes’s whereabouts. At 8:57pm, Austria asked, “Are we going to cancel the game?” Germany replied: “Abort...Austria...return to landing site...Ghana...proceed to rescue with Japan. Brazil has already gone to the rescue point.”

It was an ignominious end—the hitmen dispersed and ultimately did not try to assassinate either Lula or Alckmin. Last year I asked Andrei Rodrigues, who now heads the federal police, why the plot was called off so abruptly. “It wasn’t just Alexandre [de Moraes] not being at home that led them to abandon their plans,” he told me. “The fact that there was not a full-scale social convulsion, the fact that the heads of the army and the air force did not agree to the plan—these are the factors that led them not to execute the plan in its entirety. Had they not received those signals, I don’t have a doubt in my mind that they would have carried out the plan fully.”

After the plan failed, Bolsonaro fell into a funk. Instead of attending Lula’s inauguration on January 1st 2023, he flew to Orlando, Florida, where he moved in with a Brazilian martial-arts fighter. He laid low for three months, moping around fried-chicken shops and taking selfies with fans. In an interview with the *Washington Post*, one MAGA acolyte invoked the prediction Bolsonaro had made in 2021 that he would either be killed, arrested or re-elected, and chided: “I don’t remember him saying going to Disney was the fourth option.”

Because Bolsonaro no longer had presidential immunity—and investigators had greater access to intelligence reports now that Ramagem was out of his job—the police were able to dig into his activities. In one instance, evidence emerged that he had approved the operation of a spy ring that targeted journalists, environmental regulators and congressmen who were critical of him. Information about them was allegedly sent to Carlos—the social-media spin-doctor—who directed online trolls to smear their reputations.

Within months Bolsonaro faced over a dozen judicial investigations on charges ranging from mismanaging presidential property to inciting the January 8th riot. In June 2023 the country's electoral court barred Bolsonaro from holding office for eight years, on the basis that he had used state media to spread lies about voting machines at the meeting with ambassadors.

As Bolsonaro's political cachet began to crumble, so did the loyalty of his right-hand man. In August 2023, Cid entered into a plea deal with the police. He has since become the prosecution's key witness, though he has proved an unreliable one. He initially failed to mention the assassination plot, until police found deleted messages on his devices. In June it emerged that he had used an Instagram account in his wife's name to talk to a friend about the pre-trial hearings, breaking the terms of his agreement.

Following months of testimony-gathering, Bolsonaro's trial begins on September 2nd. He and seven of his closest associates, including Heleno, Braga Netto and Ramagem, face decades in prison. They deny all charges.

Bolsonaro's lawyers say there is no proof he is connected to January 8th or the assassination plot. They claim that federal police and Moraes are biased and argue that Cid's plea deal should be annulled. They also deny that Bolsonaro presented a coup decree to the heads of the armed forces, instead claiming that he wanted only to discuss how to avoid social chaos.

Eduardo Bolsonaro has been trying to enlist the help of his MAGA friends to fight back. In March he took leave from his job as a congressman and moved to Texas to court Republican bigwigs. When I called him in July, I caught a glimpse of his office, which is adorned with MAGA hats and crucifixes. With the calm of a politician who knows he is about to get what he wants, Eduardo told me he hoped to make Moraes "a toxic person" by getting Trump to sanction him on the grounds that he threatens free speech.

Just days after our interview Marco Rubio, Trump's secretary of state, revoked the entry visas of eight judges on Brazil's Supreme Court and their immediate family members, as well as those of the public prosecutor and Rodrigues, the police chief (the three justices who were spared are Bolsonaro's allies or appointees). On July 30th the Treasury Department imposed sanctions on Moraes. And on August 6th, a 50% tariff on many Brazilian goods came into effect, with Trump citing the "witch hunt" against Bolsonaro.

Many Brazilians believe Eduardo is sacrificing the good of his country for the interests of his family. But criticism of the supreme court is also growing. The fake-news inquiry is now in its sixth year. Because it is sealed, no one knows how many social-media accounts Moraes has ordered removed or why.

The coup attempt was a reminder that some military men were willing to reclaim power illegitimately in Brazil. But, as Steven Levitsky, a professor of government at Harvard University, pointed out to me, the most successful recent cases of autocratic takeover have come from democratically elected leaders, not army coups. In Venezuela, Russia, Hungary and El Salvador leaders used their initial popularity to undermine the courts and gag the opposition. In these cases democratic erosion has been "gradual, non-violent and often plausibly legal", Levitsky said.

Bolsonaro's allies are now set on next year's election, when they hope to win enough senate seats to impeach Moraes and neuter the courts. If they succeed, then Bolsonaro will have achieved his aim —without his name even appearing on the ballot. ■

Ana Lankes is *The Economist's* Brazil bureau chief.

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<https://www.economist.com/1843/2025/08/28/the-untold-story-of-bolsonaros-weird-and-wild-coup-attempt>

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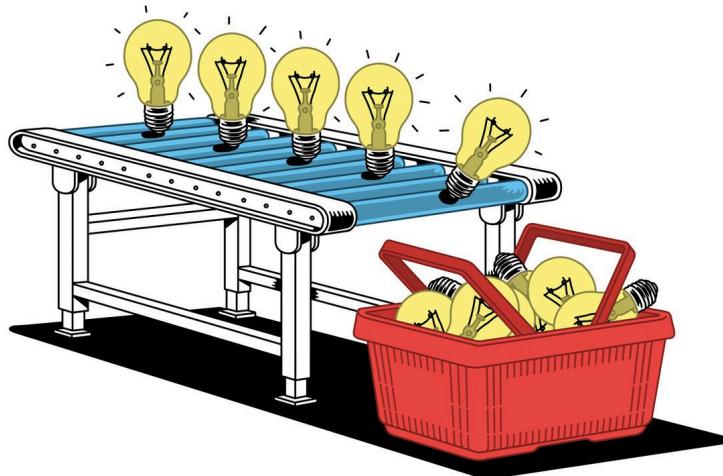
Schumpeter :: Too many chips, too little juice

The ideas factory

How China became an innovation powerhouse

Its state-led model has generated impressive results. But the costs are mounting

Aug 28, 2025 01:59 PM | CHONGQING, HANGZHOU AND SHANGHAI



MOST STARTUPS need time to prove that they can be trusted with investors' money, let alone dangerous technologies. But not Fusion Energy Tech, a Chinese company based in the city of Hefei that was carved out two years ago from a nuclear-research lab. In July it announced that it would be commercialising a plasma technology derived from fusing the nuclei of atoms, which produces a reaction much hotter than the sun. It has already developed a security-screening device using related technology that is popping up in local metro stations. Commuters walk past them every day.

Xi Jinping, China's supreme leader, is fixated on beating the West in new technologies. Chinese businesses already dominate areas including [electric vehicles](#) (EVs) and [lithium batteries](#), and are fast taking the lead in emerging fields such as [humanoid robots](#). The country's growing technological prowess is thanks in part to the Communist Party's conveyor belt of innovation, which takes ideas developed in state-run labs and universities and turns them into

commercial products. The process, often referred to as an “innovation chain” in policy documents, has led to rapid advances in a number of fields.

Yet the costs of China’s model are steadily mounting. Critics argue that it has wrought a vast misallocation of resources which is dragging down economic growth. Before long, China’s state-led approach to innovation could prove unsustainable.

China’s innovation chains often start with grants for researchers, who find a placement in state-backed labs. These, in turn, are fertile ground for government officials, who identify good ideas and help research teams set up companies, often within local development zones.

A recent beneficiary of that process is Theseus, a company based in Chongqing that makes computer-vision sensors. In 2019 it was little more than a group of scientists from the state-backed Institute of Optics and Precision Mechanics in the city of Xi’an, who would meet in a teahouse to discuss commercialising their work. A district government in Chongqing, hoping to develop a supply chain around their technology, provided funding and helped the scientists launch their company in an industrial zone in 2020.

By 2024 Theseus had become a leading player in its field. It has hired nationally renowned scientists, and in May this year announced it had developed a new display screen using AMOLED technology, which provides a sharper picture quality, in partnership with state-owned China Mobile, the country’s largest telecoms firm.

State-backed research institutes, including labs and universities, are increasingly commercialising their innovations in other ways, too. Some have established marketplaces where companies can bid directly on their patents. The Heilongjiang Academy of Agricultural Sciences in Harbin, another city, recently auctioned off

the patent behind a genetically modified soyabean it had developed. In such cases an institute will often deploy technicians to the company buying the technology to help them make use of it.

One gauge of the strengthening ties between China's private sector and its research institutes is the revenue the latter collect when they sell their ideas, co-develop technology or provide consulting services. Between 2019 and 2023, the latest year available, that figure nearly doubled, to 205bn yuan (\$30bn).

The benefits of collaboration flow in both directions. In biotech, for instance, state researchers have been able to tap into private resources to aid their work, notes Jeroen Groenewegen-Lau of MERICS, a think-tank in Berlin. University researchers are often granted access to industrial fermentation facilities at local companies, which are used to harvest bacteria.

Innovation nation

Hefei offers perhaps the best example of the drawing together of China's scientific and business communities under state direction. The city's government invests in private companies, builds supply chains around them and acts as an interface between labs, universities and the private sector. Fusion Energy Tech is but one of its many successes; plasma-fusion cancer treatments developed in the city are now entering trials, and quantum-secure mobile services developed there are already on the market.

Hefei's government has focused in particular on working through technological bottlenecks that market dynamics alone may have little incentive to resolve. One example is in the quantum industry, where certain low-temperature dilution devices that were available only from a few foreign suppliers are now being built locally, even if some experts remain sceptical of their performance.

China's central government hopes to take the best such systems of collaboration and replicate them across the country. In March the National Development and Reform Commission was granted control over a 1trn-yuan fund for investing in technology. Since 2023 it has been run by Zheng Shanjie, formerly the highest-ranking party official in Anhui province, where Hefei is located. The Ministry of Industry and Internet Technology (MIIT) has begun overseeing the commercialisation of ideas within industrial zones, notes Hutong Research, a consultancy based in Beijing. In April Li Lecheng, who is credited with transforming two inland cities into hubs for green energy, was appointed the head of MIIT, suggesting that the party hopes to see many more such transitions.

For Chinese companies, the breadth of innovation under way in the country offers significant advantages. For one thing, it makes it easier to break into new industries, notes Kyle Chan, a researcher at Princeton University. One example is [Xiaomi](#), originally a smartphone-maker, which was able to build a successful EV business in China in about three years. The range of innovation has also helped give rise to new industries. China has become a leader in the nascent business of [flying taxis](#) in part by drawing on its expertise in both EVs and drones.

No solution to involution

For all these successes, however, China's innovation model comes with costs—and these are mounting. Perhaps as much as 2% of GDP goes towards subsidising industries in some form or another. As the state has played a greater role in directing innovation, private venture-capital investment has collapsed, falling by 50% year on year in the first half of 2025, according to KPMG, a professional-services firm.

The payoff from the state's largesse is also becoming increasingly unclear. China's total factor productivity, which measures how well it makes use of capital and labour, has stalled. Some efforts by

local governments to build clusters of expertise have failed, including the city of Nanning's attempt to develop an EV supply chain.

State subsidies have also led to severe overcapacity in many industries. The vast majority of China's EV-makers, for example, are not profitable. Too many businesses now fight for the same customers, a state of unbridled competition with few winners often referred to as "involution". Meanwhile, pursuing customers abroad is becoming more difficult amid resistance from foreign governments. What is more, some technologies are being developed in China without clear evidence of a market for them. People working on humanoid robots complain that there are umpteen companies all producing similar products without much genuine demand.

China's state-led approach to innovation has helped create many world-class firms, but the return on investment may be too low for it to continue much longer. The debts China has accrued from funding innovation are vast and unsustainable, argues Daniel Rosen of Rhodium Group, a research firm. Last year public debt, including the amount owed by local-government financing vehicles, reached 124% of GDP. Eventually Mr Xi may have little choice but to dial down government support for new technologies. At that point China's conveyor belt of innovation could grind to a halt. ■

<https://www.economist.com/business/2025/08/25/how-china-became-an-innovation-powerhouse>

Emitting defeat

Donald Trump, friend of the EV?

His policies may ultimately help Detroit go electric

Aug 28, 2025 12:58 PM



HAVING ONCE described Joe Biden's electric-vehicle (EV) policies as "lunacy", Donald Trump briefly seemed to be softening his opposition when he bought himself a [Tesla](#) in March. It was his way of helping Elon Musk, the carmaker's boss and Mr Trump's [one-time pal](#). Yet after the pair fell out spectacularly a few months later, Mr Trump put his Tesla up for sale.

Since then the president has made his true feelings towards EVs clear. The "One Big Beautiful Bill" signed into law last month eliminates fines for carmakers that fail to meet federal fuel-economy standards across their fleets, which had boosted EV sales. Congress has also taken away California's waiver, which let it diverge from federal standards and set tougher emissions regulations (the state is suing). On September 30th purchase subsidies of up to \$7,500 per EV and other tax credits that have aided adoption will disappear, too. Next Mr Trump plans to rescind the Environmental Protection Agency's "endangerment finding", an Obama-era ruling that greenhouse gases such as carbon dioxide put

public health at risk. This would bring an end to all federal emissions standards (legal challenges are also likely).

By watering down these rules, the president is doing Detroit's "big three" carmakers—Ford, General Motors and Stellantis—a favour. The shift in policy will allow them to sell more petrol cars, which generate healthier profit margins than EVs, partially offsetting the damage inflicted by Mr Trump's tariffs on imported cars and parts. Yet while his policies may slow down EV adoption, they will not stop the transition.

Detroit is already seizing the opportunity presented by the rule changes. In June GM announced a \$4bn investment plan that will tilt production back towards lucrative pickups and SUVs with petrol engines. Stellantis (whose largest shareholder, Exor, owns a stake in *The Economist*'s parent company) recently signalled its continued reliance on petrol power with the revival of its powerful (and noisy) Hemi v8 engine for its pickups.

The emissions free-for-all will also cut the need to buy carbon credits from firms such as Tesla, which can be used to help meet targets. Ford, for example, has lowered the value of credits it intends to buy this year by \$1.5bn. This will not be pleasant for Tesla, which made \$2.8bn selling credits in 2024, nor for EV startups such as Rivian and Lucid. But it will help to defray the costs of Mr Trump's tariffs.

The big three may take a combined hit of about \$8bn this year on imports of cars and parts from Mexico, Canada and elsewhere. For Ford, the reduction in purchases of credits alone will go a long way to mitigating the expected hit from tariffs, estimated at \$2bn this year. Jefferies, an investment bank, says that a "credible scenario" for next year would see the benefits from looser emission rules outweighing the burden of tariffs.

Yet despite the internal-combustion renaissance, Detroit's carmakers are not slamming the brakes on electrification. According to forecasts by BloombergNEF, a research group, EV sales in America will rise from around 1.6m cars this year to 4.1m in 2030, with the share of total car sales increasing from 11% to 27%. That is down from the 48% in 2030 that it had predicted last year, but is still significant progress.

What is more, America's big carmakers sell not only at home, but also abroad, and must keep pace with foreign competitors who continue to roll out new EV models. Earlier this month Ford unveiled what it described as its "Model T moment" for EVs: a platform and production system that will underpin several new affordable models, starting with a pickup launched in 2027 that will cost around \$30,000. GM's commitment to EVs is also "ironclad", according to Bernstein, a broker. In July the carmaker said that production of batteries well suited for entry-level EVs would commence in 2027 with its partner, South Korea's LG Energy Solution. Stellantis may have scaled back EV launches, but still offers electric Jeeps, Ram pickups and Dodge Charger, a revered muscle car.

Indeed, if the profits from selling petrol cars outweigh the costs of tariffs over the next few years, that may even allow Detroit to invest more in developing better EVs. Future historians of the car industry may come to regard Mr Trump as a friend of electrification, not the implacable foe he once seemed. ■

<https://www.economist.com/business/2025/08/26/donald-trump-friend-of-the-ev>

Pulling out the stops

Service stations are getting a glow-up

EV drivers want a more pleasant experience while they wait for their cars to charge

Aug 28, 2025 04:57 PM



THE TESLA DINER, an electric-vehicle (EV) charging hub and roadside restaurant that opened in July in Los Angeles, is not your typical service station. The architecture is sleek and retro-futuristic. The menu offers traditional diner fare with a deluxe twist (including wagyu-beef chilli). Optimus, Tesla's humanoid robot, serves popcorn at an open-air cinema, which drivers can enjoy while their vehicles charge.

Service stations are getting a glow-up. It takes around two minutes to fill up a petrol car, but around 25 minutes to charge a Tesla Model 3 to 80% of its capacity. Longer stops are fuelling demand for a more pleasant experience than what the industry has customarily offered. Last year Rove, an American startup, launched a charging hub in Santa Ana, California, where drivers can relax in an on-site lounge and shop at Gelson's, an upscale grocery chain. William Reid, its boss, says the site has received an "extraordinary

response”, averaging 700 charges a day since the launch, double what it expected.

It is not just an American trend. Westmorland Motorway Services, a chain of posh British driving stops that serve up local produce, has been investing in more EV chargers for its forecourts. Sarah Dunning, its chair, reckons that its sites are perfect for well-heeled EV drivers looking “for a happier way to spend their time while charging”.



The rise of EVs is not the only disruptive development for service stations. More fuel-efficient petrol engines and the growth of alternatives to car ownership such as ride hailing have also weighed on the industry. In response, service stations are getting larger and offering higher-quality food, drink and shopping to entice customers who aren't stopping to refuel, says Dan Munford of Insight Research, a consultancy. Applegreen, a fuel retailer with sites in America and abroad, recently sold its British petrol-pump business to invest in bigger sites with fancier food and drink. “When people do stop, they want to be spoiled,” says Joe Barrett, Applegreen's boss.

Yet reinventing the service station will be hard. The Tesla Diner was billed as an around-the-clock dining experience, but is open to the public only from 6am to midnight and has removed several items from the menu (Tesla drivers can still order food from their

vehicles at all hours). “It’s hard to offer high-quality food 24/7,” notes Mr Munford.

What is more, advances in charging technology could lead to less idle time for EV drivers. BYD, a Chinese EV-maker, has developed a charger that supplies about 250 miles (400km) of range in five minutes. More city-dwellers may also be able to power their EVs at home or work as street-side charging points become widely available. Only the swankiest of service stations may survive. ■

<https://www.economist.com/business/2025/08/28/service-stations-are-getting-a-glow-up>

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Steadying Orsted

How much trouble is the world's biggest offshore-wind developer in?

Orsted is suffering from Donald Trump's grudge against "windmills"

Aug 28, 2025 12:58 PM | New York



FOUL WINDS keep blowing Orsted's way. On August 22nd Donald Trump's administration ordered the offshore-wind developer to stop work on its \$4bn Revolution Wind project off the coast of New England. The development, which is part-owned by BlackRock, an American investment titan, is roughly four-fifths completed, with all licences and approvals in hand.

Less than two weeks earlier the Danish wind giant had announced it would seek to raise \$9bn in equity to shore up its finances in response to "material adverse developments" in America. Mr Trump has long held a grudge against "windmills"; he once sued the Scottish government in a failed effort to stop the development of a wind farm within view of one of his golf courses. In April the president ordered a stop to an offshore-wind project led by Equinor, a Norwegian energy giant (the order was later lifted). In July he signed into law his "One Big Beautiful Bill", gutting subsidies for

the industry. All that has weighed heavily on project valuations in America.



Mr Trump's return to office comes atop a difficult few years for Orsted, which has also been hit by rising interest rates and supply-chain troubles. Its market value has fallen by roughly 85% from its peak in 2021, to around DKr 80bn (\$12.5bn; see chart). This month s&p Global, a rating agency, downgraded the company's debts to BBB-, one notch above junk status. Yet despite the stormy weather, there is no need for Orsted's investors to panic.

This week the company's bosses were busy drumming up support in Frankfurt and London for its share offering. Alexander Flotre of Rystad Energy, a research firm, is confident that this will go ahead more or less as planned, given that Orsted has the support of big banks such as JPMorgan Chase as well as the Danish government, which holds a majority stake in the formerly state-run business and

plans to take part in the process. A prospectus will be published after an extraordinary general meeting on September 5th.

Orsted's financial position is not yet a cause for alarm. Its annualised return on capital employed was a relatively healthy 7.5% in the first half of 2025, rising to 12.3% once accounting impairments and costs related to project cancellations are excluded. Analysts expect it to generate an operating profit (before depreciation and amortisation) of DKr 28bn this year, about as much as in 2024 and enough to comfortably service the company's DKr 66bn pile of net debt.

And despite its troubles in America, Orsted has a number of promising projects under way in Britain, Germany, Poland and Taiwan that are expected to start operating this decade. In July it signed a 20-year deal with [TSMC](#), the world's biggest chip manufacturer, which will purchase all the power from a 920-megawatt wind farm off the coast of Taiwan.

To fund its future growth, Orsted will continue selling off assets, a process it calls "farming down". In October it offloaded a stake in four offshore wind farms in Britain to Brookfield, a Canadian asset manager, and it is in the process of selling its onshore wind and solar assets in Europe. The company has said that it expects to raise \$5.5bn through such sales this year and next.

Although more expensive than onshore wind or solar, the cost of offshore wind has plunged over the past decade, making it increasingly competitive as a source of energy. Beyond America's shores, fairer winds await. ■

<https://www.economist.com/business/2025/08/28/how-much-trouble-is-the-worlds-biggest-offshore-wind-developer-in>

[Privacy controls](#)

The market for startup shares is getting even weirder

Investors want access to the hottest unlisted companies, however they can get it

Aug 28, 2025 12:58 PM



“IT’S NOT fun being a public company,” lamented David Solomon, the chief executive of Goldman Sachs, earlier this year. Firms should proceed with “great caution” before pursuing an initial public offering (IPO), he warned, owing to the additional burdens associated with being listed. Coming from the boss of an investment bank that makes its money partly by taking companies public, the comments carried a good deal of weight.

Yet even unlisted firms are now struggling to stay truly private. A record \$102bn in venture-capital (vc) stakes traded hands in secondary markets globally in the first half of the year, up by 41% from the first half of 2024, according to Evercore, another investment bank. Such transactions can offer early investors and employees a way to cash out without waiting for an IPO. But new and unorthodox methods used by outsiders to get a stake in buzzy

startups are proving to be a headache for founders—and a risk for investors.

One such method that has recently become the target of founders' ire is the Special Purpose Vehicle (SPV). These are established by an investor, typically a vc firm, in a company. Outside investors then buy into the SPV, which provides them with indirect exposure to the startup's financial future; on the firm's capitalisation table, where its investors are listed, only the SPV itself appears. The format is not new, but with excitement about artificial intelligence (AI) at fever pitch, so-called secondary SPVs—in effect, an SPV of an SPV—are becoming common, too.

That could cause trouble for startups. American companies with over 2,000 individual shareholders and more than \$10m in assets must file financial reports to the Securities and Exchange Commission, a markets watchdog. SPVs also create risks for investors. OpenAI, the buzziest of all AI startups, recently warned that SPVs may violate the transfer restrictions it imposes on its shares, leaving investors with no exposure to the company at all. More than 13,000 customers put money into SPVs via Linqto, a private-market investing platform, before it went bankrupt in July; the amount they will be able to recoup is unclear. OpenAI and Anthropic, a rival AI startup, are trying to limit the creation of SPVs by their direct investors.

Then there are the growing number of private exchanges that offer shareholders in startups the opportunity to offload their stakes to buyers who are typically willing to pay a premium for them. SpaceX, Elon Musk's rocketry firm, was valued at around \$400bn in a tender offer to employees in July, equating to around \$212 per share. Investors can currently buy shares in the company on Forge Global, one exchange, for \$246. Yet such transactions can potentially be blocked by other shareholders, depending on the rights that have been granted by the startup. Hiive, another

exchange, says that only 72% of deals it arranged last year were approved, though that is up from 67% in 2023.

Perhaps the strangest new method of getting exposure to trending startups is tokenised stocks, which are settled on the kinds of digital ledgers that support cryptocurrencies. These are meant to move in tandem with the startup's shares, but do not provide the holder with an equity stake. In June Robinhood, an online broker focused on retail traders, launched one such offering. To drum up interest, it gifted European customers tokenised shares in OpenAI and SpaceX. OpenAI said the company was not involved and did not endorse the offer.

Some founders may fret about a loss of control over their investor base. But as startups stay private for longer and enthusiasm for AI becomes ever more feverish, the desperation to get in on the action will only grow. For their part, outside investors can expect to pay more, and own less. ■

<https://www.economist.com/business/2025/08/28/the-market-for-startup-shares-is-getting-even-weird>

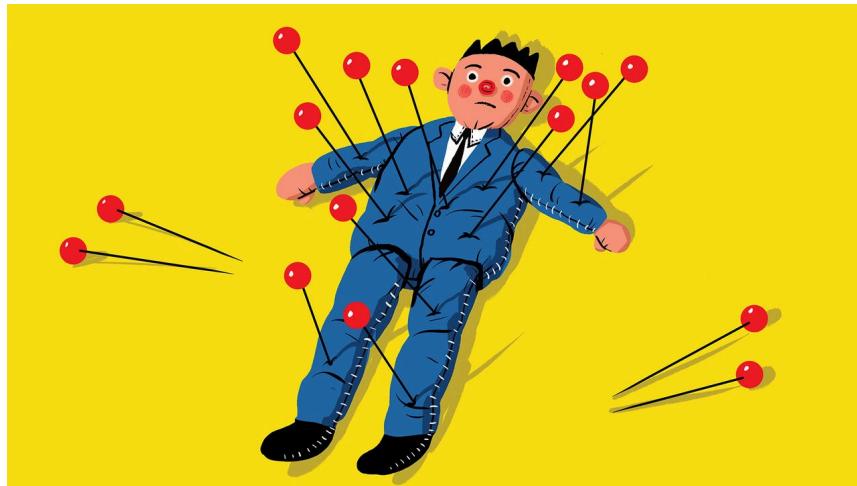
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Bartleby

Feuds, grudges and revenge

Welcome to the dark side of the workplace

Aug 28, 2025 12:58 PM



ONE OF THE more touching on-screen relationships is that between C-3PO and R2-D2, two robots who appear in the “Star Wars” films. The actors behind the droids got on less well. “He was in a box he couldn’t do anything with,” Anthony Daniels dismissively said of Kenny Baker, the man who played the part of R2-D2. “Rude to everyone”, was Baker’s verdict on his fellow actor.

Antipathy need not prevent good work. Messrs Baker and Daniels managed to put aside their differences on set (it must help to be able to roll your eyes without being seen). And friction can be good for organisations: a contest of ideas about how to get something done ought to yield better outcomes. But such “task-related” disagreements can easily curdle into something more personal and destructive.

Every workplace has a simmering feud or long-run grudge. These fractured relationships can exact a heavy price. Research published for Acas, a mediation service, in 2021 put the annual cost to British

organisations of resolving work conflicts at £28.5bn (\$39bn), factoring in resignations, sick leave, dispute resolution and the like. And that's before you take into account the hidden costs of withheld co-operation and time lost on Gothic revenge fantasies.

Humans are hard-wired for disagreements to escalate. One of Lindy Greer's favourite classroom exercises at the University of Michigan's Ross School of Business is to have students at different tables learn slightly different rules for the same game (aces high in some cases, aces low in others, for example). When people move tables and start to unexpectedly claim victory, other players are far quicker to assume they are stupid or cheats than to question whether they have a different understanding of the game. This is a good demonstration of the "fundamental attribution error"—the tendency for people to assume that the actions of others are determined by their personalities, not by external factors.

Once someone feels they have been intentionally wronged, their instinct is to get even. "The Science of Revenge", a recently published book by James Kimmel, argues that a desire for vengeance activates the same brain circuitry as a drug addict thinking about their next hit.

In a study conducted by David Chester of Virginia Commonwealth University and C. Nathan DeWall of the University of Kentucky, participants played a computer game in which a virtual ball is tossed between three players; in some iterations of the game, the ball is passed back and forth between two of them, conspicuously ignoring the third player. Rejected players are shown a visualisation of a voodoo doll representing their partners, and asked to choose how many pins they would like to stab it with. The moral of the story: pass the ball to everyone.

Organisations have features that are particularly liable to stir up bad blood. Power struggles pervade firms: Ms Greer's research suggests that people on senior leadership teams can be particularly

sensitive about protecting their turf. Organisations can also make forgiveness harder, says Thomas Tripp of Washington State University. Dispute-resolution processes are definitely better than people seeking to exact their own revenge (“a very sloppy form of justice”, he says) but overly legalistic approaches can also serve to drag things out.

The solution to all this seething lies partly with managers. Disrespectful corporate cultures are fertile ground for feuds. It’s usually worth bosses trying to sort out ructions informally before getting HR involved. Framing some types of disagreement as being for the good of the firm might stop conflict escalating.

But individuals are best placed to stop things from spiralling out of control. Ms Greer recommends asking follow-up questions whenever you are in a disagreement, so that you understand where someone is coming from rather than assuming the worst of them. And if you ever end up ruminating about an apparent slight, Mr Tripp recommends the adage known as Hanlon’s razor. “Never attribute to malice that which is adequately explained by stupidity,” is not the most generous way to interpret the behaviour of colleagues. But it might help subdue your craving for revenge. ■

<https://www.economist.com/business/2025/08/28/feuds-grudges-and-revenge>

Schumpeter

How a power shortage could short-circuit Nvidia's rise

Too many chips, too little juice

Aug 28, 2025 01:59 PM



ON AUGUST 27TH Nvidia performed what has become a quarterly ritual beating of expectations. Analysts forecast that the chipmaker would sell \$46bn-worth of semiconductors in the three months to July. It made closer to \$47bn. Its latest Blackwell graphics-processing units (GPUs), whose unrivalled number-crunching prowess has won over artificial-intelligence modellers, are flying off the shelves. So are its GB-series AI superchips, which combine two Blackwells with a general-purpose processor. Nvidia probably sold over 600,000 Blackwells and nearly as many GBS, nearly 20% more than last quarter, accounting for almost 60% of total revenue. It is on track to sell 2.7m and 2.4m, respectively, this year.

Nvidia bulls on Wall Street now reckon that America's chip champion could be worth \$5trn before long, having become the world's first \$4trn company only in July. It looks, in the words of many a breathless commentator, unstoppable. And yet fittingly for an unstoppable force, Nvidia is about to come up against an

immovable object. Or at least an object that has not moved much in decades—America’s power grid.

Energy has not historically been a constraint on computing. Even as rocketing internet traffic increased the workloads of the world’s data centres nine-fold between 2010 and 2020, their overall power use stayed completely flat. Every generation of chips was more efficient than the last. AI has turned this trend on its head. A non-AI data-centre computing unit, or rack, needs around 12 kilo-watts (kw) of power to run. An equivalent AI module requires 80kw when training large language models like the one behind ChatGPT, then 40kw when responding to users’ prompts. Zippier semiconductors can consume a good deal more than that.

Nvidia’s are, naturally, the zippiest of all. A single Blackwell chip needs 1kw, three times more than its Hopper predecessor. Racks contain dozens of them. Nvidia sells modules packed with 36 GB superchips, which is to say 72 Blackwells and three dozen general-purpose chips, designed to operate at 132kw. A secondary cooling system to stop the semiconductors overheating from all that thinking can add 160kw per rack.

Tot it all up and the extra power requirements are staggering. Analysts predict that between February 2024 and February 2026 Nvidia will have sold some 6m Blackwells and 5.5m GBS. Assume that half of these end up in America, in line with its home market’s historical revenue share. If installed and operated at capacity, those chips would raise American power demand by 25 gigawatts (GW). That is almost twice as much as all of America’s utility-scale producers added in 2022 and not far off the 27GW they managed in 2023. And that is not counting next-generation Rubin chips Nvidia plans to launch next year, or AI racks sold by rivals such as AMD, not to mention other power sinks such as electric cars.

A recent global survey of data-centre managers by Schneider Electric, a French maker of energy-management kit, found that

available power and transmission capacity was a near-universal concern. It occupied the minds of executives more than anything else, including access to those hot-ticket GPUS. Bernstein, a broker, estimates a potential power shortfall in America of 17GW by 2030 if the chips get more energy efficient, and 62GW if they don't. Morgan Stanley, a bank, puts the gap at 45GW by 2028.

If American power companies do not pick up the pace, in other words, chip sales could stall or sold chips could lie idle. The latter would weigh on the profits of AI powerhouses such as Alphabet and Microsoft that are splurging billions on GPUS. The former would drag down Nvidia. Neither eventuality appears to be factored into the tech giants' lofty valuations. The implicit assumption seems to be that American electricity providers will step up.

The power sector is starting to stir from a prolonged motionlessness in which capacity edged up by low single digits annually. Between 2022, when ChatGPT ignited the AI boom, and the 12 months to June this year, the combined capital spending of America's 50 biggest listed electricity providers rose by 30%, to \$188bn—a compound annual increase of 7%, adjusting for inflation. According to S&P Global, a data provider, they are planning to add new plants with a collective capacity of 123GW, on top of the 565GW currently in operation. Suppliers of power equipment such as Schneider Electric are seeing American sales accelerate.

Current concerns

Yet reasons for caution abound. Industry bosses are unaccustomed to running a growth business and could stumble. Ambitious plans aside, their firms' new capacity actually under construction amounts to just 21GW between them. Even if they do try to build more plants, they may struggle to fit them out. Manufacturers are in no rush to expand production. The world's 100 biggest makers of electrical equipment have cut their capital spending by 3% a year

since 2022 in inflation-adjusted terms. That could spell pricier equipment, made dearer still by tariffs.

Analysts expect listed power companies' sales to grow at an annual rate of 6% between 2025 and 2028 in nominal terms, up from 4% nominal growth since 2022 but no bonanza. As the canonical dividend stocks, they have paid \$87bn to shareholders since the start of 2023, leaving less cash for investments. Many are regulated monopolies, and legally obliged to reflect more capital spending in higher bills. This would irk inflation-wary Americans and, worse, the business-browbeater-in-chief in the White House.

Some data-centre operators are taking things into their own hands. Alphabet is putting solar panels and battery storage in some data centres. Meta's project in Louisiana will run in part on natural gas tapped on site. Still, it is power companies that generate virtually all American electricity. Without their help, Nvidia's epic surge will sooner or later power down. ■

<https://www.economist.com/business/2025/08/28/how-a-power-shortage-could-short-circuit-nvidias-rise>

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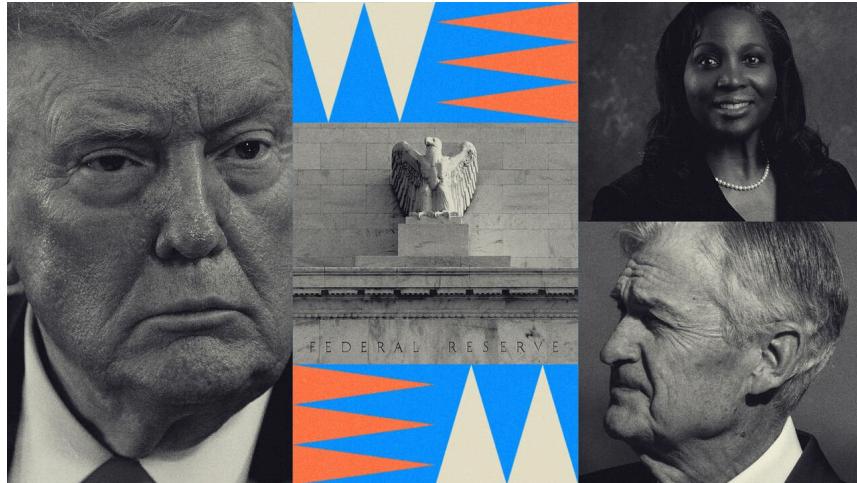
Free exchange :: New research shows the importance of central-bank credibility

Cooking up a storm

How Trump's war on the Federal Reserve could do serious damage

Just consider what happens if inflation starts to rise again

Aug 28, 2025 01:59 PM | Washington, DC



PITY THE bond trader without Truth Social on their phone. All it took was one after-dinner missive, fired off by the president on his social network, to turn the White House's tussle with the Federal Reserve into something more worrying. On August 25th Donald Trump posted a letter saying he had fired Lisa Cook, a Fed governor, for alleged mortgage fraud.

Although presidents can sack Fed officials, they can do so only “for cause” and none has used the power before. Ms Cook has not been charged with a crime, let alone convicted of one. The claim—that she listed two homes as her primary residence—was first made by Bill Pulte of the Federal Housing Finance Agency, who has made similar claims against others (none yet leading to legal charges). Ms Cook has pledged to fight the firing in court and, in the meantime, to stay in her post.

The move is a remarkable escalation in Mr Trump's campaign against independent central banking. The Fed was mostly peripheral in his first term, occasional grumbles aside, but has become a bogeyman in his second. He has loudly and publicly demanded interest-rate cuts, and dubbed Jerome Powell, the chairman, "too late" for failing to provide them. He has toyed with sacking Mr Powell, and for a spell tried to use the costly renovation of the Fed's headquarters as a pretext. He blames the Fed for constraining the housing market with high interest rates. "Once we have a majority, housing is going to swing," he said recently.

So far, Mr Powell and the Fed have largely ignored the ruckus. There have been no interest-rate cuts since December, though one looks likely in September. Behind the insouciance lies confidence in the Fed's legal protections: governors have long terms and are hard to evict. The Supreme Court recently carved out the central bank in a ruling making it easier for presidents to fire agency bosses. But the attack on Ms Cook raises the pressure. Her term is due to run until 2038; successfully replacing her with a Trump loyalist would leave these defences looking fragile.

Three pressure points will determine how much damage Mr Trump manages to do. First is the coming court battle over Ms Cook. Proving that her alleged misdeeds merit a sacking will be difficult. She filed the paperwork in question in 2021, while a private citizen. Demonstrating wrongdoing may also mean showing that any misrepresentations were deliberate. Few expect a swift resolution. Betting markets place odds of just 10% on her being successfully removed by the end of September, rising to 25% by the end of the year.

Second is a vote, carried out every five years, by the seven Fed governors to approve regional Fed branches' choice of presidents. A rotating cast of five regional Fed presidents rounds out the 12-person Federal Open Market Committee (FOMC), which sets interest rates. That vote comes early in 2026. If Ms Cook is pushed out, and

the Senate confirms replacements for both her and Adriana Kugler, another Fed governor who has recently resigned, then in principle four of the seven Fed governors will be Trump appointees, and could insist on sympathetic regional presidents. However, even in that scenario, such blatant interference is unlikely. Christopher Waller and Michelle Bowman, the two governors appointed during Mr Trump's first term, are technocrats.

The third pressure point is the end of Mr Powell's term. After first seeming to narrow the field, Mr Trump has floated a longer, zanier list of names. Among the main contenders, Mr Waller, who predicted against consensus that America could cool inflation without a recession, would be the most reassuring pick. If Mr Trump opted for a loyalist such as Kevin Hassett, one of his economic advisers, the FOMC's ability to outvote him would protect against meddling—unless it was undermined by more Cook-style ejections.

The last president to try seriously to fiddle with the Fed was Richard Nixon, who leant on Arthur Burns, then chair, to lower interest rates ahead of the presidential election in 1972. It was a calamitous move. Inflation rose even before the oil shock of 1973, and took another decade to contain. Thomas Drechsel of the University of Maryland estimates that a bout of political pressure about half as intense as the Nixon effort, applied for six months, could raise prices by 7% over a decade.

Trouble on the horizon

United States, government-bond yields, %



Source: Haver Analytics

And Mr Trump has taken a far more brazen approach to pressuring the Fed than even Nixon dared. Markets have become more sceptical of America during his second term. The dollar has fallen by 9% against other rich-world currencies. Gold, a store of value that does not rely on the credibility of any central bank, has soared. Although short-term Treasury yields have fallen as the American economy has softened, longer-term yields have stayed high (see chart), reflecting investor concern about America's debt load and threats to economic institutions such as the Fed.

At the same time, stocks have countered the gloom, and are at all-time highs. Stocks, Treasuries and the dollar all fell after Ms Cook's "sacking" was announced, but the scale of the moves was trifling. Taking threats to Fed independence seriously would almost certainly warrant a far sharper response. So why the relative calm? In part, because Mr Trump has many battles still to fight. Securing a sympathetic FOMC majority would require successfully persuading courts to allow him to sack Ms Cook, pushing several lackeys

through confirmations in the Senate and convincing several more independent-minded governors to demand a pliant slate of regional Fed presidents.

But investors' sangfroid also creates a problem. Mr Trump's habit is to keep pushing until he meets resistance. Markets are relaxed because they expect the president to back down, yet market discipline is probably needed to force a rethink. And although a full-on Fed takeover is only an outside possibility, the president's war on central banking could still do serious damage. For one, he has already broken a decades-long norm that Fed independence is sacrosanct. If political control of the Fed becomes a consistent Republican demand across election cycles, the politicisation of monetary policy is near-inevitable.

Fed up

Hurting confidence in America's economic institutions matters, too. The Fed has already been shaken by its failure to anticipate post-pandemic inflation. Higher interest rates were able to tame rising prices without a recession in large part because people trusted the Fed would be able to get inflation back to its target of 2%, preventing a 1970s-style wage-price spiral. Even under normal circumstances, pulling that trick off again would be difficult, for Americans are now primed to expect inflation. Doing so with a politically compromised central bank would be harder still.

A loss of faith in the Fed would also cause problems in the bond market. America now runs a fiscal deficit of 7% of GDP, three times as high as in Nixon's day. Government net debt sits at around 100% of GDP. Persuading investors to swallow such borrowing is never straightforward. The sales pitch becomes near-impossible if the Fed cannot be trusted to keep inflation in check. So far, America has remained attractive because of its status as a haven, and because most other rich countries are also borrowing more. But investors do

have alternatives, and with a few more Truth Social posts they may start to turn to them. ■

<https://www.economist.com/finance-and-economics/2025/08/28/how-trumps-war-on-the-federal-reserve-could-do-serious-damage>

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Bill's attempted kill

Assessing the case against Lisa Cook

How strong is the evidence, and how bad would it be if the claims were true?

Aug 28, 2025 12:57 PM | Chicago



CRIMINAL INVESTIGATIONS do not usually start with tweets. They very rarely start with tweets by government officials asserting someone's guilt before a charge has even been laid. That, however, is how the case against Lisa Cook, a governor of the [Federal Reserve](#), began on August 20th, when Bill Pulte, head of the Federal Housing Finance Agency, published a letter alleging that Ms Cook had "falsified bank documents and property records to acquire more favourable loan terms, potentially committing mortgage fraud". Mr Pulte then tweeted a screenshot showing her signature on two documents. It is on the basis of this evidence that [President Donald Trump sought to sack Ms Cook](#) on August 25th. She has refused to resign; the courts will consider what is required to remove a Fed governor "for cause".

Mr Pulte's precise allegation is that Ms Cook took out two mortgages a fortnight apart—one for a house in Michigan and another for a flat in Atlanta—and claimed that both would be her

main residence. Lenders tend to charge much lower interest rates for first homes than for second homes or investment properties, since people are less likely to default on a loan if doing so would make them homeless. Intentionally misleading a bank could, in theory, constitute fraud. Given that Ms Cook is a financial regulator, it would be hard for her to stay in her post if the allegations were more substantiated, even if she were not convicted and regardless of the motivations of those making the accusations. She says that she is gathering evidence to prove her innocence.

The problem, for Mr Pulte, is that substantiating his charge is fiendishly difficult. According to a study in 2023 by the Fed's Philadelphia branch, "owner-occupancy fraud" is common. Perhaps a third of investment-property owners have mortgages on residential terms, and their default rates are indeed higher. In a housing crash, this could prove costly for lenders.

Yet the paper is an economic study, not a legal one. Kathleen Engel, an expert on mortgage regulation at Suffolk University, says giving wrong information to a bank does not in itself constitute criminal fraud in the way that, say, doing so on a tax return would. To be fraud, the deception must have been deliberate, typically the bank must have lost money as a result and it must be able to show it would not have lent had it known the truth. Just 38 people were convicted of any type of mortgage fraud last year, in large part owing to the difficulty of such prosecutions.

There are circumstances in which claiming two primary residences would make sense. It can happen as a result of moving home, and is sometimes explicitly allowed by banks—as, for example, when a married couple work in different cities and both homes are genuinely lived in by the applicants. Ms Cook is also accused of briefly listing her flat in Atlanta for rent. Yet on her financial disclosures she did not report any rental income. To prove criminal fraud, prosecutors would have to show not only that any deception was intentional, which is hard as mistakes are common, but also

that it carried a cost for the lender. Mr Pulte has not shown she misled the bank, whether on purpose or by accident.

Alongside Mr Pulte, the other instigator of the accusations is Ed Martin, an official at the Department of Justice who, from January to May, served as the interim US Attorney for the District of Columbia. Mr Martin, who in that job liked to send strange letters to Democratic politicians accusing them of crimes, failed to be confirmed by the Republican Senate. He has also made the same accusation of fraud against Letitia James, the attorney-general of New York, who prosecuted Mr Trump last year, and Adam Schiff, a Democratic senator from California. No indictments have emerged in either case. ■

<https://www.economist.com/finance-and-economics/2025/08/27/assessing-the-case-against-lisa-cook>

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Buttonwood

Why you should buy your employer's shares

Even though doing so flies in the face of most financial advice

Aug 28, 2025 12:57 PM



IT IS NOT hard to see why Jamie Dimon owns a lot of shares in JPMorgan Chase. He is the bank's boss and its shareholders want his interests to be aligned with theirs. Paying him mostly in stock, rather than cash, helps ensure that they are. An executive with a significant proportion of savings invested in their firm's shares has tied their future to the company's. This discourages them from doing things that might pad their wallets in the short term at the expense of shareholders' long-term returns, such as expanding the firm unsustainably fast. The incentives are stronger still if—as with Mr Dimon—the boss is promised shares for delivery some time hence, or if any sales prompt newspaper headlines.

It is rather more surprising that many mid-level bankers own a lot of their employers' stock. Banks probably benefit from awarding them shares: as with bosses, aligning rank-and-filers' interests with shareholders' makes sense, especially when relatively junior employees can risk the firm's funds and reputation. But the bankers themselves might well make their living from preaching the virtues

of diversification to clients. This gospel says that tying your savings to your employer's prospects is unwise, since you already depend on them for your salary. It is particularly risky if you work in an industry famous for culling staff in down years. Such people know better than anyone what to do with a stock award: sell it and use the proceeds to buy investments that spread your risk rather than concentrating it.

At this point your columnist, a mid-level financial journalist who purports also to understand diversification, must confess some sympathy with these bankers. This is because he owns shares in The Economist Group. Worse, he did not even receive them as part of his pay, but actively decided to invest. Here, then, is why you should consider flouting the best financial advice around and buying shares in your employer.

For a start, doing so might come with some psychological upside (provided you are not too troubled by taking unwarranted risks with your savings). Left-wingers often approve of employee ownership because it gives workers a slice of the profits that would otherwise accrue only to avaricious capitalists. Right-wingers like it because it ushers workers into the capitalist tent. Less is said about the quiet feeling that you are on the same side as your employer, rather than having been pitted against them. Worried that you are overworked for your salary, or that too little of your firm's revenue flows into wages? Any gains are going to shareholders, so it helps to be one of them—even if you own too few shares to benefit much. The hedge might be more emotional than financial, but it is not nothing.

Then there are the more cold-eyed advantages. Suppose you work for a privately owned firm that is about to be taken over by a competitor (which, for the record, *The Economist* is not). If you have spurned all offers to buy shares, the first you might hear of the takeover is when the rival company's executives march into your office and start laying people off. If you are a shareholder, though,

you might get some warning: no matter how small your holding, you will probably get a vote on the acquisition.

For some, investing in their employer might also be a rare opportunity to gain exposure to a kind of asset that they might otherwise have difficulty acquiring. Anyone can buy shares in JPMorgan, but buying private equity is more difficult for retail savers, even now that some barriers have begun to come down. Access to the high-risk, and potentially high-reward, leveraged buy-outs that powered the growth of private markets in the 2010s is still mostly limited to big, institutional investors.

A frequent exception is the employees of companies being bought out, who can often invest on the same terms as the giants. Their doing so would horrify a diversification purist, adding the extra risk of leverage to the double whammy of betting savings on the firm that pays their salary. Yet such employees are also well placed to judge the wisdom of the buy-out: whether borrowing costs can be met, for instance, or if the growth required to justify the valuation is realistic.

None of this means anyone should invest a big share of savings in their employer unless they are obliged to—especially if they work for a listed firm, with shares that confer fewer advantages. A small stake, though, might be worth defying financial advisers. And for your columnist's sake, in more ways than one, please keep buying *The Economist*. ■

<https://www.economist.com/finance-and-economics/2025/08/27/why-you-should-buy-your-employers-shares>

Between a graph and a fist

Fear the deficit-populism doom loop

Politicians, particularly in Europe, are in a terrible bind

Aug 28, 2025 12:58 PM



YOU ARE a finance minister after a decade of meagre economic growth, shocks from a financial crisis, a pandemic and sky-high energy prices. Public debt is worth more than your country's gross domestic product, interest rates are at their highest in years and merely servicing outstanding debt is taking up an ever-greater share of tax revenue. Inflation is stubborn. America's profligacy is satisfying much of the world's appetite for government bonds, meaning your debt must pay more to attract investors. You lie awake worrying about how to make the numbers add up. Your fellow ministers, meanwhile, fret for their careers: populist parties are on the rampage. The economic context calls for fiscal consolidation; the political one warns against austerity. What do you do?

This is the bind facing governments in much of the rich world. The average fiscal deficit in the OECD, a club of mostly rich countries, hit 4.6% of GDP last year, up from an average of 2.9% in the four years before the covid-19 pandemic; interest payments on

outstanding debt came to 3.3% of GDP, only just below the amount NATO members hope to spend on defence by 2035. The political-science literature offers some comfort— austerity is not usually a barrier to re-election—but also a warning. Research shows a link between spending cuts and populist success. Indeed, in Britain, France and Germany such parties are already ascendant. Call it the deficit-populism doom loop: ministers face both big deficits and voter revolts, and there is little way of satisfying both the bond markets and the barbarians at the gate.

During the slow recovery from the global financial crisis of 2007-09, many governments delayed fiscal consolidation and borrowed. Today's economic backdrop is less conducive to such an approach: debts are higher and central banks are tightening policy, rather than engaging in quantitative easing. The Bank of England has been reducing its bond holdings by about £100bn (\$135bn) a year, making it harder for the state to find buyers for the £300bn or so of bonds it sells annually. Bondholders are restive. France's ten-year-bond yield is 3.5%, up from less than 1% a decade ago. Higher inflation and higher interest rates, which become more likely when governments borrow heavily, can also inflict political pain on incumbents, as President Joe Biden discovered.

Ridin' with Biden

Borrowing more is therefore unappetising. The fiscal conditions also make the prospect of hard-right governments more worrying. Populists typically promise higher spending on pensions and family benefits, as well as tax cuts—a noxious mixture in present circumstances. As such, unpopular spending cuts may be self-defeating: there is no point righting the fiscal ship only to put a free-spending populist in power. Bond markets have already started to fret about hard-right success. When Emmanuel Macron called a snap election in June 2024 the spread between yields on France's ten-year bonds and those on Germany's rose from 0.5 to 0.8 percentage points as investors worried about the National Rally.

With the minority government now facing a vote of confidence on September 8th, the spread has risen once again.

In theory, it might be possible to sell spending cuts to voters. Governments are often re-elected after implementing austerity; a smart politician can get cuts out of the way well before an election comes round. However, studies also suggest that, over time, spending cuts sap support for the political mainstream. A forthcoming review by Evelyne Hübscher of Central European University and Thomas Sattler of the University of Geneva finds that the spread of populism in western Europe has occurred in waves that coincide with episodes of austerity. Debates about immigration, public services and benefits—all become more potent when what Stefanie Stantcheva of Harvard University calls a “[zero-sum mentality](#)” has developed.

This is borne out by small-scale studies. Simone Cremaschi of Bocconi University and co-authors looked at variations in Italian local-authority reforms. They found that, in areas where cuts to public services were deepest, hard-right parties went on to win more votes. Another paper by Zachary Dickson of the London School of Economics, Mr Cremaschi and co-authors finds that Reform UK thrives in areas with recently closed National Health Service practices. Potholes and poor roads seem to correlate with the party’s success, too. “Invest in key public services to make people see that it is worthwhile paying their taxes and being part of this democratic system,” advises Catherine de Vries of Bocconi.

Putting money into public services would, though, require tax rises. They might be less likely than spending cuts to encourage the rise of populists. Jacopo Ponticelli of Northwestern University and Hans-Joachim Voth of the University of Zurich looked at fiscal consolidations across a number of countries from 1919 to 2008. They discovered that although there is a clear association between spending cuts and instances of social instability, such as riots, tax rises had only a “small and insignificant” impact. The problem is

that they would bring other costs. Alberto Alesina of Harvard and co-authors find that austerity packages which lean more on tax rises than spending cuts are worse for long-term economic growth. Free-market parties that implement tax rises are especially punished for doing so by voters.

Are there other options? Sensible debt management might have been one. In recent decades, as Barry Eichengreen of the University of California, Berkeley, and Rui Esteves of the Geneva Graduate Institute have noted, credible policy and long-duration bonds have prevented modest bouts of inflation from sending yields soaring, which slows down the accumulation of debt. The problem is that in recent years most countries have moved away from issuing long-term bonds. Indeed, quantitative easing, which involves swapping longer-dated government debt for overnight deposits with the central bank, has shortened the effective maturity of government liabilities, making them more sensitive to changes in short-term interest rates.

Messrs Eichengreen and Esteves point out that, since the second world war, European governments have most commonly reduced their debt via either fast economic growth or financial repression. Fast economic growth does not seem likely today, leaving financial repression. It typically involves either capital controls or financial regulation that keeps nominal interest rates below the rate of inflation. Although few governments are keen to return to the post-war era of capital controls, some are flirting with other forms of repression. Ideas include scrapping interest payments on central-bank reserves or making pension funds buy domestic assets. British policymakers may use tax incentives to encourage savers to invest at home.

Financial repression, however implemented, is ultimately a tax on savers, who receive worse returns when forced to invest in their domestic market. Far more voters now own assets and private pensions than during post-war episodes of repression. It is unclear

how they would react to being forced, in effect, to hand over a chunk of their savings to the government, but it is not hard to imagine a backlash.

The populist bind, therefore, is a tight one. Pity the finance minister hoping to keep debt burdens under control and the hard right at bay. At least, during his sleepless nights, he can console himself that when he is booted from office his populist successor will face many of the same constraints. See how they like it. ■

<https://www.economist.com/finance-and-economics/2025/08/24/fear-the-deficit-populism-doom-loop>

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One big casino

Gambling or investing? In America, the line is increasingly blurred

Bet on stocks in a prediction market run by a sports-betting firm and a futures exchange

Aug 28, 2025 01:59 PM

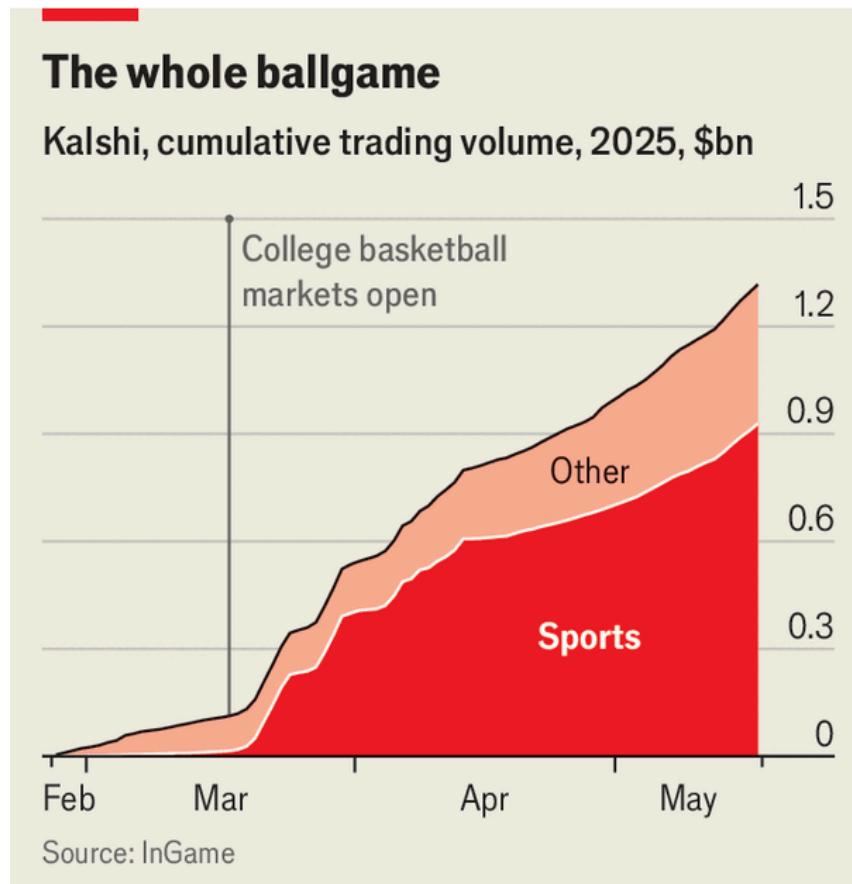


ECONOMISTS AND financiers have compared stockmarkets to gambling since 1936, when Keynes warned of “the capital development of a country becom[ing] a by-product of the activities of a casino”. In 1999 Jack Bogle of Vanguard decried the “Wall Street casino” where only croupiers got rich, and in 2023 Warren Buffett wrote that “markets now exhibit far more casino-like behaviour than...when I was young”.

Despite this similarity, governments promote bets on companies while discouraging those on cards, dice or sports. Gambling is a zero-sum endeavour in which the house always wins in the end, whereas investing promotes economic growth and distributes the gains among all (diversified) participants. As a result, the companies and legal regimes involved in gaming are mostly separate from those in financial services. In recent months,

however, the line between investing and gambling has arguably been blurred out of existence.

America once stood out both for tight limits on gambling and for mass participation in the stockmarket. But policy has shifted. In 2018 the Supreme Court let states permit sports betting, which 39 of the 50 have done. Last October Kalshi, a prediction market regulated by the Commodity Futures Trading Commission (CFTC), won a lawsuit enabling it to offer event contracts, which pay \$1 to winners and \$0 to losers, on the presidential election (Donald Trump traded at 59% on election day). In July Polymarket, a cryptocurrency-based prediction market off-limits to Americans, bought a CFTC-registered exchange to build a competing product.



This year Kalshi began offering nationwide markets on sporting events. On August 19th it announced new contracts on score differentials and player statistics in National Football League games, replicating core sports-betting products. The firm has not

registered with state gambling regulators and does not pay state taxes, arguing that it falls exclusively under federal jurisdiction. Seven states have told Kalshi to stop, and Native American tribes have sued it. So far, Kalshi has won injunctions preventing Nevada and New Jersey from enforcing those orders, while losing a similar case in Maryland. In June Kalshi raised \$185m at a valuation of \$2bn, including an investment from the boss of Citadel Securities, a giant marketmaker.

Having received the CFTC's blessing, financial firms began dipping into once-forbidden waters. Shortly after Kalshi's legal victory on election wagers, Interactive Brokers, America's largest electronic-trading platform, opened similar contracts on its own prediction market, ForecastEx. Robinhood, an upstart online broker whose users led the meme-stock craze of 2021, then offered ForecastEx's presidential-election contracts to its users, attracting \$500m of bets in just over a week. Since then, Robinhood has provided access to many Kalshi markets, offering "investments" in when SpaceX will go public, the winners of the US Open tennis tournament and the recipients of Emmy awards. Sports alone have drawn \$1.4bn of trading.

Incumbent titans of both gambling and finance have taken note. On August 19th FanDuel, America's biggest sports-betting site, announced plans to launch a prediction market with the Chicago Mercantile Exchange (CME), the world's largest futures exchange. For now, it will offer bland contracts on whether the values of things like stock indices, oil prices and American GDP will exceed specified thresholds.

Such events may be of little interest to FanDuel's recreational bettors. But if Kalshi prevails in court on sports contracts, the alliance will enable FanDuel—whose corporate parent owns Betfair Exchange, the world's largest sports-prediction market—to offer de facto sports betting in states that have not legalised it, such as California and Texas. And institutional investors seeking to place

binary bets, either on elections or financial events like corporate mergers, might prefer to trade on an established platform such as the CME's.

Tarek Mansour, Kalshi's boss, insists that event and wheat contracts are legally identical. "If we are gambling", he said in April, "you're basically calling the entire financial market gambling." Keynes must be nodding along in his grave.■

<https://www.economist.com/finance-and-economics/2025/08/28/gambling-or-investing-in-america-the-line-is-increasingly-blurred>

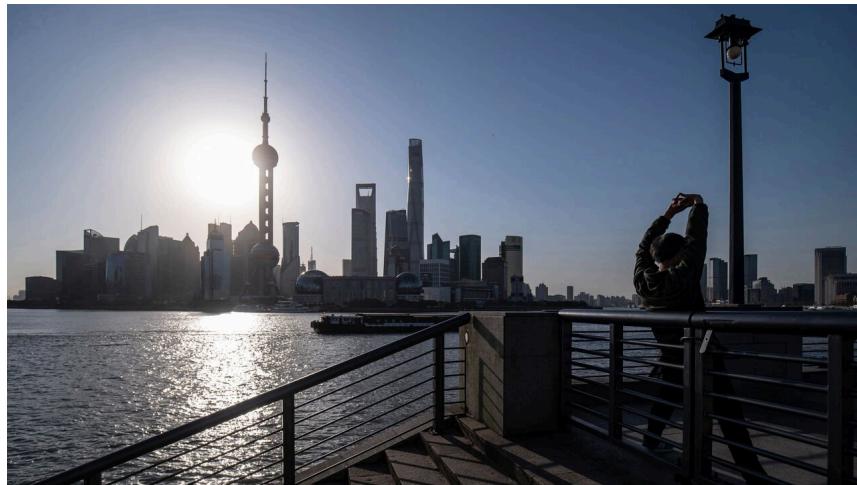
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Market mystery

Even as China's economy suffers, stocks soar. What's going on?

The Shanghai composite is defying gravity

Aug 28, 2025 02:24 PM | Shanghai



FOR CHINESE investors, the grass is almost always greener elsewhere. The country's stockmarket chronically underperforms, meaning that local punters look to bourses in, say, America or Japan, and devise ways of getting cash around China's capital controls. But this year is different. The Shanghai composite, an index for mainland stocks, hit a ten-year high on August 25th. In dollar terms, it is up by 17% since the start of the year, ahead of both America's S&P 500 and global indices.

At the same time, China's economy is suffering from overcapacity, which has induced a widespread race-to-the-bottom mentality. The country's great commercial and technological achievements, such as its electric-vehicle and solar industries, are among those suffering most from an overabundance of companies competing for the same markets. Even BYD, China's most successful EV firm, is struggling to pay its suppliers. Losses at many of the country's biggest solar companies grew in the first six months of the year.

Ordinary folk are feeling the pain, too: China's delivery drivers have been caught in price wars.



The sensational stockmarket performance therefore comes with an uneasy undercurrent. Since the start of the year the Chinese state

has sought to buoy sentiment, capitalising on accomplishments such as a breakthrough artificial-intelligence model built by DeepSeek, a startup, and the wild success of “Ne Zha 2”, a locally produced animated film. Another source of positivity has been the state’s crackdown on oversupply, sometimes called the “anti-involution” campaign, which has shown that officials are at least trying to tackle China’s biggest problems.

There are some other reasons for optimism. China’s export-focused manufacturing sector has held up better than expected against President Donald Trump’s trade attacks. On August 25th Shanghai loosened restrictions on home purchases, a move that may boost property prices in the country’s financial hub. Households are beginning to move some of their enormous savings into stocks; companies are purchasing their own shares, having announced 75bn yuan (\$10bn) in buybacks in the first half of the year, a modest increase on the second half of the year before; and insurance companies are rushing into the stockmarket, having invested 620bn yuan in the first half of the year, compared with 630bn yuan over the whole of 2024, according to Jefferies, an investment bank.

Yet it can, at times, seem as if the stockmarket is defying gravity. Consider an official data release on August 15th, which showed that consumer spending, industrial production and fixed-asset investment had all slumped by much more than expected. And so stocks plunged? Not exactly. The Shanghai composite rose by 1%.

Fundamentally weird

Firms themselves have struggled—and investors have shrugged. Some 23% of mainland-listed companies that had disclosed their earnings for the first half of the year by August 27th reported losses, the highest share since at least 2016, and up from less than 10% before the covid-19 pandemic. More are due to report in the coming days, but the trend is not an encouraging one.

On top of this, official reforms are not as reassuring as they appear at first glance. Investors hoping for a quick outcome in the state's fight against involution will be disappointed. China's industrial policy relies on vast subsidies, which foster intense competition and drive down prices. This is one reason why China's EVs are so much cheaper than those produced elsewhere. Truly ending involution would mean a wrenching shift away from policies that have been in place for decades, and an acceptance of the higher unemployment that would result as weak manufacturers collapsed. Although this is happening in places, it is unlikely to occur across industries, and on the sort of scale required, when leaders are worried about both joblessness and competing in foreign markets.

All this is jangling nerves among the professionals. A fund manager says stock prices can keep rising so long as liquidity is there, before adding that it looks increasingly shaky. Analysts at HSBC, a bank, recently noted that "the rally feels disconnected from reality." Even the state may be growing wary. On August 27th a rumour suggested that the securities regulator was trying to reduce use of terms such as "bull market" on social media. Perhaps, then, the rally is about to connect with reality. ■

<https://www.economist.com/finance-and-economics/2025/08/27/even-as-chinas-economy-suffers-stocks-soar-whats-going-on>

Free exchange

Trump's interest-rate crusade will be self-defeating

New research shows the importance of central-bank credibility

Aug 28, 2025 02:26 PM



THERE ARE two ways, the world's central bankers learned at this year's Jackson Hole conference, to tame a horse. You can break the animal with fear, but it will never forget the pain. The kinder way, shown to attendees one evening, is to set consistent boundaries with gentle consequences (noisy clapping). This, says Martins Kazaks of the Bank of Latvia, is like central banking. Although you can raise interest rates to crush inflation, causing a recession, it is better when everyone believes in the inflation target, so nobody raises prices and wages too much in the first place. If the boundaries are credible, the bank can be gentler.

Officially, the theme of this year's gathering was labour markets. Unofficially, it was the imperilled credibility of the Federal Reserve. On August 25th, after the conference, President Donald Trump said that he was sacking Lisa Cook, one of the Fed's governors, for alleged improprieties in her mortgage applications. It was an escalation of his campaign to get the Fed to cut interest

rates. The irony is that the Fed already appeared to be moving towards rate cuts. Indeed, two research papers presented at the conference supported the case for lower rates, suggesting both that the Fed should “look through” any tariff-driven inflation, and that today’s rates are high enough to be hurting the economy.

How should the Fed react to Mr Trump’s tariffs? The “Taylor principle” requires that it raise interest rates by more than any increase in inflation above the 2% target. Tariffs will have added 0.8 percentage points to core inflation by December, forecasts Goldman Sachs, a bank. Thus a simple version of the principle indicates that rates would need to be more than 0.8 percentage points higher than they would without tariffs. But although the principle is part of a rule that near-perfectly described central banks’ behaviour from 1987 to 1992, at Jackson Hole Emi Nakamura of the University of California, Berkeley showed that over a much longer period the Fed has frequently deviated from it. Central banks often ignore disturbances, trusting inflation will return to target when the shock subsides. The more credible the bank, the better this works: expectations of low inflation can be self-fulfilling.

This kind of thinking got Mr Powell and his colleagues in trouble after the covid-19 pandemic, when they wrongly argued inflation would be transitory. Yet the Fed did eventually slay very high inflation, despite not having tightened monetary policy by as much as the Taylor principle demanded. In contrast, countries where interest rates rose fast and high suffered even worse inflation. The Fed’s credibility seems to have helped, at least.

Ms Nakamura suggested that post-pandemic inflation may already mean the Fed has less credibility than it did. In response, Amir Yaron, governor of the Bank of Israel, mused that inflation’s eventual fall could have reinforced the idea it will always return to target. The bookies’ favourite to replace Mr Powell is Chris Waller, a Fed governor who at the last monetary-policy meeting dissented

in favour of a rate cut. Mr Waller points out that long-term inflation expectations appear to remain in check, despite tariffs.

The second leg of the rate-cutting case is that rates at their current level are slowing the labour market, and need to fall to reach a neutral level. One worry with this argument is that America's net national debt, which is at nearly 100% of GDP and growing, is pushing up the neutral rate over time, by absorbing the economy's savings. Even accounting for revenue from tariffs, America is likely to run a deficit of 6% of GDP this year. America's public finances are in a mess in part because of its ageing population. Older folk require vastly more spending on pensions and health care.

However, at Jackson Hole, Ludwig Straub of Harvard University showed that the flipside of such spending is older people's appetite to amass and maintain wealth, which raises demand for assets including Treasuries. Mr Straub and his co-authors calculate that this could lower the natural rate of interest sufficiently to allow America to run up debts worth 250% of GDP by the end of the century. That would be music to the ears of Mr Trump, and indeed any politician. It would mean lower rates and more money to spend. Although many attendees took issue with the exact number —which, Mr Straub assured them, applied only in 2100, not today —the broader point that asset demand would prove more powerful than asset supply went mostly unchallenged.

The trouble is that Mr Trump, and American politicians more broadly, are throwing away America's advantages. Attacks on the Fed weaken the central bank's credibility. And America is borrowing so much that, whatever the fiscal space, politicians will blow through it. "We need a massive fiscal adjustment no matter what," Mr Straub said. As several attendees noted, the problem with high indebtedness is that it leaves governments in a precarious position where slight changes to interest rates or a recession can cause far-reaching pain. "It is shocks not stocks that cause crises,"

warned Deborah Lucas of the Massachusetts Institute of Technology. Under populist leaders, nasty surprises are more likely.

A low-rate policy that results from political or fiscal pressure rather than technocratic judgment is more likely to be inflationary, since it raises inflation expectations. Markets seem to understand the danger. It is ominous that long-term bond yields have not fallen much since the Fed started cutting last year. Fighting inflation was delegated to central bankers because, like taming horses, it requires patience and discipline. Unfortunately, governments can always reopen the pen, and allow the animal to bolt. ■

Editor's note: This is an updated version of a column that was first published on August 25th.

<https://www.economist.com/finance-and-economics/2025/08/28/trumps-interest-rate-crusade-will-be-self-defeating>

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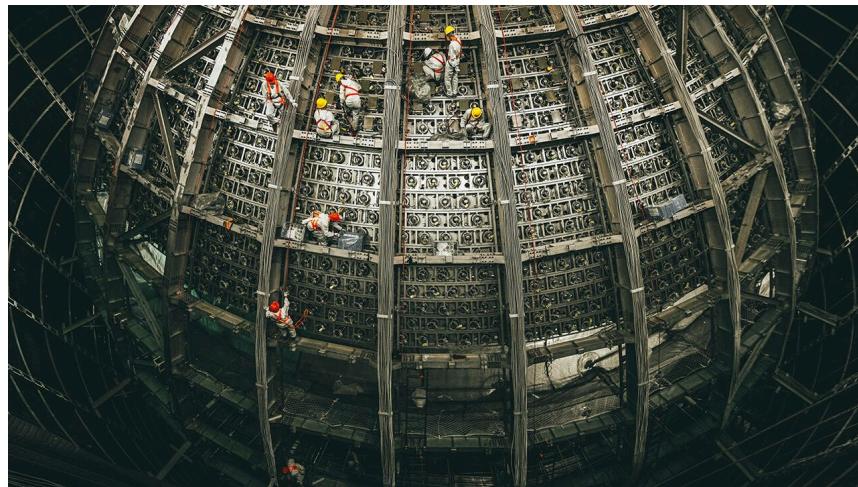
Well informed :: The evidence for sweating it out is promising but incomplete

Ghost story

A Chinese lab starts to tackle a giant mystery in particle physics

The JUNO detector, hidden deep beneath a mountain, will hunt for the universe's most elusive particles

Aug 28, 2025 12:58 PM | Jiangmen



AT THE FOOT of the thickly forested Dashi Hill, in southern China's Guangdong province, visitors can take a ride aboard a unique yellow train. Rather than winding through the serene landscape, however, the train descends along a steeply sloping track that disappears into the darkness under the mountainside. After ten minutes on the train and a few more on foot, visitors reach a vast chamber that has been gouged out of the earth. Here, more than half a kilometre underground, is a 12-storey-high sphere made from steel and plexiglass—the Jiangmen Underground Neutrino Observatory (JUNO).

This week the enormous scientific facility, which has been ten years in the making, will begin its hunt for the most elusive particles in the universe. In doing so, its scientists hope to crack open a decades-long mystery in fundamental physics.

Neutrinos—which come in three “flavours”, known as electron, muon and tau—are elementary particles, shrapnel born out of the nuclear reactions that fuel stars and atomic power plants. They are extremely light, have no electric charge and rarely interact with anything else, meaning they mostly stream through the universe unimpeded and invisible, like a kind of ghost particle. (Hundreds of trillions of neutrinos have, in fact, passed through your body in the few seconds it’s taken you to read this sentence to the end.)

They also present a problem for the Standard Model of particle physics. This description of the known particles and forces, one the most successful scientific ideas of all time, predicts that neutrinos should have no mass at all. That is at odds with what physicists actually observe.

Around 30 years ago, scientists working at Super-Kamiokande, a neutrino observatory in Japan, noticed something odd. Though the number of muon neutrinos arriving at its detectors from above (formed by the collision of high-energy cosmic rays with atoms in Earth’s upper atmosphere) was in line with predictions, the number of neutrinos coming from below (formed by the same processes in the atmosphere on the other side of the planet and then travelling through Earth’s core) was too low. Shortly afterwards the Sudbury Neutrino Observatory in Canada reported a similar anomaly concerning neutrinos from the Sun: of the mix of particles it detected, too few were electron-flavoured. These observations led scientists to conclude that the neutrinos must be transforming from one flavour to another as they flew through space. They also knew that such “oscillation” would be possible only if the neutrinos had mass, however tiny.

“Neutrino physics is physics beyond the Standard Model,” says Juan Pedro Ochoa-Ricoux, a physicist at the University of California, Irvine, who is part of the international team that works on JUNO. A deeper understanding of the masses of neutrinos is key to an improved Standard Model. One of JUNO’s goals, therefore,

will be to work out which neutrino is heaviest and which is the lightest. Wang Yifang, the observatory's lead scientist and the director of the Institute of High-Energy Physics at the Chinese Academy of Sciences, reckons the task will take about six years.

Like an angel sighing

Standing inside JUNO's underground experiment hall feels like being in a cathedral—people's voices echo inside the enormous space, which is significantly colder than the forest and fields above ground. The tank at the core of the observatory holds a mix of around 20,000 tonnes of hydrogen-rich fluids, known as the liquid scintillator. The vast majority of neutrinos that enter this tank will pass through unnoticed. A few, however, will hit protons in the fluid, resulting in tell-tale bursts of blue light. Around 40,000 photomultiplier tubes line the inside of the tank, ready to detect those rare flashes.

JUNO's task will be to count the number of neutrinos that arrive from a pair of nuclear power plants, each situated 53km from the observatory. With around 700 metres of granite mountain above, the detector is well insulated against cosmic rays, highly energetic charged particles from space, that might otherwise interfere with its primary measurements. Scientists know how many neutrinos of a specific type are produced at the power plants, so those that make it to JUNO, therefore, represent the fraction that did not switch flavour en route. That will provide a measure of the rate at which oscillation occurs.

That oscillation rate is, in turn, linked to the neutrinos' mass. Each neutrino flavour is a mix of three underlying states, each of a different mass, known as ν_1 , ν_2 and ν_3 . As a neutrino flies through space, the exact combination of this mixture changes, pushing the particles to switch from one flavour to another.



Can I have my ball back, sir?

The precise values of these three mass states are what physicists ideally would want to measure, but such direct observations have proved difficult. Results from other neutrino labs, however, have provided clues to how the mass states might be related. Current evidence leans towards “normal ordering” in which ν_1 is lighter than ν_2 , both of which are much lighter than ν_3 . The other option, known as “inverted ordering”, dictates that ν_3 is the lightest, with ν_1 and ν_2 at the heavier end.

JUNO’s data will look subtly different depending on the true ordering of the mass states, allowing scientists to pin down whether the normal or inverted order is more likely to be correct. When the observatory is fully operational, around 50 neutrino detections are expected every day. Around 100,000 detections will be required to get statistically significant results, hence Dr Wang’s six-year timeline.

Theoretical physicists will have a hard time waiting that long. Ever since neutrino oscillation was experimentally confirmed, says Dr Ochoa-Ricoux, he and his peers have been busy coming up with possible extensions to the Standard Model that could account for neutrino mass. Inverted ordering is the more exciting option, says Kaladi Babu, a theorist from Oklahoma State University. If it was shown to be true, it would, among other things, allow scientists to

test another mind-bending neutrino mystery: whether these particles are, in fact, their own antiparticles.

The Standard Model says that all particles have antimatter equivalents, which have identical mass but (among other things) an opposite electric charge. Some particles, such as the photon, are their own antiparticles. A group of proposals to extend the model, known as “seesaw” models, suggests this could be the case for neutrinos, too. These models show that neutrinos with this property could have tiny masses if they were connected to other, as-yet-undetected, neutrinos with much larger masses. Some theorists believe that these heavier neutrinos could even be candidates for dark matter, another mysterious physical phenomenon, which thus far can be inferred only by how it affects its surroundings in the cosmos.

To test if neutrinos and antineutrinos are indeed the same, physicists need to study radioactive isotopes of elements such as calcium and germanium. Sometimes these elements will emit two electrons and two antineutrinos when they undergo radioactive decay. If neutrinos are their own antiparticles then scientists should—albeit very rarely—observe a version of this process in which no antineutrinos are emitted at all.

How long scientists would have to wait to spot such an event, if the hypothesis is correct, depends on the neutrino mass states. If the ordering is inverted, it should happen often enough to allow sensitive experiments, such as the LEGEND experiment in Italy or the NEXT experiment in Spain or their successors, to pick them up in the next ten to 15 years. “That would be new physics just around the corner,” says Silvia Pascoli, a theorist at the University of Bologna. But if the ordering is normal, the process would probably be too rare to show up in any detector that scientists know how to make.

Out of the sky

Helping resolve such debates will be JUNO's most important legacy, but the observatory will also allow physicists to eventually use neutrinos as probes. JUNO will, for example, look for neutrinos from deep within the Earth, which will shed light on the distribution of radioactive elements within the mantle and crust.

It will also look for neutrinos from exploding stars known as supernovae. Because neutrinos flow through matter in a way that light cannot, they can leave those stars and reach Earth before the actual explosion becomes visible. Detecting them will give astronomers time to properly orient their telescopes so that they can then watch the epic blasts in action.

It's when they are being used like this—as a way to peer into places that are now unknown—that the neutrino era will have begun in earnest. ■

<https://www.economist.com/interactive/science-and-technology/2025/08/26/a-chinese-lab-starts-to-tackle-a-giant-mystery-in-particle-physics>

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Teenage angst

The middle-aged are no longer the most miserable

Youth used to be cheerful. No more

Aug 28, 2025 02:26 PM



FOR DECADES, surveys have suggested that middle age is the low point of life. While young and old generally reported high levels of life satisfaction, those in mid-life endured a slump. This “U-bend of happiness” or “hump of despair”, depending on your perspective, has been documented hundreds of times across many countries. The age of peak misery varied—the Swiss were saddest at 35, Ukrainians in their 60s—but the pattern was consistent.

Recently, however, the curve seems to have become warped. A study published on August 27th in *PLOS ONE* by economists David Blanchflower, Alex Bryson and Xiaowei Xu finds that young people across the world are now reporting the highest levels of misery of any age group. “We’ve seen a change from a hump shape to a ski slope,” says Dr Bryson.

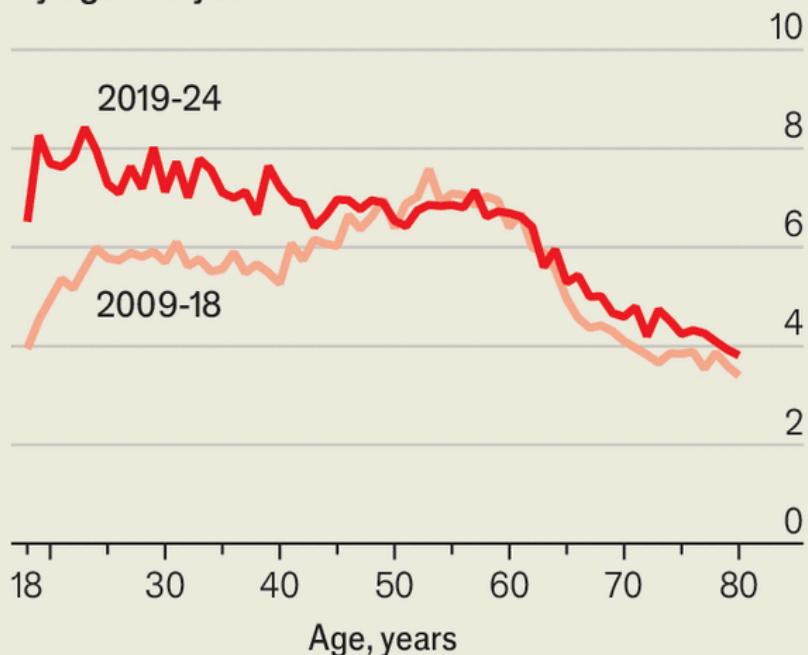
The authors first spotted the shift in the Behavioral Risk Factor Surveillance System (BRFSS), a long-running survey of Americans. They calculated the share of respondents of each age who reported

having poor mental health every day in the past month. Between 2009 and 2018, the familiar hump was present: misery peaked in middle age. But from 2019 to 2024, the pattern changed. Levels of unhappiness in middle-aged and older adults remained roughly stable while despair among younger people rose (see top chart).

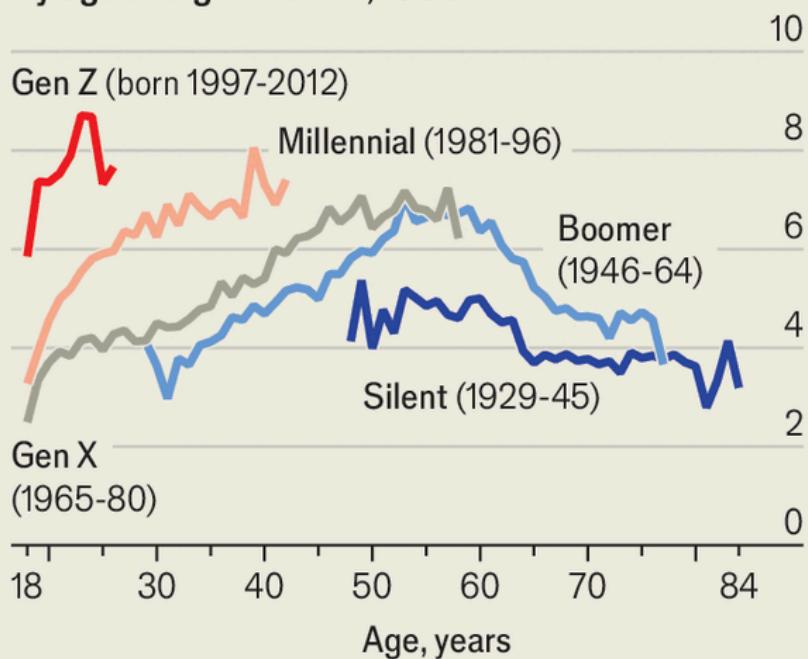
The gloom of youth

United States, % reporting despair*

By age and year



By age and generation, 1993-2024



*Reported “not good” mental health every day of the past month

Sources: “The declining mental health of the young and the global disappearance of the unhappiness hump shape in age”, by D.G. Blanchflower et al., *PLOS One*, 2025; BRFSS; *The Economist*

Britain shows the same trend. Using data from the UK Household Longitudinal Survey and the Annual Population Survey, the authors found that both anxiety and despair increased sharply among the under-40s after 2016, erasing the hump by 2019. There is also some evidence outside the anglophone west. The authors analysed data from the Global Mind Project, a web-based survey, and in each of the 44 countries across Africa, Asia, Europe, Latin America and the Middle East for which sufficient data were available, young people consistently reported worse mental health than their elders.

The old hump could still emerge, however. Because the new study provides a simple snapshot of unhappiness by age at a single point in time, it is possible that today's miserable 20-somethings will follow their predecessors' path and become even gloomier in middle age. "It's not inconceivable that if young people start out this badly, they could be even worse off in mid-life," says Dr Bryson.

Longitudinal studies of well-being, which track changes in the same people over time, can reveal such long-term developments. But they are rare. The few that do exist also find the hump, with unhappiness peaking in mid-life. That lends credence to the depressing prospect that Generation Z may get sadder still.

Cohort data also support the idea that the hump could prevail. *The Economist* split the data from the BRFSS by generation (see bottom chart) and found that each cohort has become more unhappy as they have reached middle age. Generation X and millennials have slid into mid-life malaise earlier than boomers did, though, and Generation Z are starting their adult life far more miserable than any generation before. At a population level, these trends mean older people now look progressively less downcast than younger groups.

Why youngsters are so depressed is still unclear. One clue may come from the labour market. In a separate study from July this

year, Dr Blanchflower and Dr Bryson found that despair has risen most sharply among young American workers, particularly the least educated. In the past, having a job seemed to provide a protective effect against poor mental health. That effect appears to have weakened for young Americans, perhaps because of falling job satisfaction among the same group.

But although it may be the case in America, it does not explain the data elsewhere. In a third working paper, published in June, the pair found that in some southern European countries life satisfaction among young people has actually risen since 2015, thanks in large part to a decrease in youth unemployment.

Another oft-cited culprit of teenage angst is smartphone and social-media use, which has risen in lockstep with youth mental-health problems since the early 2010s. There is some support for a causal link, but the most rigorous studies, which track teenagers' mood and social-media use over long periods of time, do not find a strong relationship between such app use and subsequent mental ill-health.

Of course, things may yet turn around. Analysis by *The Economist* earlier this year found that the [mental health of young Americans has somewhat improved](#) recently, perhaps hinting at a return to youthful cheerfulness. If so, mid-lifers might find themselves the saddest once again—ideally with fond memories. ■

<https://www.economist.com/science-and-technology/2025/08/27/the-middle-aged-are-no-longer-the-most-miserable>

Brewer's bot

The rise of beer made by AI

Customers love it

Aug 28, 2025 12:58 PM



WHEN BECK'S, a storied German brewery founded in the city of Bremen in 1873, celebrated its 150th anniversary in 2023 it decided to bring in a new brewmaster to mark the occasion: ChatGPT, an artificial-intelligence (AI) chatbot. The company asked it to whip up a recipe using only hops, yeast, water, and malt. The result was “Beck's Autonomous”, a lager with a subtle sweetness, a hoppy texture, and quite a head. One *Daily Mail* reporter considered it better than the brewery's standard lager.

Beer and AI may seem an unlikely pairing, but Beck's is far from the only brand to have asked for input from the technology. Atwater Brewery, an American firm, introduced an AI-designed citrusy India pale ale (IPA) in 2023 and last year St Austell Brewery in Britain used AI to create a tropical IPA dubbed “Hand Brewed by Robots”. In March Coedo Brewery in Japan asked an AI model to analyse the preferences of people in their 20s, 30s, 40s, and 50s, and then developed four craft beers, one for each age range. In

general the response from customers, brewers say, has been overwhelmingly positive.

“It gives us access to new recipes that we didn’t think about before,” says Prinz Pinakatt, boss of the beer business for Tilray Brands, Atwater’s New York-based parent company. Machine-learning tools can parse the minutiae of complex flavours, analyse the ingredients and equipment that an individual brewery has available, and then concoct new recipes while tweaking sweetness, acidity, hop level and other attributes to ensure the end product appeals to discerning customers.

Beau Warren, who opened the Species x Beer Project brewery in America in 2021, knows this firsthand. In 2022 he started training AI models on a number of parameters—his proprietary recipes, different types of yeast, water acidity, various hops, the ingredients in the brewery cellar, the typical makeup of lagers, stouts and other beers—and, by 2024, began using it to guide the brewing process. In one instance, after being asked to make a new lager, the bot suggested mixing Maris Otter malt, usually found in stouts, with Belgian candi syrup. “I would never have thought of doing that in a lager, ever,” he says. “We brewed it anyway, and I thought it was one of the best lagers I’ve ever made.” His customers apparently thought the same: Mr Warren says patrons usually rated the AI-crafted beers better than any of the beers thought up by he and his fellow brewers. (That said, the AI beers at Species x are no more: the brewery closed down last autumn owing to financial difficulties.)

Scientists are also intrigued about what bots might tell them about the chemistry of beer. In 2024 researchers from KU Leuven, a university in Belgium, analysed the chemical makeup of 250 Belgian beers, including lagers, blonds and West Flanders ales. They then trained machine-learning algorithms to model the effects of adding or subtracting different aroma compounds, such as glycerol and lactic acid, on the taste. “The models we develop help

us to understand the complex relationship between the chemistry of a beer, its taste, and how consumers will like it,” says Kevin Verstrepen, a bioscience engineer who led the research team.

Of course, it will take more than a chatbot to replace a human brewer. Ingredients must be poured, brew kettles must be tended and the beers must be tasted—whether they were made totally by human hands, or brewed, at least in part, by robots. “Yes, AI will become more and more part of the brewing process, but the brewing itself, the craft, is still the emphasis,” says Mr Pinakatt. “It will be very difficult to have machines make our beers.” ■

<https://www.economist.com/science-and-technology/2025/08/27/the-rise-of-beer-made-by-ai>

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Well informed

Are saunas actually good for you?

The evidence for sweating it out is promising but incomplete

Aug 28, 2025 01:59 PM



FINLAND IS THE undisputed sauna capital of the world, with approximately one sauna for every 1.6 people. But voluntary sweating is starting to catch on elsewhere: according to the British Sauna Society, a not-for-profit group promoting sauna culture, the number of public saunas in Britain has more than doubled over the past year.

Are saunas good for those who use them? Setor Kunutsor, a cardiologist from the University of Manitoba, thinks of saunas as a source of controlled, gentle stress. A short burst of heat gets the heart pumping faster, blood vessels opening wider, and the body beginning to sweat—changes that look a lot like what happens during a brisk walk. “A standard 15-minute sauna session triggers the same heart-rate and circulation boost you’d expect from moderate exercise,” says Dr Kunutsor. Over time, he says, these repeated pseudo-workouts might teach the body to handle stress better, dial down inflammation, and protect the brain and blood vessels.

There is some research to support this. A decade ago Jari Laukkanen from the University of Eastern Finland co-led an observational study based on data from more than 2,300 middle-aged men in Finland. He found that men who visited the sauna two to three times a week had a 27% reduced risk of dying from cardiovascular disease compared with those who went just once a week. The benefit increased to 50% for men who went four to seven times per week.

Later studies on the same cohort by Dr Laukkanen and Dr Kunutsor seemed to suggest benefits that went beyond the heart. The team found that going to the sauna frequently, compared with only once a week, was associated with an almost 80% lower risk of developing psychosis and a two-thirds lower risk of developing dementia.

The problem with such studies is that men who use a sauna every other day are likely to be wealthier and healthier than men who do not. Although the authors adjusted for age, socioeconomic status, physical activity and alcohol intake, it is still too soon to draw robust conclusions. Other confounding factors may still be unaccounted for, says Eva Prescott from Bispebjerg and Frederiksberg University Hospital in Copenhagen. There are also limited studies on women, younger people and those from non-European backgrounds, whose responses might be different from those of older white men. Nor is it clear if the Finnish results are directly transferable to countries like Britain, where sauna use is clearly rarer, says Gabrielle Reason, director of the British Sauna Society.

To pin down if saunas have an effect on human health, scientists need to conduct randomised controlled trials (RCTs), the gold standard in evaluating health interventions. In such trials scientists randomly assign participants into experimental groups and control groups to eliminate bias. RCTs on sauna use do exist, but so far their evidence has proved inconclusive. One trial from 2022, again

conducted by Dr Laukkanen and Dr Kunutsor, found that participants who combined sauna with exercise experienced greater improvements in blood pressure and cardio-respiratory fitness than those who only hit the gym. But a different RCT by other researchers did not find any positive cardiovascular health benefits from frequent sauna use. The only way to get to the bottom of the issue is to do more and bigger RCTs until findings emerge that researchers can consistently reproduce. Until then, expect some heated debates. ■

<https://www.economist.com/science-and-technology/2025/08/22/are-saunas-actually-good-for-you>

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It takes a village

“The Thursday Murder Club” and the resurgence of cosy crime

In turbulent times, people want even their crime stories to be comforting

Aug 28, 2025 01:59 PM



IN MOST CRIME stories, detectives worry about wily criminals, unreliable witnesses and meddling do-gooders. In Richard Osman’s bestselling “Thursday Murder Club” (TMC) series, the investigators have to contend with a more relentless and unforgiving crowd: old folk who want a quiet place to do their jigsaw puzzles.

The four members of the TMC are sleuths who work from the comfort of their retirement home. That requires them to take over rooms usually dedicated to more wholesome pursuits, such as conversational French, with grisly crime-scene photographs and conversations about poisons, corpses and stabbing.

From this unlikely premise Mr Osman, a British TV presenter, has spun gold. His four “Thursday Murder Club” novels have sold more than 10m copies globally; a fifth will be published on September 25th. The franchise has spent a total of 310 weeks on

bestseller lists in America and Britain. A film adaptation of the first book, starring Pierce Brosnan, Helen Mirren, Ben Kingsley and Celia Imrie (all pictured), and produced by [Steven Spielberg](#), arrives on Netflix on August 28th. The star power thrown at a yarn about pensioners in a quaint English village is a sign that the haunted antiheroes of Nordic noir are yesterday's trend. Dark, gritty tales are out; cosy crime stories featuring grandparents are in.

Not everyone likes that label. (The genre's nickname, "cozies", takes the American spelling.) To some, it connotes low stakes, hackneyed writing and trite plots. Cosy crime is "not a term that I'm enthusiastic about", bristles Martin Edwards, a British author who has written several series. "The label I'd prefer is 'traditional mystery'."

Both appellations, however, refer to stories in the style of the inter-war masters, such as [Agatha Christie](#), Ngaio Marsh, Dorothy Sayers and [Georges Simenon](#). They usually focus on amateur detectives. At cozies' centre is a puzzle that the investigator solves and readers try to: the reader should be able to follow it back at the end and see what they missed. *Deus ex machina* and sudden revelations are frowned upon.



They tend to be written in series, which lets authors develop the characters. The interaction between the four members of the TMC—a fearsomely competent ex-spy, Elizabeth (Ms Mirren); Ibrahim

Arif, a fussy yet insightful psychologist (Mr Kingsley); an ex-union rabble-rouser, Ron Ritchie (Mr Brosnan, dreadfully miscast); and Joyce (Ms Imrie), a retired nurse, who is the reader's proxy—is natural, funny and enjoyable. Similarly, readers like seeing Jane Marple, one of [Christie's](#) protagonists, puzzle through clues as her personal history is revealed throughout the books.

Cozies usually take place in a bounded area: often that means a village or small town, but it could be a locked room—a cosy subgenre in itself—or a strongly defined corner of a big city. Sandra Jackson Opoku's "Savvy Summers" series takes place on Chicago's South Side, where her protagonist runs a soul-food restaurant. Other culinarily inclined protagonists have run noodle shops, doughnut shops and pizzerias. Sometimes a hobby defines the setting: authors have written series centring on embroidery ("The Quick and the Thread"), coupon-clipping ("50% off Murder"), apiculture ("Death Bee Comes Her"), orchard-keeping ("Deadly to the Core") and farming ("Murder, She Goat").

Wherever the setting, the inciting incident, the murder, is usually committed off the page or quickly, for cozies eschew gore. They also avoid sex and profanity. One literary agent suggests that cozies began creeping back into fashion as romance novels became [more explicit](#). Readers who prefer their books without lots of bonking turned to these mysteries.

But, as the moniker suggests, cozies' most important feature is that they are comforting. There is never any doubt whether the hero will prevail, only how—so the how must be entertaining and twist-filled. Cozies end with villains caught, justice served and order restored. The murdered characters tend to be rotters whom nobody really misses.

Does this make the stories formulaic? Perhaps: though as any music-lover knows, structure can accommodate, and even encourage, profundity. The "Thursday Murder Club" series, for

instance, grapples with ageing. It is clear-eyed about both the good —heedless lunchtime drinking, caring less about what other people think—and the bad. Elizabeth's beloved husband is slowly slipping into [dementia](#). She does everything she can to forestall and hide the decline because she wants to keep him with her as long as she can.

Hannah O'Grady, who edits mysteries for St Martin's Press, an American publishing firm, was initially turned off by the genre's predictability. Yet she has come to feel that many cozies are "actually subversive": "The protagonist is usually a young woman not in law enforcement. She generally falls into this not because she's passionate about solving crimes, but because the police aren't doing an [adequate job](#)." Police in cozies are at best a necessary adjunct. They are usually portrayed as hidebound, blinkered and indifferent, especially to older or female protagonists.

Though the genre may be enjoying a revival thanks to Mr Osman and his peers, it has delighted generations of readers. Christie, its grande dame, is the bestselling author ever, having sold over 2bn novels worldwide. [Alexander McCall Smith](#)'s "No. 1 Ladies Detective Agency" series, set in Botswana and featuring the shrewd and resourceful Mma Ramotswe, has sold over 20m copies; the 26th book in the series comes out on September 4th. When literary critics noticed these books, it was for their popularity more than their artistic merit. Mr Edwards says that "nobody paid attention to the plots" of his early books—traditional mysteries set in cities—"because that type of book was unfashionable. Now it's very fashionable."

There are two reasons why cosy crime is enjoying a resurgence. First, readers see themselves in the books. Robin Agnew, the co-chair of a fan convention called Malice Domestic, held annually near Washington, DC, explains that cozies are about appealingly ordinary people. "I love noir fiction but it's almost operatic. It's not what your life is like. And this is what your life is like."

Second, look to their first flourishing, during the turbulent inter-war years. When the world is troubled and uncertain, people want art that provides succour and stability. Otto Penzler, a crime-fiction publisher and bookshop owner in New York, says, “When fires are everywhere...people want to go to a place where there’s a community.” In the pages of cozies, if not in real life, when “something terrible happens, it’s solved. The bad guys are removed from society and everything goes back to how it used to be. At least this place has remained calm and safe and good.” ■

<https://www.economist.com/culture/2025/08/27/the-thursday-murder-club-and-the-resurgence-of-cosy-crime>

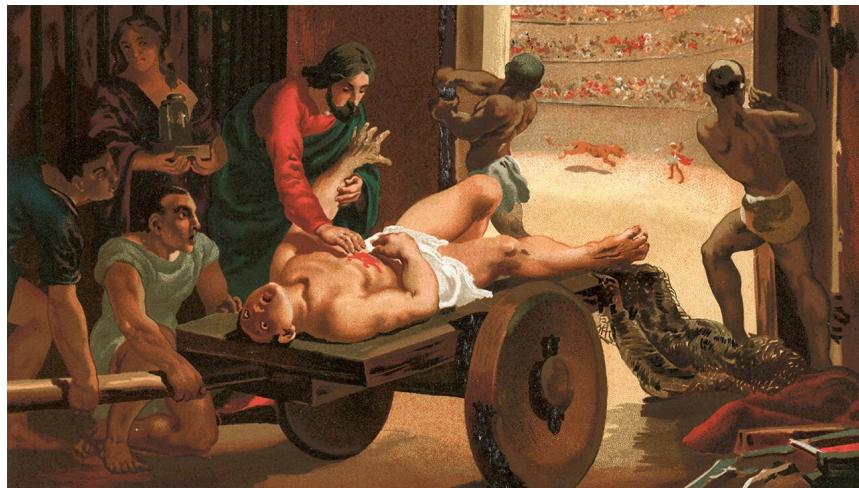
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The view from the arena

What gladiator shows were really like

Attendees witnessed grisly deaths. Sometimes they were also given gifts

Aug 28, 2025 12:58 PM



Those Who Are About To Die. By Harry Sidebottom. *Knopf; 416 pages; \$28. Hutchinson Heinemann; £25*

ROMANS DREAMED a lot about gladiators. Many imagined they were fighting themselves, down in the sandy arena, amid roaring crowds and trumpets. Such dreams in youth indicated what your future wife would be like. If you fought a *provocator*, with short, sharp sword and shield, she would be lovely but flirtatious. If you were matched against a *retiarius*, plodding with trident and net, she would be running round all over town. As for the gladiators, according to Artemidorus, a diviner, in his “Interpretation of Dreams”, they dreamt of bears and lumps of iron.

In a new book Harry Sidebottom, who teaches classical history at Oxford University, explores the many meanings of gladiators in the [Roman mind](#). The combatants, usually barbarian prisoners or

common criminals, were not just a bit of rough. In their brief heyday, they were sex gods: a senator's wife ran off with one.

To those who think that the Romans—with their businesslike haircuts and underfloor heating—were much like ourselves, Dr Sidebottom's vivid, gripping book offers many correctives. It provides a detailed chronicle of what a gladiator's life was actually like. Despite Hollywood's assumptions of total carnage, the chance of gladiators dying in the ring was only one in eight. However, the Romans did find it wildly funny when criminals in “torment tunics” ran frantically about in the arena, having been tarred and set on fire.

Anyone could give a gladiatorial show, if they had the status and money to do so and needed popular approval badly enough. They could also ignore them. Marcus Aurelius held none and Augustus decreed only two a year. Indifferent Julius Caesar brought bundles of official work to his. Shows were not like chariot-racing, which happened regularly: they were huge, rare treats that also featured musical performances, acrobats and wild-beast fights with hippos and giraffes as well as lions. They could include mock battles with dozens of non-mock deaths, as when Claudius restaged the capture of Colchester with actual prisoners of war from Britain.

To the average punter, one of the best bits was the free gifts handed out to, or showered down on, the crowd: cooked chickens, dates, jewellery, money, sweets. (Saffron was also misted over, as the assembly stank.) Shows *cum missilibus*—with thrown things—were sure to be a draw; so were certain gladiators, whose names were painted on the walls rather like headline acts. If you did not want to rely on cooked meats falling from heaven, you could bring a picnic. You could bring your girlfriend too, Ovid said, because she would probably bury her head in your shoulder if it all got too bloody.

People were not meant to gamble on gladiator fights, but many did, and they were keen observers of form. On the evening before the

show, the public was allowed in to the gladiatorial barracks where, like soldiers, fighters trained and lived as a family of cellmates. The public would silently assess the gladiators as they ate their *cena libera*, a last supper of sorts: not barley-and-bean stew and gritty wine, their usual fare, but roasts, pies and a decent vintage or two.

Gladiatorial shows were held for the people, and the (overwhelmingly male) people called the tune. Though the fights had a referee, the crowd, as in any modern football game, knew all the rules and moves. The emperor's famous thumb up, down or even sideways almost always followed what the crowd thought.

What did the gladiators think? The author provides his most affecting evidence from their tombs. There several, in devoutly military terms, “recount” their deaths in the arena, some as a result of bad refereeing. Most movingly, one gladiator from the Greek east, where they were seen as athletes, mourns the death of his beautiful young comrade and lover Miletus, “who won eight times in the stadia” before “Fate took him from the ring by force.” ■

<https://www.economist.com/culture/2025/08/28/what-gladiator-shows-were-really-like>

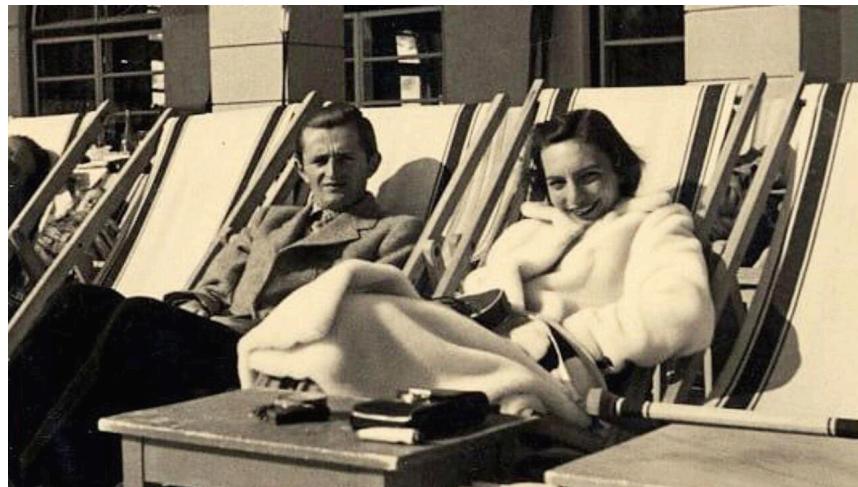
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The family's way

A story of occupations, surveillance and exile in Albania

To write her grandmother's story, Lea Ypi visited the archives of the communist-era secret police

Aug 28, 2025 12:58 PM



The joy before the sorrow

Indignity. By Lea Ypi. *Allen Lane; 368 pages; £22. To be published in America by Farrar, Straus and Giroux in November; \$28*

TWO ALBANIAN writers dominate the foreign-language section of the bookshop in Tirana's central square. One is Ismail Kadare, the country's grand man of letters, who died in 2024. The other is Lea Ypi, an academic and the author of "Free", a coming-of-age book published in 2021. Kadare dominates the space by virtue of the sheer number of books he wrote over the course of his long career (there are at least 80 novels, plays, essays and story collections). But, at least for the time being, Professor Ypi seems to have eclipsed him as the world's best-known Albanian writer.

With “Free” Professor Ypi, a political theorist who teaches at the London School of Economics, slipped out of the confines of academic publishing and into the mainstream. The prizewinning book described her experience growing up in Albania as communism collapsed; the subsequent turmoil brought the country to the [brink of civil war](#) in 1997. Professor Ypi and several family members left the country. She studied first in Italy, then in Britain.

“Free” has been translated into dozens of languages and made her something of a celebrity. The book was not without controversy, though. Some Albanians accused her of soft-pedalling the crimes of communism; others thought she soft-pedalled the role of her great-grandfather, a former prime minister who, in his role as acting head of state, welcomed [Benito Mussolini](#)’s invading army in 1939.

Now, in “Indignity”, Professor Ypi goes deeper into her family story. The new book is about her grandmother; through her, she tells the story of Albania in the 20th century. In that sense the book is virtually unique in English. There are thousands of such [European family stories](#), especially ones that focus on the [second world war](#), but the number of Albanian ones in translation would not fill a bookshop’s branded tote bag. Those published in Albanian, meanwhile, have a reputation for exaggeration: of embellishing a relative’s suffering at the hands of communism, for example, or their role in resisting it.

“Indignity” tells the story of an extraordinary life. Leman Ypi (pictured) was born to an aristocratic family. She grew up in Thessaloniki just after the fall of the [Ottoman Empire](#), when the then predominantly Jewish city became Greek. Her Muslim family avoided being deported in 1923, when Greece and Turkey exchanged most of their Muslim and Christian populations, and in 1936 Leman, only 18 years old, left for Tirana. The Albanian capital was then little more than a glorified village.

There followed her marriage to Asllan (pictured), the son of the chief inspector of the court of King Zog, the Italian occupation, then the German one, then the establishment of Enver Hoxha's communist regime. Asllan was jailed for almost 15 years on trumped-up conspiracy charges and, as a "class enemy", Leman was sent to a collective farm to dig irrigation canals.

Professor Ypi knew some of this—her grandmother had shared parts of her story—and the author finds more material in the archives of the Sigurimi, Albania's communist-era secret police. But she fills in the lacunae, too, by using her imagination. Most of this literary licence is fine, but some puts her on shaky ground. The British agents she writes about almost certainly knew her grandparents, but the likelihood that they were socialising with them in occupied Tirana in 1943 is small.

In the Sigurimi archives, Professor Ypi discovers things about her grandmother that she thinks are mistakes. Then—spoiler alert—she finds a document declaring that Leman Ypi had died 34 years before her grandmother had actually passed away. The reason is less tantalising than it appears: it seems that Professor Ypi's grandmother's files had become mixed up with those of another woman with the same name and with a similar background. Curiously, this other Leman Ypi appears to have no surviving family. Some Albanians may speculate that someone in the Sigurimi invented the second woman and declared her dead in order to end surveillance of the real one, once it was deemed she was no longer suspicious.

"Indignity" joins other recent books, such as [Anna Funder's biography](#) of Eileen O'Shaughnessy, George Orwell's first wife, in blending fact and fiction. This will give some people pause. But Professor Ypi sweeps the reader along in her story of her grandmother and the tides of history. ■

<https://www.economist.com/culture/2025/08/28/a-story-of-occupations-surveillance-and-exile-in-albania>

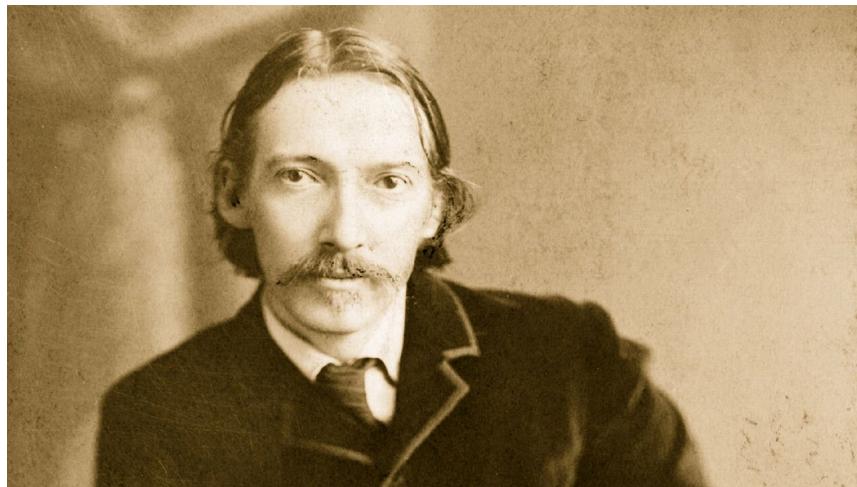
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Literary lives

Robert Louis Stevenson was adventurous, mercurial and fragile

The author of “Treasure Island” and “Strange Case of Dr Jekyll and Mr Hyde” is the subject of an excellent new biography

Aug 28, 2025 01:07 PM



Storyteller: The Life of Robert Louis Stevenson. By Leo Damrosch. *Yale University Press; 584 pages; \$35 and £25*

FEW WRITERS have the genius to create a mythic story that each generation reimagines for itself. But Robert Louis Stevenson did so —twice. In “[Treasure Island](#)” he perfected the sort of thrilling high-seas yarn that movie studios still produce. As for “[Strange Case of Dr Jekyll and Mr Hyde](#)” (his publishers added the “The”), every sinister tale of a violently divided mind stands in its long shadow.

Stevenson did not only write myths: he lived one. Born in gloomy Edinburgh in 1850, he defied chronic illness, [sailed the oceans](#) and died in Samoa, aged 44, shortly after local people had honoured their *tusitala* (storyteller) with a lavish banquet. “The day was no longer than his kindness,” declared a chieftain.

With his superbly crafted books and mercurial, magnetic personality, Stevenson always inspired devotion. His marriage to Fanny Osbourne, an intrepid, pistol-toting Midwesterner, is “a story of deep and lasting love” unusual in the fractious annals of literary wedlock. One friend thought bold, vivid Fanny might have been “the leader in some great movement”.

All this charisma piled on charisma sets traps for Stevenson’s [biographers](#): they may yield to worship or vainly try to topple the legend. Leo Damrosch, emeritus professor of literature at Harvard, avoids both idolatry and iconoclasm. Well-paced and thoroughly researched, this new biography never assumes that the reader has a prior acquaintance with Stevenson. Professor Damrosch tells the reader not just what happens in Stevenson’s books, but why they should care.

Beneath Stevenson’s simplicity and fluency lay artistry and industry. Writers should still heed his advice: “fewer adjectives” as well as “more descriptive verbs”. Henry James, a novelist, friend and admirer, enjoyed everything his fellow author wrote and felt privileged “to encounter someone who *does* write—who is really acquainted with that lovely art”.

Stevenson worried that those tools served a lowly trade. Born into a dynasty of engineers and [lighthouse-builders](#), he acted the “privileged layabout”—with a taste for the city’s lowlife—until literature lit his true path. Even then, financial need bound him to his Calvinistic, high-spirited parents. When he abandoned religious faith, he felt that “I am killing my father.”

A lung disease meant that Stevenson could cough up “a pint of blood” (it was probably not tuberculosis, but a rarer genetic condition). A search for health, and a flight from Scottish puritanism, sent him to France. There his grand passion with Fanny caught fire. During her American escapades she had endured the West at its wildest; she had two surviving children, Lloyd and

Belle, from a rakish adventurer. Ever-daring, Fanny married Stevenson when the frail would-be author felt like “a mere complication of cough and bones”.



Travels took the couple to California and the French Riviera as “Treasure Island” made Stevenson a celebrity. That [piratical classic](#) began with Stevenson and Lloyd drawing maps of an imaginary island and inventing stories about it. And as for “Jekyll and Hyde”, part of the plot came to the author in a nightmare. (The sleeper’s “cries of horror” woke Fanny.)

In 1888 his Pacific idyll began on a yacht, *Casco*. Although Stevenson vowed that seas and islands “make and keep me truly

happier” than life inland, Professor Damrosch charts the strain of this romantic vagabondage, especially on Fanny. On the Samoan island of Upolu, where they settled, their estate at Vailima was no beach shack but “virtually a palace”, with upkeep to match. But Stevenson wrote eloquently of Samoan life and pressed in print for independence, incensed that “the handful of whites have everything”.

Just as Samoa had restored his strength, Stevenson suffered a stroke. This biography is crisp, brisk but warm—all Stevensonian virtues—and lets readers see why this “beautiful, bountiful being” (in James’s words) cast such a spell. His literary treasure trove still shines. ■

<https://www.economist.com/culture/2025/08/28/robert-louis-stevenson-was-adventurous-mercurial-and-fragile>

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Hitting the top spot

Flirty and thriving: how Sabrina Carpenter became a pop superstar

The hitmaker has returned with a new album, “Man’s Best Friend”

Sep 01, 2025 02:11 PM



Sabrina’s art of seduction

SABRINA CARPENTER’S career is anything but wooden. Last August she released “[Short n’ Sweet](#)”, one of the albums of the summer, which topped the charts in 19 countries. Three songs from the record, “Espresso”, “Please Please Please” and “Taste”, were her first to rank in the top five of the *Billboard* Hot 100 and all charted simultaneously. Ms Carpenter became the first solo performer to achieve this feat; [The Beatles](#) are the only other act to have managed it.

Her status has built up quickly. In the first half of 2022 Ms Carpenter’s songs were streamed 73m times in America; in the same period this year, that number had jumped to 1.9bn. In April Luminate, a data firm, found that Ms Carpenter’s fandom was growing faster than any other musician’s. (Their index looks at things like social-media engagement and public awareness as well as streaming data.)

Ms Carpenter is hoping to follow up on that success with “Man’s Best Friend”, a new album released on August 29th. Its lead single, “Manchild”, has already topped the charts in America and Britain. In the coming months you can expect to hear her effervescent melodies and sultry lyrics blasting from every car radio and teenager’s bedroom. How has Ms Carpenter established herself as pop’s new princess?

Three factors explain her ascendancy. First, her music is compulsively catchy. Ms Carpenter has spent a long time finding the right sound. (“Man’s Best Friend” is her seventh studio album.) Like pop stars such as Miley Cyrus and Olivia Rodrigo, Ms Carpenter started her career as a child actor on the Disney Channel. Her first song was released in 2014, when she was just 14 years old; she spent the next decade exploring modes as varied as folk and electronic dance music.

This experimentation came to fruition on “Short n’ Sweet”. The record is a paragon of pop in 36 minutes, incorporating sounds from disco to country to [hip-hop](#). Even as Ms Carpenter borrows from different genres, her songs have a distinctive, whimsical quality. Jack Antonoff, a producer who works with Ms Carpenter (as well as [Taylor Swift](#)), has said that the appeal of “Please Please Please” lies in the “push and pull” between the regimented percussion and “bubbly...floating” synthesisers: “It makes you feel like a little bit drunk, a little bit dreamlike.”

The second reason for her popularity is her witty lyrics. Ms Carpenter stands out because she makes “really fun, really flirty, sometimes silly, literally nonsensical songs”, notes Erica Campbell, the author of a forthcoming book about the star. Take “Espresso”, Ms Carpenter’s biggest hit, in which she croons: “Say you can’t sleep, baby, I know / That’s that me espresso.” Or this, from “Bed Chem”: “Where art thou? Why not uponeth me?”

Such playfulness is the point. As Glenn Fosbraey, a specialist in pop songs at the University of Winchester, puts it: “Everything she does is with that knowing wink at the audience.” She can be salacious, such as when she sings “Come right on me, I mean camaraderie” in “Bed Chem”. She can also be droll: in “Taste”, the diminutive Ms Carpenter declares “I leave quite an impression / Five feet to be exact.” The same self-conscious mischievousness is evident in her live performances and music videos. In the video for “Manchild”, Ms Carpenter mocks bad lovers by bathing with pigs.

That points to the third and final reason for Ms Carpenter’s success: her carefully constructed brand. Not only is it easy to spot “a Sabrina song”, notes Ms Campbell, but also “a Sabrina outfit”. On stage, she prances about in corsets and **mini skirts**. On the “Short n’ Sweet” tour she wore custom lingerie made by Victoria’s Secret.

Some, however, worry that Ms Carpenter’s sexualised self-image is inappropriate. The album cover for “Man’s Best Friend”—which shows Ms Carpenter on all fours as a man pulls her hair—was censured as regressive. Fans demanded an alternative cover, so she gave them one “approved by God”. It is a black-and-white recreation of a paparazzi shot of **Marilyn Monroe**, another blonde bombshell. It implies that Ms Carpenter is under no illusions about the price of her newfound fame. ■

Clarification (September 1st 2025): We have updated this piece to make it clearer that Ms Carpenter’s first three hits to rank in top five of the Billboard Hot 100 charted simultaneously.

<https://www.economist.com/culture/2025/08/28/flirty-and-thriving-how-sabrina-carpenter-became-a-pop-superstar>

World in a dish

Forget smelling flowers; now you can drink them

Distillers of mahua, an Indian tipple made from dried blossoms, have big ambitions

Sep 04, 2025 01:37 PM | PANJIM, GOA



THE LITTLE brown nubs look like earwax-coloured pencil erasers. Anyone curious enough to try one would find it tastes a bit like a date. They are flowers of the mahua tree, indigenous to [India](#). When distilled, they produce a strong liquor reminiscent of grappa or unaged whisky: floral and mildly sweet, with hints of apple and berry, and a long, clean finish. The spirit may be coming soon to a bar near you.

Indian tribes have been making [mahua](#)—the name of the booze as well as the tree—for centuries. Families do not pluck blooms, but gather them once they have fallen, thereby ensuring ripeness and maximum sugar content. After fermentation, the flowers are distilled in clay pots.

Tribal families mark births, marriages and deaths by sharing mahua. A lively folklore surrounds it. According to one tribe, a little mahua makes a person act like a parakeet, giggly and

repetitive; a lot makes people tigerish, roaring and full of bluster; and too much makes people act like pigs or mice, “rolling on the ground, wallowing in mud or looking for a hole to hide in”.

Distillation remains small-scale and often clandestine. The spirit was banned by the [British Raj](#) in the late 19th century, supposedly to protect public health (though many reckon it was to protect the market for spirits imported from Britain). Even after India gained independence in 1947, some states kept bans in place, so many drinkers still chug moonshine, which is dirt cheap and sometimes fatal. Other bureaucrats heavily taxed mahua production and restricted its sale.

Yet, after years of lobbying by [Desmond Nazareth](#), the founder of DesmondJi, a Goan distillery, the state loosened its liquor laws in 2018 and allowed the spirit to be sold in shops. Other regions, including Karnataka, Maharashtra and Madhya Pradesh, have also relaxed the rules. DesmondJi now makes around 10,000 bottles of mahua a year, available in 500 shops across several states. Six Brothers, based in Dahanu, began making high-end mahua in 2024. Many hope that the drink will, in time, become a national treasure akin to Mexican tequila.

As a result, Indian distillers are targeting curious drinkers farther afield. Mah, made from mahua flowers and distilled in [Cognac](#), is available in France. Desmondji’s mahua will be sold in Britain on the Maharaja Drinks Emporium’s website later this autumn; Six Brothers is being served in cocktail bars in London. Mixologists note that mahua’s sweet, subtle flavour means it best suits simple mixers such as lime or vermouth.

Mahua is not the only Indian spirit with big ambitions. Feni, a Goan liquor made from coconut palm sap or cashews, is also increasingly available in the West; unfortunately, it tastes of feet. Mahua has two advantages. First, it has the sort of history that will

appeal to urban lefties who love anything artisanal and “indigenous”. Second, and more important, it is delicious. ■

Clarification (September 4th 2025): A previous version of this article said that Desmondji was looking for a British stockist; they have one.

<https://www.economist.com/culture/2025/08/26/forget-smelling-flowers-now-you-can-drink-them>

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Economic & financial indicators

- [**Economic data, commodities and markets**](#)

Indicators ::

Indicators

Economic data, commodities and markets

Aug 28, 2025 12:58 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	Q2	3.0	1.3	2.7	Jul	2.8	4.2 Jul
China	5.2	Q2	4.5	4.9	nil	Jul	-0.1	5.2 Jul‡§
Japan	1.2	Q2	1.0	0.9	3.0	Jul	3.2	2.5 Jun
Britain	1.2	Q2	1.4	1.0	3.8	Jul	3.7	4.7 May††
Canada	2.3	Q1	2.2	1.0	1.7	Jul	2.0	6.9 Jul
Euro area	1.4	Q2	0.5	1.2	2.0	Jul	2.0	6.2 Jun
Austria	-0.5	Q1	0.6‡	0.1	3.7	Jul	3.0	5.8 Jun
Belgium	1.1	Q2	1.0	1.0	2.6	Jul	3.0	6.5 Jun
France	0.7	Q2	1.2	0.6	0.9	Jul	0.9	7.0 Jun
Germany	0.2	Q2	-1.1	0.2	1.8	Jul	2.1	3.7 Jun
Greece	1.8	Q1	0.2	2.2	3.7	Jul	2.7	7.9 May
Italy	0.4	Q2	-0.3	0.5	1.7	Jul	1.7	6.3 Jun
Netherlands	1.5	Q2	0.4	1.3	2.5	Jul	3.4	3.8 Jul
Spain	2.8	Q2	3.0	2.6	2.7	Jul	2.3	10.4 Jun
Czech Republic	2.4	Q1	2.8	2.1	2.7	Jul	2.4	2.8 Q2‡
Denmark	1.3	Q2	5.1	2.6	2.3	Jul	1.8	2.9 Jun
Norway	-2.1	Q2	3.4	1.1	3.3	Jul	2.8	4.9 Jun‡‡
Poland	3.4	Q2	3.2	3.1	3.1	Jul	3.7	5.4 Jul§
Russia	1.1	Q2	na	0.9	8.8	Jul	8.7	2.2 Jul§
Sweden	1.0	Q2	0.4	1.5	0.8	Jul	2.3	8.0 Jul§
Switzerland	2.0	Q1	2.1	1.3	0.2	Jul	0.1	2.9 Jul
Turkey	2.0	Q1	4.0	2.8	33.5	Jul	34.2	8.5 Jun§
Australia	1.3	Q1	0.8	1.7	2.1	Q2	2.1	4.2 Jul
Hong Kong	3.1	Q2	1.8	2.4	1.0	Jul	1.5	3.7 Jul‡‡
India	7.4	Q1	9.8	6.2	1.6	Jul	3.2	6.8 Jul
Indonesia	5.1	Q2	5.9	4.7	2.4	Jul	1.6	4.8 Feb§
Malaysia	4.4	Q2	5.8	4.0	1.2	Jul	1.7	3.0 Jun§
Pakistan	4.8	2025**	na	4.8	4.1	Jul	4.2	6.3 2021
Philippines	5.5	Q2	6.1	6.4	0.9	Jul	1.5	4.1 Q2‡
Singapore	4.4	Q2	5.8	2.8	0.6	Jul	0.9	2.1 Q2
South Korea	0.6	Q2	2.4	0.8	2.1	Jul	2.1	2.4 Jul§
Taiwan	8.0	Q2	12.8	4.5	1.5	Jul	1.8	3.3 Jul
Thailand	2.8	Q2	2.4	1.8	-0.7	Jul	0.2	0.7 Jul§
Argentina	5.8	Q1	3.4	5.6	36.6	Jul	39.7	7.9 Q1§
Brazil	2.9	Q1	5.7	2.2	5.2	Jul	5.1	5.8 Jun§‡‡
Chile	3.1	Q2	1.4	2.3	4.3	Jul	4.1	8.9 Jun§‡‡
Colombia	2.5	Q2	2.0	2.3	4.9	Jul	4.9	8.6 Jun§
Mexico	nil	Q2	2.6	0.1	3.5	Jul	3.9	2.6 Jun
Peru	2.8	Q2	1.8	2.9	1.7	Jul	1.8	4.9 Jul§
Egypt	4.8	Q1	-23.0	4.1	13.9	Jul	15.0	6.1 Q2‡
Israel	2.5	Q2	-3.5	3.0	3.1	Jul	3.0	3.0 Jul
Saudi Arabia	2.0	2024	na	4.4	2.1	Jul	2.6	2.8 Q1
South Africa	0.8	Q1	0.4	1.0	3.5	Jul	3.1	33.2 Q2§

Source: Haver Analytics *% change on previous quarter, annual rate †The Economist Intelligence Unit estimate/forecast §Not seasonally adjusted

‡New series **Year ending June ‡Latest 3 months ‡‡3-month moving average 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 \$ Aug 27th	% change on year ago
United States	-3.9	-5.9	4.2	41.0	-	
China	1.7	-5.9	1.6	-\$23.0	7.16	-0.4
Japan	4.3	-3.4	1.6	73.0	148	-2.4
Britain	-3.0	-4.9	4.7	70.0	0.74	1.4
Canada	-0.9	-2.0	3.5	39.0	1.38	-2.9
Euro area	3.0	-3.3	2.7	42.0	0.86	3.5
Austria	2.3	-4.5	3.0	24.0	0.86	3.5
Belgium	-0.1	-4.7	3.3	43.0	0.86	3.5
France	-0.3	-5.7	3.5	51.0	0.86	3.5
Germany	5.3	-2.7	2.7	42.0	0.86	3.5
Greece	-5.9	-0.2	3.5	11.0	0.86	3.5
Italy	0.9	-3.6	3.6	-6.0	0.86	3.5
Netherlands	7.9	-2.4	2.9	33.0	0.86	3.5
Spain	2.4	-3.2	3.3	30.0	0.86	3.5
Czech Republic	0.3	-2.4	4.3	48.0	21.2	5.8
Denmark	12.9	1.6	2.5	25.0	6.44	3.7
Norway	13.6	9.5	4.0	65.0	10.1	3.4
Poland	0.3	-6.1	5.4	-3.0	3.69	4.1
Russia	2.0	-2.7	13.8	-191	80.5	13.6
Sweden	5.7	-1.4	2.5	54.0	9.57	6.4
Switzerland	6.2	0.5	0.3	-16.0	0.80	5.0
Turkey	-1.7	-3.4	29.1	243	41.0	-17.1
Australia	-1.2	-1.8	4.3	34.0	1.54	-4.5
Hong Kong	10.7	-5.3	3.1	22.0	7.79	0.1
India	-0.6	-4.4	6.6	-24.0	87.7	-4.3
Indonesia	-0.8	-3.3	6.3	-33.0	16,360	-5.3
Malaysia	1.8	-3.9	3.4	-38.0	4.24	2.6
Pakistan	-1.4	-4.8	12.0	+++	-146	282
Philippines	-3.3	-5.4	5.9	-12.0	57.2	-1.5
Singapore	14.4	0.2	1.8	-94.0	1.29	0.8
South Korea	3.8	-2.4	2.8	-24.0	1,396	-4.7
Taiwan	15.5	0.6	1.4	-17.0	30.6	4.5
Thailand	1.8	-5.8	2.1	-48.0	32.5	4.9
Argentina	-2.3	0.4	na	na	1,366	-30.6
Brazil	-2.4	-8.1	14.1	238	5.45	0.9
Chile	-1.5	-2.2	5.7	-6.0	970	-6.5
Colombia	-2.6	-7.3	11.4	159	4,057	-0.3
Mexico	-0.1	-3.5	9.0	-53.0	18.8	4.8
Peru	2.1	-2.7	6.1	-48.0	3.56	5.3
Egypt	-4.2	-7.7	na	na	48.7	0.1
Israel	3.1	-5.3	4.1	-65.0	3.33	10.5
Saudi Arabia	-1.8	-2.9	na	na	3.75	nil
South Africa	-1.6	-4.9	9.6	47.0	17.8	-0.1

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

Markets

	Index	% change on:	
In local currency	Aug 27th	one week	Dec 31st 2024
United States S&P 500	6,481.4	1.3	10.2
United States NAS Comp	21,590.1	2.0	11.8
China Shanghai Comp	3,800.4	0.9	13.4
China Shenzhen Comp	2,394.3	1.3	22.3
Japan Nikkei 225	42,520.3	-0.9	6.6
Japan Topix	3,069.7	-0.9	10.2
Britain FTSE 100	9,255.5	-0.4	13.2
Canada S&P TSX	28,433.0	2.0	15.0
Euro area EURO STOXX 50	5,393.1	-1.4	10.2
France CAC 40	7,743.9	-2.9	4.9
Germany DAX*	24,046.2	-1.0	20.8
Italy FTSE/MIB	42,349.4	-1.2	23.9
Netherlands AEX	907.7	-0.1	3.3
Spain IBEX 35	15,020.9	-1.8	29.5
Poland WIG	106,857.6	-3.6	34.3
Russia RTS, \$ terms	1,129.6	-2.9	26.5
Switzerland SMI	12,207.1	-0.6	5.2
Turkey BIST	11,359.0	2.0	15.5
Australia All Ord.	9,231.1	0.6	9.6
Hong Kong Hang Seng	25,201.8	0.1	25.6
India BSE	80,786.6	-1.3	3.4
Indonesia IDX	7,936.2	-0.1	12.1
Malaysia KLSE	1,587.9	nil	-3.3
Pakistan KSE	147,494.0	-2.1	28.1
Singapore STI	4,245.6	0.6	12.1
South Korea KOSPI	3,187.2	1.8	32.8
Taiwan TWI	24,519.9	3.8	6.4
Thailand SET	1,248.0	nil	-10.9
Argentina MERV	1,974,151.0	-5.2	-22.1
Brazil BVSP*	139,205.8	3.4	15.7
Mexico IPC	58,647.5	0.7	18.4
Egypt EGX 30	35,676.2	-0.2	20.0
Israel TA-125	3,133.6	3.0	29.1
Saudi Arabia Tadawul	10,808.5	-0.6	-10.2
South Africa JSE AS	102,006.8	0.9	21.3
World, dev'd MSCI	4,180.8	0.8	12.8
Emerging markets MSCI	1,269.1	0.7	18.0

US corporate bonds, spread over Treasuries

Basis points	latest	Dec 31st 2024
Investment grade	92	95
High-yield	346	324

Sources: LSEG Workspace; Moscow Exchange; Standard & Poor's Global Fixed Income Research *Total return index

Commodities

The Economist commodity-price index

2020=100	Aug 19th	Aug 26th*	% change on	
			month	year
Dollar Index				
All items	134.3	136.1	2.7	7.2
Food	147.6	150.2	4.5	11.7
Industrials				
All	123.4	124.5	1.0	3.0
Non-food agriculturals	124.7	123.9	-1.7	-4.4
Metals	123.1	124.7	1.6	5.1
Sterling Index				
All items	127.8	129.8	1.5	5.3
Euro Index				
All items	131.5	133.5	1.5	2.7
Gold				
\$ per oz	3,323.3	3,381.5	1.5	34.4
Brent				
\$ per barrel	65.8	67.2	-7.3	-16.2

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/2025/08/28/economic-data-commodities-and-markets>

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Obituary

• **Sen Genshitsu spread peace through sipping**

The Way of Tea :: The 15th master of the Urasenke tea ceremony died on August 14th, aged 102

[The Way of Tea](#)

Sen Genshitsu spread peace through sipping

The 15th master of the Urasenke tea ceremony died on August 14th, aged 102

Aug 28, 2025 01:59 PM



THE LITTLE wooden gate stood open. From it a path snaked through the garden, past pines he had carefully positioned, planted and tended over the years. This was the “dewy ground”, like the track of a mountain stream, on which his guests now came walking, casting off the fire of worldly thoughts. Though they were in the city of Kyoto, the purpose of the tea ceremony they were attending was to enter into tranquil communion with Nature and with each other.

That morning, therefore, he had swept every dead leaf away from the garden, according to the principle of purity. At the door of the tea hut, simple as a mountain hermitage with unpainted walls of clay, he greeted each guest with a bow and in silence. Thus he observed a second principle, respect.

Plain as it was, this was the most famous tea compound in Kyoto, for it was his home, and Sen Genshitsu was no ordinary master. As

the 15th head of the Urasenke school of tea ceremony, he did not feel the Way of Tea should be confined to Japan. He wished to spread the culture and spirit of it across the world, and had travelled to 70 countries to do so. In particular, patiently, he was bringing peace to Westerners in the Japanese style.

His guests, having already shed their wraps and changed their shoes, had to stoop to enter the tea-room itself. Once there, they took in the setting: the scroll he had painted, hanging in a decorative alcove, and the artless arrangement of a single camelia in a little pot. The scroll, declaring the theme, reflected his labours with brush and inkstone; the flower, its transient beauty representing the loveliness of all flowers, had to look as it would in the field. (The hardest part of preparation, he thought.) Nothing was showy, as Sen No Rikyu, the greatest master, had decreed in the 16th century; all was simple, with no speck of dust remaining. Next, his guests appraised the utensils, all minutely cleaned and dried with a silk cloth that touched nothing else. He hoped they noticed, as he always did, the slightly curved tines of the tea-whisk, the fall of the glaze on a tea bowl, the crisp blackness of the lacquer tea box. All these reflected an unpretentious usefulness. They also suggested a world of the spirit beyond time and space.

Together he and his guests ate a little meal he had prepared, then a moist sweet. He had laid the fire, of charcoal bricks on raked ash; the black iron kettle, as it boiled, acquired a natural dewiness and sang like the wind through his pines. Using the very best powder he mixed up first a ceramic bowl of dark green, frothy, thick tea, *koicha*, from which all the guests sipped in turn. That aromatic green, again, evoked Nature. After this, in separate smaller bowls, he gave them *usucha*, thin tea. As they drank, the principles of harmony and tranquility descended over them and filled the room. Best of all for him was the sense of *mu-hin-shu*, “no-guest-no-host”, where all social barriers dissolved and they became a single entity in contemplation and at peace.

He had not truly known this as a child. As the son of the 14th tea master, his life was mapped out for him, and it was nothing but tea. He played with fire ash and bamboo ladles, and practised deportment by carrying a heavy ceramic brazier up and down the hall. His father severely instructed him while his mother, sitting behind the sliding paper doors, listened and tested him later. At junior high, other boys ragged him and thought him lucky to miss exams. He did not feel lucky, just burdened. Not least, to be a tea master, he had to become a Zen priest; that was hard work.

The only time he experienced total unity with his comrades was in October 1944. Then, with 200 other university students, he had joined the imperial navy's Special Attack Force to learn to crash his plane and his body into American ships. They trained for 40-50 hours, no more; ordinary navy pilots took 500. Together they took an oath of loyalty, propriety, righteousness and simplicity of life. These were not unlike the principles he had been taught as a future tea master, except that everything was overshadowed by imminent and certain death. Being students, they discussed death philosophically, but could not agree on its meaning. He held tea ceremonies for them at the base, to steady nerves if he could. In the end they all flew off to Okinawa, wedged between bombs, and did not return. But he was left behind.

By some fluke he never unravelled, he had been removed from the sortie list. Possibly his lineage had saved him, but he had been eager to go, and to survive was desperately painful. He could not accept it until he was told it was his destiny. If that was so, he clearly had to live the rest of his life for his comrades. Their faces dwelled in his mind; their lives had, in effect, been transferred to him, not as a warrior but as a bringer of peace.

It was in this spirit that he started travelling the world, first to New York. He arrived there in 1951 with a bag of safeguarding charms, anxious that he might be treated like an enemy. Instead, he met kindness everywhere. His touring flourished after that, until he

found himself, sober and stately in his dark priest's robes, making tea for Queen Elizabeth, Pope John Paul II, Angela Merkel and George W. Bush. In July 2011 he went to Pearl Harbor where, in the memorial above the sunken *uss Arizona*, he performed a *chado* for the souls of the sailors still entombed below him.

At the end of his regular ceremony back home, he bowed again to each guest as they left. The tea hut now had to be restored to perfect order. Deep in reflection, he gathered the utensils, washed them, dried them and put them away. As often as he wished, he could also perform all those stages of the *chado* alone. Each time, he entered sublimity. As he sipped, with eyes closed, he found green mountains and pure water within his heart. A monk had once asked his master, “What is the Way?”, and the master had replied: “Your life is the Way.” That had to mean, for Sen Genshitsu, that the Way was tea. ■

<https://www.economist.com/obituary/2025/08/28/sen-genshitsu-spread-peace-through-sipping>

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