

# The Economist

NOVEMBER 25TH-DECEMBER 1ST 2017

Zimbabwe after Mugabe

Where next for Germany?

Donald Trump and Big Media

A special report on marriage

## The case for taxing death





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## Politics



Talks in **Germany** over forming a new coalition government headed by the Christian Democrats (CDU) collapsed when the Free Democrats walked out. The previous “grand coalition” of the CDU and Social Democrats was punished by voters in September’s election, losing over 14% of the vote. Angela Merkel said she would prefer to hold a fresh election rather than lead a minority government.

**Ratko Mladic**, the commander of Bosnian-Serb forces during the Bosnian wars of the 1990s, was sentenced to life in prison by a UN tribunal for genocide and other crimes against humanity. His troops slaughtered more than 7,000 male Bosnian Muslims in the town of Srebrenica in 1995.

**Gerry Adams**, the president of Sinn Fein for 34 years, announced that he would retire next year. A dominant figure among Northern Irish republicans, he always denied being part of the IRA, which carried out terrorist bombing campaigns against the British. Despite his association with the violence of the Troubles (1968–98), Mr Adams joined the peace process and led Sinn Fein to electoral gains in Northern Ireland and the Republic.

### A sexual revolution

More allegations of **sexual harassment** were levelled at powerful men. John Conyers, a Democrat and the longest-serving member of America’s House of Representatives, confirmed that he had reached a settlement in 2015 in a complaint brought by a former

employee, but denied any inappropriate behaviour. The Democratic leadership asked the ethics committee to investigate that and other claims made against Mr Conyers.

Attention turned to the Senate in the Republican push for the biggest change to America’s **tax code** in decades, after the House passed its version of the bill. The Senate Finance Committee has approved its own bill, which will be debated by the full chamber after Thanksgiving. With no Democrats signing up to the legislation, the Republicans can afford few defections.

Around 59,000 **Haitians** who have been living in the United States since an earthquake in 2010 damaged much of their country face deportation within the next two years. The Haitians were allowed to stay under a programme that grants temporary residency to people fleeing natural disasters. The American government is revoking their status because it believes the situation in Haiti has improved.

### Split decision



Sebastián Piñera, a conservative billionaire, won the first round of **Chile’s** presidential election with 37% of the vote. Mr Piñera, who was president from 2010 to 2014, faces a runoff election on December 17th against Alejandro Guillier, a left-leaning journalist, who won 23%. Beatriz Sánchez, also a leftist journalist, came third.

A naval submarine with 44 sailors on board disappeared off the coast of southern **Argentina**. With its oxygen running out, ships and aircraft from at least 11 countries, in-

cluding Britain, joined the search for the ARA *San Juan*.

The ousted former attorney-general of **Venezuela**, Luisa Ortega, turned over more than 1,000 pieces of evidence to the International Criminal Court accusing President Nicolás Maduro of crimes against humanity. She asked the court to try Mr Maduro and other high-ranking officials for more than 8,000 murders, as well as for torture and arbitrary arrest.

### You’re on the list

America designated **North Korea** as a country that sponsors terrorism and penalised 13 North Korean and Chinese firms it accused of helping North Korea evade sanctions imposed in response to its nuclear programme. The move suggests that a diplomatic breakthrough between America and North Korea remains a distant prospect.

Investigators from a counter-corruption agency in **Indonesia** detained Setya Novanto, the speaker of parliament and leader of the Golkar party, which is part of the governing coalition. The arrest will make life difficult for President Joko Widodo, a political ally.

A court in **Cambodia** ordered the closure of the Cambodian National Rescue Party, the main opposition force. The government also signalled that it would prosecute people who criticise or mock it on social media.

In **South Korea** a court approved the detention of two former spy chiefs awaiting trial for bribery. They admit passing bags of money to a former president, Park Geun-hye, who was impeached earlier this year, but say they thought it was for legitimate expenses.

The Chinese authorities arrested Lu Wei, a former internet-regulator, as part of a corruption investigation. The arrest, the first since Xi Jinping was reappointed as **China’s** leader last month, suggests Mr Xi’s anti-corruption drive will continue in his second term.

### Something to smile about



Under the threat of impeachment, Robert Mugabe resigned as the president of **Zimbabwe** after 37 years in power. He will be replaced by Emmerson Mnangagwa, a former vice-president, whose sacking prompted the army to arrest Mr Mugabe. The fall of the dictator sparked celebrations across the country.

Saad Hariri “temporarily” suspended his resignation as prime minister of **Lebanon** after returning home for the first time since announcing his intention to quit in a speech made from **Saudi Arabia** on November 4th. Some Lebanese officials believe that the Saudis forced Mr Hariri to resign and held him against his will in an effort to counter Iranian influence in Lebanon. He denies this.

The president of **Syria**, Bashar al-Assad, made a rare trip abroad, meeting Vladimir Putin in **Russia**. The Russian president is trying to broker an end to the war in Syria. Meanwhile, the Syrian army and allied militias recaptured Albu Kamal, the last big town in Syria held by Islamic State.

In **Nigeria** Boko Haram, a jihadist outfit, bombed a mosque in the state of Adamawa, killing at least 50 people. It was the worst terror attack in Nigeria this year.

**Kenya’s** supreme court confirmed the result of the recently re-run presidential election. It had annulled the original election, held in August, because of ballot irregularities. Uhuru Kenyatta will be inaugurated for a second term on November 28th.

## Business

America's Department of Justice filed a lawsuit to block the \$109bn merger of **AT&T** and **Time Warner**, arguing that it would reduce competition. The deal, announced a year ago, was expected to be completed by the end of 2017. AT&T described the decision as "unprecedented". For decades regulators in America have been most concerned by horizontal mergers. The merger of AT&T and Time Warner is a vertical one, integrating telecoms distribution with media content.

In another big decision that affects the distribution of media, the Federal Communications Commission proposed abolishing the **network-neutrality rules** drawn up under the Obama administration which require internet providers to treat all online traffic the same. Under the FCC's plans broadband companies will only have to state what their network policies are; compliance will be controlled by another regulator, the Federal Trade Commission.

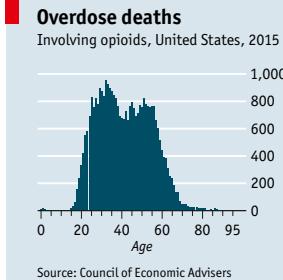
### A digital diversion

**Uber** admitted it did not disclose a hacking attack last year that laid bare the personal data of 50m users and 7m drivers from a "third-party cloud-based service", including the licence details of 600,000 drivers in America. Uber paid the hackers \$100,000 to destroy the data. Heads rolled, including that of the chief security officer. Dara Khosrowshahi, the chief executive, said he would "not make excuses".

Uber's plans for **autonomous cars** stepped up a gear with the announcement that Volvo is to sell it up to 24,000 vehicles that Uber will then adapt with a sensor array. Deliveries of the cars will start in 2019.

**Apple** said it had removed hundreds of apps from its online store in China at the request of the government. Earlier this year Apple decided to open a data centre on the

Chinese mainland to hold the personal information of Chinese iPhone and iPad users in order to comply with a new cyber-security law.



The Council of Economic Advisers released a paper that put the economic cost of America's **opioid crisis** at \$504bn in 2015, or 2.8% of GDP. The figure is vastly higher than other recent estimates. The CEA says this is because those studies focused on the effects on things such as earnings, health care and criminal justice and underestimated the value of the lives lost. Most opioid deaths occur among those aged between 25 and 55.

Janet Yellen confirmed that she will leave the **Federal Reserve's** board of governors when her successor takes over as chairman in February. Donald Trump has taken the unusual step of not appointing

Ms Yellen to a second term, nominating Jerome Powell instead. Mr Trump has a unique chance to reshape the Fed; with Ms Yellen's departure he has four vacancies to fill.

### Stockmarket clash

The **London Stock Exchange** came under continued fire from one of its investors over the impending departure of Xavier Rolet as chief executive. The Children's Investment Fund, which holds a 5% stake in the LSE, said that Mr Rolet was "being improperly threatened" by the board and called for a shareholders' meeting to oust the chairman, Donald Brydon. It also wants Britain's financial regulators to intervene. The LSE said it has kept regulators "abreast of developments".

The separation of **Britain** from the EU became a bit more real with news that the European Banking Authority is to move from London to Paris. The EBA runs stress tests on banks in the EU. The European Medicines Agency is also leaving London, for Amsterdam.

The Hang Seng stockmarket index in **Hong Kong** closed above 30,000 for the first time in ten years, boosted by trading in **Tencent**, one of China's

internet giants. Its market capitalisation passed \$500bn this week; it was briefly more valuable than Facebook.

**Turkey's** central bank took more measures to prop up the lira after it fell to a new low against the dollar. The bank removed the limits on borrowing in the interbank money market and boosted liquidity. The currency has slid sharply over the past two months, pushing inflation to a nine-year high of 11.9%. But the central bank is hamstrung in its ability to raise interest rates in the face of pressure from Recep Tayyip Erdogan, Turkey's president, to keep them low.

### Putting her feet up

**Meg Whitman** decided to step down as chief executive of Hewlett Packard Enterprise. She has been in the job for six years, steering the division of the old HP's computer and printing business into a separate company in 2015, one of the biggest corporate splits to date. She is in the market for another stint running a company, but having had a career spanning 35 years, Ms Whitman is first going to take "a little bit of downtime".

Other economic data and news can be found on pages 84-85



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# The case for taxing death

**How to balance people's desire to bequeath assets with the unfairness of inheritance**



(one levied on heirs and the other on legacies) is even stronger among the poor than the rich.

Politicians know a vote-winner when they see one. The estate of a dead adult American is 95% less likely to face tax now than in the 1960s. And Republicans want to go all the way: the House of Representatives has passed a tax-reform plan that would completely abolish "death taxes" by 2025. For a time before the second world war, Britons were more likely to pay death duties than income tax; today less than 5% of estates catch the taxman's eye. It is not just Anglo-Saxons. Revenue from these taxes in OECD countries, as a share of total government revenue, has fallen sharply since the 1960s (see page 20). Many other countries have gone down the same path. In 2004 even the egalitarian Swedes decided that their inheritance tax should be abolished.

Yet this trend towards trifling or zero estate taxes ought to give pause. Such levies pit two vital liberal principles against each other. One is that governments should leave people to dispose of their wealth as they see fit. The other is that a permanent, hereditary elite makes a society unhealthy and unfair. How to choose between them?

## When the heirs loom

Some people argue for a punitive inheritance tax. They start with the negative argument that dead people no longer enjoy the general freedom to disburse their wealth as they wish—as the dead have no rights. How could they, when they are not affected one way or the other by what happens in the world?

That does not ring true. The logic would be to abrogate even the most modest of wills. But inheritances are deeply personal and the biggest single gift that many give to causes they believe in and loved ones they may have cherished. Many (living) people would feel wronged if they could not provide for their children. If anything, as the expression of their last wishes, bequests carry more weight than their passing fancies do.

The positive argument for steep inheritance taxes is that they promote fairness and equality. Heirs have rarely done anything to deserve the money that comes their way. Liberals, from John Stuart Mill to Theodore Roosevelt, thought that needed correcting. Roosevelt, who warned that letting huge fortunes pass across generations was "of great and genuine detriment to the community at large", would doubtless be aghast at the situation today. Annual flows of inheritance in France have tripled as a proportion of GDP since the 1950s. Half of Europe's billionaires have inherited their wealth, and their number seems to be rising.

However, in 2017, it is not clear exactly how decisive a role inheritance plays in the entrenchment of the hereditary elite.

**N**O TAX is popular. But one attracts particular venom. Inheritance tax is routinely seen as the least fair by Britons and Americans. This hostility spans income brackets. Indeed, surveys suggest that opposition to inheritance and estate taxes

Data from Britain suggest that people tend not to lose their parents before they reach the age of 50. In rich countries the advantages that wealthy parents pass to their offspring begin with the sorting mechanism of marriage, in which elites increasingly pair up with elites (see leader on page 16). They continue with the benefits of education, social capital and lavish gifts, not in the deeds to the ancestral pile.

Even if the link between inheritance-tax rates and inequality were clear, wealth can pay for a good tax lawyer. In the century since Roosevelt, Sweden and other high-taxers discovered that if governments impose a steep enough duty, the rich will find ways to avoid it. The trusts they create as a result can last even longer than the three generations it takes for family fortunes to go from clogs to clogs.

Armed with such arguments, some leap to the other extreme, proposing, as the American tax reform does, that there should be no inheritance tax at all. Not only is it right to let people hand their private property to their children, they say, but also bequests are often the fruits of labour that has already been taxed. And a large inheritance-tax bill is destructive, because it can cause the dismemberment of family firms and farms, and force the sale of ancestral homes.

Yet every tax is an intrusion by the state. If avoiding double taxation were a requirement of good policy, then governments would need to abolish sales taxes, which are paid out of taxed income. The risks that heirs will be forced to sell homes and firms can be mitigated by allowing them to pay the duties gradually, from cashflow rather than by fire-sales.

In fact, people who are against tax in general ought to be less hostile to inheritance taxes than other sorts. However disliked they are, they are some of the least distorting. Unlike income taxes, they do not destroy the incentive to work—whereas research suggests that a single person who inherits an amount above \$150,000 is four times more likely to leave the labour force than one who inherits less than \$25,000. Unlike capital-gains taxes, heavier estate taxes do not seem to dissuade saving or investment. Unlike sales taxes, they are progressive. To the extent that a higher inheritance tax can fund cuts to all other taxes, the system can be more efficient.

## Transfer market

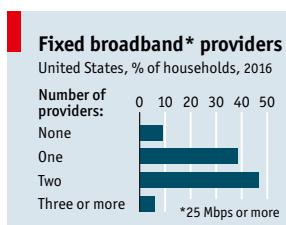
The right approach is to strike a balance between the two extremes. The precise rate will vary from country to country. But three design principles stand out. First, target the wealthy; that means taxing inheritors rather than estates and setting a meaningful exemption threshold. Second, keep it simple. Close loopholes for those who are caught in the net by setting a flat rate and by giving people a lifetime allowance for bequests; set the rate high enough to raise significant sums, but not so high that it attracts massive avoidance. Third, with the fiscal headroom generated by higher inheritance tax, reduce other taxes, lightening the load for most people.

A sensible discussion is hard when inheritance taxes prompt such a visceral reaction. But their erosion has attracted too little debate. A fair and efficient tax system would seek to include inheritance taxes, not eliminate them. ■

## Media and competition policy

# One out of two ain't good

**The DoJ is right to oppose the AT&T-Time Warner deal. The FCC is wrong to scrap net neutrality**



Warner. It matters to the independence of America's trustbusters whether Mr Trump's tastes have steered the DoJ. But he happens to be right when he says that the deal is "not good for the country". The real problem is not the DoJ's move, but the contradictions in his administration's competition policies.

A day after the DoJ filed its complaint, the Federal Communications Commission (FCC) announced plans to repeal rules which protect "network neutrality", the principle that internet-service providers (ISPs) must treat all sorts of digital traffic equally. That would enable AT&T and others to charge more for certain types of content, so long as they are open about it. A set of policies that simultaneously thwarts AT&T from bulking up and gives it much greater licence to raise prices, and does both in the name of competition, is incoherent.

### Not on their watch

The marriage of AT&T and Time Warner would be a "vertical" merger, meaning that two firms from different bits of the supply chain are combining. The deal would bring together an owner of the infrastructure that distributes content (fixed, satellite and mobile connections) and a firm that creates it. Trustbusters have not looked too closely at vertical deals—and America's courts have been tolerant of them. The content business is also being disrupted by Amazon and Netflix. That is why Rupert Murdoch is tempted to throw in the towel by selling off bits of 21st Century Fox (see page 57). AT&T and Time

Warner argue they are just legacy firms trying to adapt.

Time Warner owns sports rights and many channels, some of which reach nearly all the 100m American households that subscribe to pay-TV. The DoJ worries that the combined firm could exploit this unfairly to win new distribution customers. It thinks it could jack up the fees it charges other video distributors, such as cable and wireless providers; if they balk, subscribers might decamp to its own offerings. This is possible. And there is another worry, particularly as more people consume content seamlessly over mobile devices as well as TVs and computers: that AT&T strong-arms its wireless, satellite and wireline customers to buy more Time Warner content. A vertical merger is dangerous when one of the parties is so powerful. One in two Americans are wireline, satellite or wireless customers of AT&T, which extracts a fat return on capital of 17% (excluding goodwill). A combined firm would be America's eighth-largest by revenue, with huge lobbying power.

An AT&T-Time Warner tie-up would be even more worrying in light of the FCC's plans. Ajit Pai, the commission's newish chairman, thinks that strict rules enforcing network neutrality are not needed. Instead, he wants ISPs to set their own policies and get another agency, the Federal Trade Commission, to enforce them case by case. That might work in countries with fierce competition among fixed broadband providers; in America, where millions of households have only one choice of high-speed supplier, it would surely fail. Big ISPs can charge startups and others more for bandwidth, slowing innovation and leaving consumers with less choice.

America needs to get competition policy right. Concentration has risen across most of its industries over the past two decades. Giants such as Facebook and Google raise profound questions for trustbusters (see page 61). This week's signals from the Trump administration could not be more mixed. The DoJ's more vigorous approach is the right way to go. ■

## The splintering of German politics

# Deadlock in Berlin

**Political uncertainty is bad for Germany and Europe. Germans should vote again**



IN THE churn of European politics, with America seemingly pulling out and Russia pushing in, many hoped that Germany would rise up. They looked to Angela Merkel, its chancellor, to resist populism. They dreamed that the Franco-German partnership, energised by France's new president, Emmanuel Macron, could strengthen the enfeebled European Union—just as soon, of course, as Mrs Merkel got her fourth poll victory out of the way. German voters thought otherwise.

In the election on September 24th they punished Mrs Mer-

kel's grand coalition of Christian Democrats (CDU/CSU) and Social Democrats (SPD). These "GroKo" parties collectively lost almost 14% of the vote, most of that going to right-of-centre parties, including the populist Alternative for Germany. The chancellor tried to negotiate a three-way coalition of her CDU/CSU, the revived pro-business Free Democrats (FDP) and the Greens. Though this would have had many advantages, bargaining with both left and right was always going to be tricky, and the talks broke down on November 19th, when the FDP walked out (see page 45).

Mrs Merkel is gravely weakened. She has consistently been reluctant to take on a bigger role in the world. Today she faces an altogether different problem—of political fragmentation ►

► and deadlock—that is familiar to other countries, but not to post-war Germany. The protracted uncertainty that is now likely will be bad for Mrs Merkel, for Germany and for Europe.

Mrs Merkel faces three options, none of them palatable. The first is to form a minority government either with the FDP, or with the Greens (or, just possibly, alone). Germany's constitution (and consensual traditions) would give such a government some protection from no-confidence votes. Yet, though other countries have minority governments, modern Germany has no federal experience of them. Mrs Merkel herself batted away the idea that such a beast could give Germany the stable government it needs. The FDP leader, Christian Lindner, says he is not interested either. A minority government is highly improbable—unless a deal with the Greens gives Mrs Merkel the option of relying on case-by-case support from the SPD.

More likely, therefore, is the option of reviving the GroKo with the SPD. It has governed Germany pretty well since 2013. The SPD supports strengthening the euro zone, for instance by giving more powers to its European Stability Mechanism, so a grand coalition could work closely with Mr Macron.

Although this may be Mrs Merkel's preferred option, it too has problems. The SPD's leader, Martin Schulz, has ruled the GroKo out, though he is now under pressure from some in his party, including Germany's president, to change his mind. Being in government with Mrs Merkel hurt the SPD, pushing its

share of the vote down to its lowest-ever level. The party needs a stint in opposition to revive itself. Most of all, a GroKo might be seen by Germans as reheating the stale dish that they rejected, adding yet again to the appeal of the political extremes.

That leaves a new election, the option Mrs Merkel should pursue. True, there are risks. A vote cannot happen soon: Germany's constitution, mindful of the 20 governments and nine elections in the 14 Weimar years, deliberately makes it hard to call one early. Add the time needed for more coalition-building, and Germany—and the EU—could be without a new government in Berlin until May or June. There is no guarantee that the result, in the messy seven-party political environment of today's Germany, will be any more clear-cut than the last.

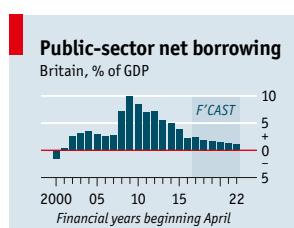
### Vote, vote, vote

An election would, however, offer the advantage of allowing debate over important issues, such as the future of the European project, that the parties avoided in the previous campaign. Rich and stable, Germany need not fear repeated elections. But none of this looks good for Mrs Merkel. She says she would run again if there were another vote, and she is unlikely to face a leadership challenge just now. But a poor election result, followed by the failure of the coalition talks, has given her an air of precariousness. Whatever option she chooses, she is about to enter the final act of her political career. ■

### Britain's budget

## Winter is coming

**Philip Hammond's cautious budget struck the right notes, but was a grim reflection of Britain's predicament**



THE glass of booze that chancellors of the exchequer may sip while delivering the budget speech is well deserved. High economics, low politics and bad jokes combine in an hour-long monologue before a baying crowd. Philip Hammond, who presented his budget on November 22nd, had it harder than most. The deficit still yawns, voters are sick of austerity and, amid a Conservative civil war, many of Mr Hammond's own side want rid of him. Impressively, he stuck to mineral water.

It was a decent speech, focusing on the dire productivity problem that is holding Britain back (see page 51). It should be enough to save his job, which is just as well, since he is one of the few remaining sensibles in Theresa May's cabinet. But Mr Hammond's budget was a bleak reflection of the state Britain is in. Economic-growth forecasts are sharply worse. Money is short. And, although many of the chancellor's policies point in the right direction, their timid scale spoke of a government too weak to live up to its ambitions.

### Watered down and on the rocks

As Mr Hammond intended, the immediate coverage highlighted a modest tax break for first-time housebuyers. But the real story of the budget was the forecasts for Britain's future growth. The independent fiscal watchdog expects the economy to grow by 1.5% this year, down from the 2% it predicted in March. By 2020 growth will be as low as 1.3%. This is at a time

when forecasts for most rich countries—including, notably, the euro zone—are being revised upwards. And this gloomy picture may even be optimistic. The forecasts are based on the assumption that Britain will continue to enjoy high levels of immigration and remain in the single market, neither of which is likely. And they make no provision for the possibility of a damaging no-deal Brexit, which the government still throws around as a plausible outcome of its talks in Brussels.

Mr Hammond barely dared to mention Brexit, focusing instead on the shortages of housing and skilled workers, which he correctly identified as central causes of Britain's productivity problem. But to slay these monsters, he brandished a peashooter. Schools will get an extra £600 (\$800) a year for each pupil who studies advanced-level maths. More computing teachers will be trained, and distance-learning courses will get more money. His housing plan was more eye-catching, but even an estate agent would describe it as bijou. As well as the giveaway to first-time buyers—which will inflate house prices, but at least improve young people's bargaining position relative to others—he endorsed a plan for a new corridor of development between Oxford and Cambridge and commissioned a review into whether housebuilders should be made to develop land they are sitting on. Sensible stuff, but hardly enough to meet his target of 300,000 homes a year.

The theme of decent ideas, realised in miniature, went beyond the productivity plans. The needlessly harsh treatment of people applying for universal credit, a welfare benefit, will be softened somewhat. But the cuts to the incomes of the very poorest will not be any less deep. The National Health Service ►

► was given just enough money to help it limp on (at the same time, the chancellor allocated £3bn for Brexit preparations, which might surprise people who voted Leave hoping that it would free up more cash for the NHS). Social care for the elderly, the Tories' main issue during the election in June, received no mention at all. Mr Hammond's lack of big plans was given away by the abundance of little ones. The budget contained 77 initiatives, as many as George Osborne, his predecessor and a notorious fiddler, ever managed.

If the government is to live up to the chancellor's promise to

"build on Britain's great global success story", it must think bigger. Yet its precarious position has left it unable to risk upsetting a single voter. A tax on diesel cars will not apply to vans, for fear of annoying small-business owners. The green belt, which holds back house-building like no other policy but is cherished by people in marginal constituencies, was ritually praised. The only people for whom Mr Hammond dared to announce tax rises were foreign tech firms and people with empty second homes. If Britain is to prosper, it will need to make harder choices than this. ■

## Marriage

# A more perfect union

**Wedlock is more rewarding than ever—and also more upmarket. That is a problem**



MARRIAGE idealises permanence, and yet it is changing more rapidly than at any time in its history. Almost everywhere it is becoming freer, more equal and more satisfying. As our special report this week explains, wedlock has become so

good that it is causing trouble.

The most benign changes are taking place in poor and middle-income countries (where most people live). Child marriage, once rife, is ebbing. So is cousin marriage, with its attendant risk of genetic defects, though it is still fairly common in the Middle East and parts of Asia. Relations between husbands and wives have become more equal (though not equal enough). As women earn more and the stigma of divorce fades, more men are finding that they cannot treat their wives as servants (or, worse, punchbags), because women can credibly threaten to walk away.

In some regions change has been astoundingly quick. In India the share of women marrying by the age of 18 has dropped from 47% to 27% in a single decade. "Love marriages" remain disreputable in India, and arranged marriages the norm. But, as in many traditional societies, young people have more say. Some can veto the mates their families suggest; others choose their own, subject to a parental veto. Across the world, popular culture is raising expectations of what a good marriage is like, and dating websites are giving singletons vastly more options.

## Ring the changes

The worrying part is what is going on in rich countries. In the West marriage is in excellent shape, but only among the well-off. Elite couples delay tying the knot to allow time to get established in a career, but they still tie it before having children. Working-class people, by contrast, are dramatically less likely to put a ring before a cradle than in previous generations. Among the college-educated in America, only 12% of births are to unmarried mothers; among those who dropped out of high school, the rate is 70%, up from 43% in the early 1980s. Similar trends can be seen across the wealthy world: the average out-of-wedlock birth rate for OECD countries is 40%.

If marriage were just a piece of paper this would not matter. However, it is much more than that. Although a wedding cannot turn a flimsy relationship into a strong one, it adds scaffold-

ing that can save one that is in between. Making a public, life-long commitment to another person is not the same as drifting into cohabitation to share the rent. And this matters a lot if children are involved. One study in America found that 18% of married couples broke up within five years of a birth, compared with 47% of cohabiting couples.

Children from stable backgrounds tend to do better in school and life—and are more likely to form stable unions of their own. Add the trend towards "assortative mating", when high-achievers marry other high-achievers, and the gap between elite and working-class families yawns. Affluent parents intensively nurture their children for success; the offspring of less fortunate homes fall far behind before they ever set foot in a school. The marriage gap makes rich countries more unequal, and retards social mobility.

Improbable as it may seem, this pattern is likely to reach every corner of the globe. The forces that have shaken up marriage in rich countries—rising individualism, education, women's economic emancipation—are spreading. It is not just a Western trend. For a long time Japan resisted it: highly educated women were less likely to marry than others. Now they are more likely to (and less likely to divorce).

The revolution in family life is largely beneficial, and there is not much that governments can do about its harmful side-effects. America has tried hard to promote wedlock among poor people since the 1990s, but failed utterly. Countries should try to ensure that their welfare systems do not penalise marriage among the poor. They should not, however, lurch in the other direction by providing tax benefits to the married. Given the growing social stratification of marriage, such measures are exceedingly regressive.

Working-class Westerners have not given up on marriage. On the contrary, many idealise it. Rather than seeing it as the start of a couple's journey together, as in the past, they often see it as something not to try until they arrive—with a good job, a house, financial stability and a lavish party. Many feel they are not "ready" to marry, even as they embark on parenthood. Helpfully, some European countries have begun to offer civil unions for heterosexuals. (Gay couples already had that option.) They confer nearly all the rights of marriage but entail less of the intimidating hoopla. These now account for a fifth of new formal unions in the Netherlands, and more in some working-class districts. They have not undermined marriage so far. It is a small fix for a huge problem, but it might help. ■



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**Don't constrain social media**

Many thoughtful people are upset that Russian trolls took advantage of Facebook and Twitter to disseminate false information, whether as advertising or fake news. Taking this as a starting point, *The Economist* calls for the regulation, by someone, of social media ("Do social media threaten democracy?", November 4th). I beg you to change your minds.

Your evidence consists of a lack of compromise in American politics; "politicians who feed off conspiracy and nativism"; bad governments in Poland and Hungary; and a deeper hatred of Rohingyas in Myanmar. Yet we were quite cross with one another back in 2003, before Facebook was invented. Back then we were at war in Iraq and America had recently impeached and tried a president. *The Economist* (and I) were despairing about the lack of compromise in American politics. And it is remotely possible that Rohingyas were thoroughly hated by the Burmese.

You want several minor changes to be made to procedures at Facebook and Twitter, and argue, incomprehensibly, that these changes "may well have to be imposed by law or a regulator." It is not the business of the American or British governments to decide what I see on Facebook. There may be things you do not like on social media. None is remotely as bad as allowing politicians to decide what news we should and should not view. And what legal concept would permit regulation of speech on Facebook or Twitter but not in *The Economist*?

Blast away at Facebook, Google and Twitter when their policies are wrong (and I agree; they were much too slow to understand what was being done to them in Poland and Hungary). But one doesn't rush to regulate *The Economist* or the *Washington Post* because our leaders once favoured the war in Iraq.

Politics in recent years has disappointed thoughtful people. But those people must be

wise enough not to leap to policies that are guaranteed to make things worse.

DONALD E. GRAHAM  
Director  
Facebook, 2009-15  
*Washington, DC*

**Patriotic duty**

I disagree with Lexington's criticism of America's "love affair" with its armed forces (October 28th). I have served as an officer for 28 years and have been deployed to combat zones in Iraq and Kuwait. Soldiers join for many reasons and the respect of the American people is one of them (the main reason is to protect our country and the flag it represents). When we are treated well at home by those we serve it increases morale.

I remember the disbelief and respect from Iraqi officers I trained when I told them I had voluntarily left my family and my comfortable job for 15 months of combat. America's troops provide security and professionalism in an otherwise chaotic world. Are we irreproachable? Of course not, but thankfully respect does not demand perfection in comments or action, just a real sacrifice for something bigger than ourselves.

WILL BRADLEY  
*Las Vegas*

**Return to dirigisme**

Schumpeter wrote about Emmanuel Macron wanting to revive the "grandest idea of all in European business: creating continental champions capable of taking on American and Chinese firms" (November 4th). In September 1965, a conference was convened at INSEAD near Paris. Anticipating a forthcoming book by Jean-Jacques Servan-Schreiber, its theme was that France needed to build national champions capable of matching American powerhouses such as General Motors, United States Steel and Du Pont, thereby alleviating the "technology gap". The keynote speaker was Valéry Giscard d'Estaing, then French finance minister and later president.

The participating Americans, many of whom were disciples of Joseph Schumpeter, argued that the French participants misunderstood the rationale of American technological success, notably, the competitive, entrepreneurial climate encouraging "disruptive" innovation, especially by technology-oriented startups. Now, half a century later, Mr Macron advocates renewed Servan-Schreiber-like policies. Will we never learn?

F.M. SCHERER  
Emeritus professor  
Harvard University  
*Cambridge, Massachusetts*

**Not a great success story**

The Free exchange column in the November 11th issue told the tale from 1955 of Jawaharlal Nehru, India's then prime minister, wanting to know whether the Soviet economic system could work if it was "shorn of violence and coercion". You correctly said, "no". Nehru tried to understand the Soviet economy as a civilian project for economic development. That was his mistake. The Soviet economy's quantitative controls, priorities and shortages were in fact the features of a war economy.

The Bolsheviks' first model was the German economy of sacrifice and mass mobilisation for the first world war. Vladimir Lenin expected to improve on the German outcome by dispensing with private property and the rule of law. The Soviet economy's comparative advantage lay in supplying the means of national power in the age of mass armies. This advantage was revealed not in global market shares but in the balance of power, where the Soviet Union was much more successful

than its second-rate economy would have predicted. That is why the idea of it retains appeal for Russian nationalists.

PROFESSOR MARK HARRISON  
Department of Economics  
University of Warwick  
*Coventry*

**Arabic as an example**

Johnson is right about the value of recognising different modes of a language (November 4th). Arabs do it as a matter of course. Virtually all Arabs speak their own dialect at home and in informal settings, and what is generally termed Modern Standard Arabic on formal occasions, at conferences and (mostly) in radio and TV news. This greatly eases mutual comprehension across the Arabic-speaking world, since, allowing for some minor but well-known differences in pronunciation of certain letters, Modern Standard Arabic is quickly and easily recognised when spoken from Morocco to Muscat.

STUART LAING  
*Cambridge, Cambridgeshire*

**In defence of the pager**

You imply that the continued use of pagers in Britain's National Health Service is backwards ("Giving Luddites a bad name", November 11th). My current pager is well over 20 years old. It has survived many falls onto hard theatre floors and several well-aimed impacts with walls. Scrub sinks and toilets have not silenced it. If a more robust, cost effective and reliable replacement is ever invented, I will retire my pager. Until then, held together with sticky tape, it will carry on doing its job better than all the alternatives. A perfect metaphor for the NHS.

DR MICHAEL FORSTER  
Perth Royal Infirmary  
*Perth, Perthshire* ■

Letters are welcome and should be addressed to the Editor at *The Economist*, The Adelphi Building, 1-11 John Adam Street, London WC2N 6HT. E-mail: [letters@economist.com](mailto:letters@economist.com) More letters are available at [Economist.com/letters](http://Economist.com/letters)

# Executive Focus



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**Further information about this position is available on the Gresham website at:** [www.gresham.ac.uk/vacancies/business](http://www.gresham.ac.uk/vacancies/business)

Informal discussion may take place with the Academic Registrar, Dr Valerie Shrimplin, Gresham College, Barnard's Inn Hall, Holborn, London EC1N 2HH, Telephone 020 7831 0575, v.shrimplin@gresham.ac.uk

**The closing date for application is 9 January 2018**  
**Interviews will be held in London on 2 February 2018**



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Director General



## Death of the death tax

STOCKHOLM AND TOKYO

### Inheritance taxes have fallen out of favour around the world

**T**HE marks left by inheritance tax are apparent all around Japan. Bookshops are filled with tomes on how to avoid a hefty bill when a loved one dies. Near the ancient Shimogamo shrine in Kyoto, a lady shows off her old house, which will soon be bulldozed. With her parents getting on, she needs to ready herself to pay an inheritance-tax bill. To reduce it, she is splitting the plot and selling one part, which means destroying the family home and building a smaller one. Back in Tokyo, a barman mixing a whisky and soda gruffly recites a Japanese version of a common saying: "a fortune does not last three generations".

Inheritance tax is unpopular everywhere but the Japanese have more reason to complain than most. The country's regime is the toughest of any big, rich country. The top rate of tax is 55%, compared with 40% in Britain and America. After recent reforms, roughly 8% of deaths are subject to tax, the highest proportion since records began in 1958. Data are poor but on a rough estimate up to a tenth of everything left behind by the dead each year goes to the government, compared with perhaps 4% in America. In the past two years budgeted revenues from inheritance tax in Japan have risen by a fifth to some \$20bn a year, around 0.5% of GDP.

This trend of swelling receipts marks Ja-

pan out. Revenue raised through taxes on inherited wealth was once a big contributor to governments' coffers. It has since shrunk significantly. In OECD countries the proportion of total government revenues raised by such taxes has fallen by three-fifths since the 1960s, from over 1% to less than 0.5%. Over the same period Australia, Canada, Russia, India and Norway are among countries that have abolished death duties. More than 20 American states binned wealth-transfer taxes between 1976 and 2000; in 2010 the federal estate tax was abolished for a single year.

#### The final reckoning

President Donald Trump wants America to eliminate it for good. "No family will have to pay the death tax," he said as a presidential candidate. "It's a double tax; it's a tax on death," according to Steven Mnuchin, the treasury secretary. If House Republicans get their way on reform proposals currently making their way through Congress, the tax-free exemption on the estate tax—currently \$5.49m—would double, followed by full elimination in 2025 (see page 31).

As inheritance taxes have lightened, some people have gained enormously. In 1976 roughly 8% of American estates filed a taxable return; that has since fallen to around 0.2%. But not everyone benefits

from cutting inheritance taxes. Indeed, the wider advantages of reducing such taxes have been overestimated. And the costs are evident.

Inheritance tax is levied on the people who get the money after someone dies, estate tax on the money itself. They are some of the world's oldest taxes. In 6AD the *vice-sima hereditatium* or "20th of inheritance" was imposed by Augustus, the first Roman emperor. An inheritance tax of sorts was introduced in Britain in 1694. Around the same time French peasants were required to cough up *lods et ventes*, a version of an inheritance tax, to their lords.

Classical liberal thinkers seem to favour taxing inheritances. Adam Smith said that "a power to dispose of estates forever is manifestly absurd." Political philosophers were guided by arguments appealing to fairness. Mere accident of birth, the thinking went, did not amount to entitlement to acquire wealth. Jeremy Bentham rejected the notion that descendants had an absolute right, based in natural law, to the property of relations: "who is this same Queen, 'Nature,' who makes such stuff under the name of laws?" he sniffed. John Stuart Mill wanted to encourage equality of opportunity, rather than the creation of an elite that would endure for generations. He also believed that taxing the rich, who often lived off inherited properties and landed estates, would permit lower taxes on the poor, allowing them to save more.

Reformers turned the early 20th century into the golden age of taxing inheritances (see chart 1 on next page). In 1906 Theodore Roosevelt demanded that Congress pass a graduated inheritance tax. America introduced its estate tax in 1916, ►

► and by the 1940s the top rate was 77%. In France until 1956 every single bequest was subject to a tax. Until the second world war Britons were less likely to pay income tax while living than to have their estate taxed after their deaths.

However, in subsequent decades an anti-tax movement gathered steam around the world. The price of housing in rich countries began to rise in the 1970s as population growth ran up against restrictive planning policies. As home-ownership increased and a higher proportion of households accumulated wealth, inheritance tax was seen as more of a burden. Meanwhile, as foreign-exchange controls were dismantled, politicians feared that high taxes on wealth would prompt rich folk to up sticks and move elsewhere.

### Dead hand of the state

In their book "Death by a Thousand Cuts", on the politics of the American estate tax, Michael Graetz and Ian Shapiro describe the emerging consensus that taxing inherited wealth was unfair and unwise. But much as advisers in the administrations of Ronald Reagan and George H.W. Bush wanted to abolish estate tax, they believed doing so was politically impossible.

In 1992 something happened which changed the terms of the debate. Two Democratic congressmen proposed reducing the tax-free exemption from \$600,000 to \$200,000, thereby increasing the number of people subject to the tax. They did not foresee the unpopularity of the proposal, which was hurriedly withdrawn—but not before, according to Messrs Graetz and Shapiro, "conservatives became alert to the possibility that they might have missed something".

A highly effective political campaign against the estate tax followed. Adherents insisted that the estate tax was unfair since it amounted to double taxation. After all, bequests are often financed from earnings that have already been subject to income tax. They also devised a devastating nickname—the "death tax".

Advocates of the tax were unable to counter with anything nearly as powerful. A few pointed out that double taxation occurs on a daily basis in the form of sales taxes (people buy things with taxed income), or that it is what the person leaves behind, rather than the person, which is subject to the estate tax. Calling it a "windfall tax", as Bentham might have, could have helped, but only so much.

Characters such as Chester Thigpen, an African-American tree farmer in his 80s, were crucial to the campaign. In 1995 Thigpen, a descendant of slaves, settled into the witness chair in front of the House Ways and Means Committee. He had come from Mississippi to Washington, DC, to talk about the damage the estate tax would inflict on his family. On his farm were "beau-

tiful forests and ponds that can live on for many, many years after my wife and I pass on," he said. Yet when he died "my children might have to break up the tree farm or sell off timber to pay the estate taxes."

Thigpen's testimony came to symbolise the idea of government overreach. Jennifer Dunn, a Republican, referred to the Thigpen example as she argued in the House of Representatives that the tax system should "reward savings, investment and hard work". In 1998 the joint economic committee, a congressional panel, used Thigpen's farm as an example of "the burdensome nature of the estate tax" to argue for its repeal.

Ordinary people were receptive to these arguments, perhaps because Americans are an optimistic bunch. According to Messrs Graetz and Shapiro, surveys at the time suggested that around 40% believed that they were in the top 1% of the wealthy or would be there "soon", making them fearful of a hefty tax. The prospect of repeal was popular, even if in reality most of the benefits would go to the richest.

As the pressure built, politicians eventually had to act. Before the presidential election in 2000 George W. Bush proclaimed that he wanted to be "rid of the death tax", which he saw as something "that taxes people twice" and "penalises the family farmer". An act passed in 2001 made big reductions to the estate tax, culminating in the one-year repeal in 2010. Even in its current diminished form, however, it is still hated. Over half of Americans agree with the idea of eliminating it; Mr Trump found on the campaign trail that his promise to abolish it was just as popular as it had been for Mr Bush.

Messrs Graetz and Shapiro imply that the circumstances which led to the decline of the estate tax were peculiarly American. In an already highly unequal society, this interpretation goes, rich people hijacked the political system and shaped tax policy to their own ends. Yet countries quite unlike America have also seen big cuts to wealth-transfer taxes.

Sweden, which is usually seen as egalitarian, has gone one step further. In 2004

its inheritance tax was repealed, with the support of a former communist party, among others. What prompted such a radical transformation from the 1960s, when the largest estates could face an effective tax rate of 60%? By the end of the 1970s there was a growing sense that the Swedish state was bloated; a turning-point came when Astrid Lindgren, the creator of Pippi Longstocking and a national hero, revealed that she faced marginal tax rates of more than 100%. A financial crisis in the early 1990s reinforced the sense that the country needed to become more competitive.

Politicians noted the special disgust that Swedes reserved for inheritance tax. According to Swedish Enterprise, a lobby group, entrepreneurs such as Ingvar Kamprad, the founder of IKEA, were leaving the country to avoid high taxes. Stories abounded of family firms broken up to pay the bill. At first, tweaks were introduced to the Swedish system. Yet the resulting complexity met with disapproval. Sweden is a small country with high levels of social trust; people are allergic to bureaucracy, says Janerik Larsson of Timbro, a think-tank. "It was easier to get rid of it entirely." After abolition Mr Kamprad returned to Sweden. The economy has grown quickly in recent years, and anti-tax advocates claim they have been vindicated.

### Heir conditioning

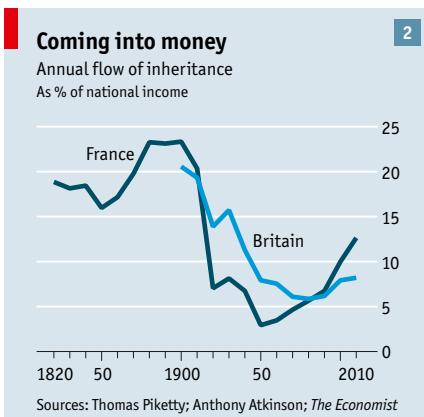
It is clear that antipathy to inheritance taxes is widely shared among politicians and their electorates. Yet the economic benefits of cutting such wealth-transfer taxes may have been overplayed and the drawbacks underappreciated.

Start with migration. Arash Nekoei of the Institute for International Economic Studies in Stockholm is sceptical that abolishing inheritance tax really did encourage many entrepreneurs to move back to Sweden. Although migration from Sweden happened to rise in the second half of the 2000s, after the tax was abolished, other factors were clearly involved.

A paper by Jon Bakija of Williams College and Joel Slemrod of the University of Michigan studies the impact of changes in state inheritance-and-estate taxes on the migration of elderly Americans between states, as approximated by changes in federal estate-tax returns by state. It suggests that reducing these taxes does not do much to attract outsiders. The richest folk seem most likely to move to tax-cutting states, but even here the numbers are small. And tax-cutting states seem to lose out overall: the additional revenue resulting from more people moving to a state may be not enough to offset the impact of the lost revenue from lowering the estate tax.

Second, what of the argument, made by the likes of Dunn, that cutting wealth-transfer taxes encourages work and saving? The logic goes that people are motivat-





ed by the prospect of leaving large amounts of wealth to their children. So if they are allowed to pass on more, they may try to accumulate more, benefiting not only their family but the economy as a whole. As an additional benefit, if wealth-transfer taxes are cut, people need not waste time on tax planning.

Again, there is not much evidence to support these propositions. Akira Kawai-moto, an investor who used to work at Japan's economy ministry, dismisses the idea that increases to the country's inheritance tax have undermined enterprise. "No one at the start of their career is thinking about such a tax," he says. Indeed, it is noteworthy that many of the world's richest self-made people, such as Warren Buffett and Bill Gates, advocate wealth-transfer taxes.

The academic evidence is also revealing. If all bequests were intentional you might expect people with children to be more enterprising and to save more than those without. But this is not supported by the data. You might also expect a child's earnings to have a big effect on the size of a bequest left by a parent. A poor child, after all, is in greater need of money than a rich one. Observations from Sweden and America, however, find only weak evidence that a child's earnings affect a parent's plans for a bequest.

That suggests that a large proportion of inheritances are "accidental". People save to insure against personal risks, rather than to pass on wealth when they die. (Bentham mulled a 100% tax on the estates of people dying without a will, reasoning that the entire bequest could be considered accidental.) Research also suggests that some bequests are "egoistic", meaning that a parent derives happiness from the pre-tax amount bequeathed, rather than what a child will receive after the tax is applied.

Cutting wealth-transfer taxes would surely reduce the need for wealthy folk to engage in tax-planning, freeing them up for more productive activities. But there are few estimates of how much time and money this activity actually takes up. A study published in 1999 suggests that the overall

cost of estate-tax compliance is 7% of estate-tax revenues. Yet a chunk of those costs, such as selecting executors and drafting documents, would still be paid even in the absence of the tax. So it is hardly clear that the rich would be left with much extra time for more productive undertakings.

The third justification for cutting or abolishing inheritance taxes—that it will prevent the break-up of family firms—is in many countries the most politically important one. The Thigpen story is one of many told by anti-tax campaigners. Sweden may now have the world's most generous tax system for family firms. Even Japan offers them exemptions from inheritance tax.

But is it sensible for the state to privilege family firms? There is something reassuring about entering a shop that has had three generations of the same family behind the till. Descendants may use an inheritance to expand the family firm, potentially creating more jobs along the way.

### Family ties

Yet keeping things in the family has costs. By excluding family firms from inheritance tax, and therefore stopping some from breaking up, means boosting their numbers. A paper by Francisco Pérez-González of the Instituto Tecnológico Autónomo de México finds that "nepotism hurts [firm] performance by limiting the scope of labour-market competition". Firms that promote family CEOs see declines of 14% in operating return on assets, a measure of profitability. Research by Nick Bloom of Stanford University and others finds that family firms are the worst-managed of any type. Poor management of firms is one of the main reasons why productivity growth in rich countries has been so depressed in recent years.

The problems associated with family-run firms point to another risk: that people with inheritances work less hard or drop out of the workforce altogether. In an essay in 1891 Andrew Carnegie, an industrialist born in Scotland, argued that the "parent who leaves his son enormous wealth generally deadens the talents and energies of the son, and tempts him to lead a less useful and less worthy life." Research suggests that lottery winners work less. And according to a paper published by Douglas Holtz-Eakin, formerly of the Congressional Budget Office, and two colleagues, Carnegie was right. A person coming into an inheritance above \$150,000 is four times more likely to leave the labour force than someone who inherits less than \$25,000.

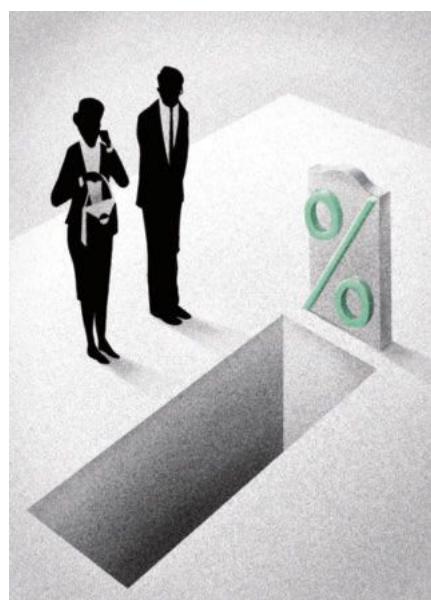
Such inefficiencies are set to deepen as payouts increase. After peaking in the 19th century, the stock of wealth in rich countries tumbled during the first half of the 20th. That was in part the result of two world wars, which destroyed factories and shrank savings through high inflation. Yet according to work by Thomas Piketty of

the Paris School of Economics, in recent decades the growth in the stock of wealth in advanced economies has outpaced income growth.

The data are patchy. Yet it appears that, as wealth has bounced back, the size of inheritances has, too (see chart 2). The annual flow of inheritances in France has tripled from less than 5% of national income in the 1950s to about 15%, not all that far from the 19th-century peak of 25%. Research suggests that though inheritances can reduce short-run wealth inequality by giving a windfall to poor households, the long-run effect is to increase it. This is in part because richer folk tend to save their windfall, in contrast to poorer folk, who spend it.

If the importance of inheritance continues to grow, and Mr Piketty's calculations suggest that it will, some worry that it could foreshadow the return of an inheritance society in which marriage ends up being a surer route to riches than starting a company or working hard. The incomes attained by the top 1% of French inheritors are already higher than those attained by the top 1% of workers. Across North America, Europe and East Asia, the number of billionaires who have inherited their wealth seems to be rising, according to research from the Peterson Institute for International Economics, a think-tank.

Such considerations suggest that the shift away from wealth-transfer taxes ought to be the subject of more public debate. Instead, it looks set to continue inexorably. Britain's budget on November 22nd confirmed that by 2020 a couple will be able to pass on £1m (\$1.3m) tax-free, if it includes a house, up from £650,000 today. Just 22,000 estates will be subject to the tax this year, compared with 30,000 in 2016. And in America, estate tax will fall even further if Mr Trump gets his way. After a long life, the death tax is in failing health. ■





### Poverty in the Philippines

## Fruit and ruts

INOPACAN

### The government is trying to improve a poor record on poverty reduction

**J**ACKFRUIT is really good because you can make proper money from it," confides Dominador Villasis, an elderly farmer whose fields lie near the town of Inopacan on the island of Leyte. Nineteen years since he planted his first tree, money from the fruit, which tastes faintly of pineapple with wafts of banana, has allowed him to swap a bicycle for a motorbike and to care for his extended family. Jackfruit trees can be planted alongside coconut palms, the main local crop, and a hectare of them can bring in \$12,000 a year, says Joe Bacusmo of Visayas State University.

Leyte lies among the islands of the Eastern Visayas, one of the most deprived parts of the Philippines. About 30% of the people in the region are poor, according to the government; in the country as a whole the share is around 17%. This represents progress of a sort. Over the past three decades extreme poverty has more than halved in the Philippines by the World Bank's measure. But several nearby countries, such as Vietnam, China and Thailand, have managed almost to eradicate the scourge in a far shorter time (see chart).

One problem is low growth: between 1980 and 2005 the average annual increase in GDP was just 0.63%, a pathetic pace by regional standards. More recently a leap in remittances from the millions of Filipinos who work abroad and a boom in the outsourcing of back-office work to the country

by Western firms have boosted growth. Forecasts suggest that GDP will expand by over 6% this year, as it did last year.

But the growth is concentrated in Manila and the two neighbouring provinces, which generate around 60% of the country's output. Not only do people in the farthest-flung parts of the archipelago not share in the prosperity, they also do not have the money to move to Manila or the education to land a job if they get there. In particular, many in the provinces do not speak Tagalog, the national language, let alone English, which employers prize (the country has eight main languages and dozens of local dialects).

Jobs in rural areas are scarce. Around a

### Also in this section

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Banyan is away

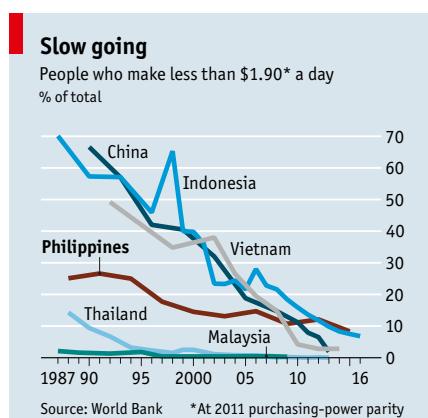
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third of Filipinos survive through farming or fishing, industries in which productivity has lagged badly. Unfair systems of land ownership left over from colonial times are largely to blame. Powerful families have kept huge estates through their political influence; the family of former presidents Corazon and Benigno Aquino is a case in point. Feeble land reform began in the late 1980s and is still under way (reforms in Taiwan, South Korea and Vietnam were far faster and more resolute). It has created prolonged uncertainty over the status of land, discouraging investment. Much-needed irrigation systems are not widespread, for example.

Poor parts of the Philippines tend to have higher birth rates, as in most countries. The average woman in Leyte will have 3.5 children during her lifetime. Her counterpart in Manila will have just 2.3. Contraceptive use has risen dramatically since the 1970s, but a fifth of poor married women still say they have an unmet need for family planning.

The government of President Rodrigo Duterte has pledged to help poorer Filipinos with all these problems. Mr Duterte recently signed an executive order to speed implementation of a law passed five years ago to make contraception more easily available to the poor, despite determined opposition from the Catholic church. In the past week the country's Food and Drug Administration was finally able to lift a two-year-old judicial ban on 51 female hormonal contraceptives, having convinced the courts that they would not induce abortions, which are mostly illegal.

Mr Duterte's government, in a comfortable position fiscally, is also spending more. His first budget laid out 3.4trn pesos (\$68bn) of spending—an increase of 12% on 2016. Infrastructure is an important focus. ►



► New airports, roads and bridges will appear thanks to a planned increase in expenditure on such projects from 5.2% of GDP last year to 7.4% of GDP in 2022. These public works are critical to boosting the fortunes of the poorer bits of the country, by connecting them better to Manila.

Both the government and foreign aid agencies are beginning to focus on food processing. That is a good way to increase farm incomes quickly, says Richard Bolt of the Asian Development Bank. Around Inopacan, local authorities are investing in frying equipment for both jackfruit and bananas, in the hope of nurturing a fruity-snack industry. Packets of crunchy fried jackfruit are much more easily transported than the fresh sort (which can weigh as much as 50kg). Salustiano Piamonte, a farmer, says selling his fresh jackfruit in the local market can earn 35 pesos a kilogram, whereas selling it to the processors brings in only 16 pesos a kilogram. "But at least the price is guaranteed," he says. And the fruit gets collected from him despite the muddy, unpaved road that leads to his farm.

In addition to jackfruit-planting, pig-fattening and tilapia-farming schemes are un-

der way in Leyte. All this adds to the impression that Mr Duterte cares more about remote areas than his Manila-focused predecessors did. The president's campaign against drugs, which has claimed more than 12,000 lives through extra-judicial killings, elicits enthusiasm too. "If Duterte hadn't been elected, everyone in the Philippines would be an addict," reckons Silvestre Lumarda, the mayor of Inopacan. He says *shabu*—a form of methamphetamine—is no longer a problem locally and that crime has dropped. Eleven localities in the Eastern Visayas have been declared free of illegal drugs since Mr Duterte took office in June of last year.

Mr Duterte got his start in provincial politics. For decades he was mayor of Davao, the biggest city on the southern island of Mindanao. The popular perception of him as an outsider willing to fight against the elites of Manila has some grounding in reality. At any rate, his government's poverty-fighting efforts seem more vigorous than the Filipino norm. He is also a local boy made good: Mr Duterte was born 72 years ago in the town of Maasin in southern Leyte. ■

nic, linguistic, religious, caste and regional groups for more autonomy.

So why the dour atmosphere? One clue lies in the fact that Nepal's new states are known simply as numbers one through seven. They do not yet have names, or even capitals. Their borders, drawn up just two years ago during the hasty, closed-door drafting of the constitution, do not match obvious topographical or demographic divisions. Instead, say detractors, the states were devised to preserve the dominance of the Khas Arya, an upper-caste group from the highlands that makes up about a third of the population, but which has for centuries controlled the country's administration as well as much of its land and resources, to the growing frustration of lowlanders, those of lower caste and ethnic minorities. "There has been no movement in the PEON—the permanent establishment of Nepal—for 200 years," says Mr Lal.

Remarkably, given the wide political spectrum, from royalists pining for a return to monarchy, to revolutionary communists demanding a new peasant uprising, nearly all of Nepal's leaders are indeed from Khas Arya castes. Since the end of the Maoist insurgency ten years ago, the country's two main communist parties and its largest conservative party have happily alternated in power, while happily also sharing in its spoils. "I'd call it a neo-feudal or patrimonial system," says a former finance minister. "What we have is the recycling of the same old nincompoops."

A doctor who goes by the name of Govinda KC, who has repeatedly gone on hunger strike to protest against corruption in private medical schools linked to political parties, puts Nepal's dilemma differently. "We had a monarchy, but now we have thousands of little monarchs," he says. Many Nepalese would agree. A sniff at the acrid, dust-laden air of Kathmandu (with a whiff of untreated sewage from the mountain streams that converge in its centre), or a ➤

## Elections in Nepal

# Mountain skew

KATHMANDU

**Nepalese yearn for stability. They may get it at last**

THE people of Nepal are said to be a stoical lot. But fatalism is not the only reason for the Himalayan republic's palpable lack of excitement on the eve of what ought to be a historic election. The vote, to be held in two stages on November 26th and December 7th, is for both a new national legislature and new state governments, under a crisp new constitution. It follows nearly three decades of what C.K. Lal, an acerbic columnist, describes as "history on steroids", during which Nepal's 29m people endured a ten-year armed insurgency that left some 18,000 dead, a machine-gun rampage by an angry prince who slaughtered nearly the entire royal family, a revolving door of governments under 25 different prime ministers, including spells of arch-conservative dictatorship and of rule by Maoist guerrillas, the abolition of the 240-year-old monarchy, a massively destructive earthquake, devastating floods and a ruinous economic blockade.

The vote looks set to produce a strong government, which under the new rules is likelier to last for a full five-year term. The emergence of two dominant alliances, one on the right and one on the left, could augur the formation of a stable two-party sys-

tem. The national vote comes on the heels of the first successful local elections in 20 years. Turnout for that vote, which concluded in September, was close to 75%. Women and marginalised groups are well represented on the 753 new councils. These have extensive powers, in deference to long-standing demands from various eth-



No one is paying the politicians much attention

► glance at traffic gnarled in a moonscape of potholes, or a tally of citizens still living in temporary shelters more than two years after the earthquake in 2015 that killed nearly 9,000 people, all substantiate an impression of strikingly inept government.

Somehow, though, big political parties appear to have ample funds for elections. One newspaper editor reckons the going rate for a vote is about \$20, meaning that it costs about \$100,000 to sway enough votes to win a district. Small wonder that

political parties openly enlist rich men as candidates, and more discreetly sell government posts while in power, or operate lucrative businesses of their own. "I don't think the Unified Marxist Leninists or the Maoists even know there is a thing called policy," says one Nepalese analyst, mentioning two "communist" parties. "Their real concern is making money and giving it to their followers."

To the analyst's chagrin, it is the alliance between these communists that is widely

tipped to win a majority. Their main rival, the Nepali Congress, suffers the handicap of having been more often in power, and so bearing a larger share of anti-incumbent sentiment. Few take the communists' purported ideology seriously. What worries some, instead, is that they might use their majority to take over the state rather than merely run it, and then snuff out freedoms. "We seemed so close to getting real change, and lost it," says a disgruntled activist. "We may get stability, yes, but at what cost?" ■



### Crime in Japan

## Grey peril

TOKYO

**Crooks are getting older and more hardened**

THE 74-year-old burglar evaded police in Osaka, Japan's second-largest city, for eight years. He committed more than 250 burglaries, making off with items worth some ¥30m (\$266,500), the police said, before he was finally caught last month. But he has at least told his captors that he is ready to retire.

Not all Japan's elderly criminals are willing to follow suit. New figures from the government show that almost a quarter of criminals aged over 65 re-offend within two years, more than double the rate of those under 29. Some 70% of the wrinkly wrongdoers in prison in 2016 had previously spent time behind bars. And there are ever more of them: in 2015 more than 20% of arrests were of people aged over 65—up from 6% in 2005. In America, in comparison, over-65s account for barely 1% of arrests.

The majority of crimes the grey-haired commit are petty, such as theft and shoplifting. Analysts reckon it is a sign of poverty, which is relatively widespread among the old (by the government's count, 13.6% of households headed by someone over 65 are poor, compared with 9.9% for the population as a whole). Sociologists believe that loneliness and

boredom spur crime too.

Senior crooks catch the public attention. NHK, a public-service broadcaster, recently aired a programme asking why so many old people have short tempers. It cited an old woman who whacked a young salaryman with her walking stick because he was sitting on a bench at a railway station, shouting, "This is for old people. Move!" Short-sightedness can be even more dangerous: doddery drivers account for 28% of all fatal traffic accidents, up by ten percentage points from a decade ago.

The elderly also make up 12% of the prison population. That is less than their share of the population as a whole (roughly a quarter), but high, again, compared with America, where those over 65 are less than 3% of prisoners. Elderly and often infirm jailbirds are expensive to look after. Earlier this year the government decided to deploy care workers to around half of the country's 84 prisons.

Nonetheless, with so many silver-haired felons off the streets, Japan remains one of the safest places in the world. Only 996,000 crimes were reported in 2016, compared with 3.7m in France, a country with half as many people.

### South Korea's intelligence agency

## Patriotic bribes

SEOUL

**Spy chiefs say they meant well when handing an ex-president bags of cash**

"WE WORK in the shadows to protect the sunlit land." So ran the founding motto of South Korea's most secretive agency, the National Intelligence Service (NIS), tasked with foiling North Korean plots. Recently other branches of government have been exposing the shadows to a little sunlight. Earlier this year massive protests led to the impeachment of the president, Park Geun-hye, who was found to have abused her authority for personal ends. Prosecutors investigating how far the rot went have discovered that successive directors of the NIS had been delivering bags of cash to Ms Park on a regular basis. Two have been arrested, pending trial; a third has been questioned.

All deny wrongdoing. Although they admit to handing over the money, they say they thought it was for some legitimate, if unknown, purpose. The payouts came from the NIS's "special activity funds". This money is set aside for classified operations, and is disbursed at the discretion of the director. Prosecutors say that between 2013 and 2016, 4bn won (\$3.7m) left the coffers of the NIS, some of it going into Ms Park's pocket via two close aides, and some to allies (including Choi Kyung-hwan, a former finance minister, whose office was raided this week). The allegations add to the roster of corruption charges against Ms Park, whose impeachment centred on her collusion with a friend to extract payouts from big companies.

Nam Jae-joon, the spy chief who started the payments (pictured with Ms Park on the next page), claimed in court that he was told to send the money when he first took the job (although he forgets by whom). Lee Byung-ho, who was his successor, says he received a "personal" order from Ms Park.

Prosecutors will struggle to find evidence that the money was given in exchange for a favour, as the law on bribery ►

► demands. They faced a similar problem when trying to establish that the 43bn won that Lee Jae-yong, the vice-chairman of Samsung, gave to associates of Ms Park was a bribe. Although he was eventually convicted of paying a smaller inducement, of 8.9bn won, Mr Lee still insists that Ms Park extorted the money from him. He is appealing the verdict.

This is not the first time the intelligence agency has been accused of grotesque abuses. In its first incarnation, under Park Chung-hee, a military dictator and the father of Ms Park, it tortured pro-democracy activists. Since then it has changed names twice and tried to reform its image. But its reputation took a more recent hit when it was found to have hired as many as 30 teams to conduct an online smear campaign against left-leaning politicians during the presidential election in 2012, including the liberal candidate, Moon Jae-in.

Mr Moon went on to win this year's snap election after Ms Park was removed from office, and has pledged to "clean up" official abuses. Won Sei-hoon, the director of the NIS from 2009-13, was jailed earlier this year for orchestrating the online campaign. Mr Moon's party, Minjoo, has introduced a bill to reform the NIS. It would change the agency's name yet again and take away its authority to investigate breaches of national security, limiting it strictly to gathering intelligence. But Mr Moon's attempt to make the NIS into a "Korean-style CIA" is unpopular with conservatives, who see the agency's investigative abilities as a powerful tool against North Korean infiltration.

Prosecutors will soon visit Ms Park in her cell to quiz her about the payments from the NIS. As the investigation drags on and politicians squabble over reforms, cynicism is setting in. A local television channel recently aired a report on the NIS's history of makeovers. The tagline read: "Storefront changed, role identical". ■



President and cashier

## Corruption in Indonesia

# Getting Setya

JAKARTA

### A kickback scandal ensnares the speaker of parliament

**I**T WAS a sight many Indonesians thought they would never see. On November 19th the speaker of parliament, Setya Novanto, was taken into custody after being wheeled out of a Jakarta hospital wearing the bright orange vest of a suspected criminal. He is accused by the anti-corruption commission, the KPK, of playing a pivotal part in a huge kickback scheme—the biggest scandal it has ever investigated.

Mr Setya, who is also the leader of Golkar, the second-biggest party in parliament, denies wrongdoing. But he has been dodging the KPK's investigators for months. Most recently, while supposedly on the way to present himself for questioning, he suddenly changed course and rushed to hospital instead, after a minor traffic accident. Police ruled that the accident was genuine, but the sturdy four-wheel-drive vehicle in which Mr Setya was travelling was barely dented. It was the second time he had been admitted to hospital—where the KPK is not allowed to question him—since he was originally declared a suspect in July. This time, as before, his malingering was mocked mercilessly on social media: a doctored picture of him clutching the Indonesian equivalent of an Oscar in his hospital bed was widespread. Doctors discharged him after three days, when the KPK pounced.

This is not Mr Setya's first brush with scandal. He was forced to step down as speaker in 2015, after the energy minister, Sudirman Said, leaked a recording of him apparently attempting to extort \$1.8bn in shares from the local head of Freeport McMoRan, an American firm that operates a copper and gold mine in the Indonesian part of New Guinea. But a year later he regained the speakership after prosecutors dropped the case against him.

The KPK says Mr Setya played a pivotal part in the current scandal. It accuses dozens of lawmakers, officials and businessmen of inflating the cost of an identity-card scheme from \$215m to \$385m, and pocketing the proceeds. All nine parties in parliament at the time (2009) are thought to have been involved.

Instead of seeking to clear his name, Mr Setya is backing the latest in a long line of moves by parliament to restrict the authority of the KPK, which is responsible for imprisoning dozens of crooked politicians, officials and judges. He has repeatedly refused to answer its questions.

Mr Setya's antics reflect the broader fail-



Incapacitated by a fender-bender

ings of parliament. It is not the rubber-stamp institution it was under Suharto, the strongman deposed in 1998, but nor is it an effective check on executive power. Political parties represent distinct groups within society, but after elections most of them siddle up to the president, seeking patronage to repay the debts they rack up campaigning. (Parties are estimated to have spent nearly \$80m on the most recent elections, in 2014.) Parliament rarely votes, but instead passes laws by consensus after settling disagreements in smoke-filled committee rooms. A survey earlier this year by Transparency International, a pressure group, found that it is seen as Indonesia's most corrupt institution.

This week Joko Widodo, or Jokowi, as the president is known, called on Mr Setya to respect the law. The scandal could pose problems for him, too. Mr Setya has helped boost Jokowi's support in parliament by leading Golkar out of opposition and into the ruling coalition last year. Even so, the risks to Jokowi from the scandal are only slight, says Kevin O'Rourke, a political analyst. Golkar members, worried about their prospects in elections next year, may seek to replace their disgraced chairman. But there is no hint that an alternative leader would return Golkar to opposition (it has not been out of power for more than a few months since it officially became a political party in the 1970s).

The more serious danger is the damage to Indonesia's democracy if Mr Setya escapes trial again. His lawyers have already succeeded in derailing the case once, at a pre-trial hearing. The KPK has until November 30th to charge Mr Setya or his lawyers have another chance to get him off. Mr O'Rourke says, "His evasion of charges in this case would be devastating." ■

# FULLY EQUIPPED

## HOW MALAYSIA IS LEADING ASIA IN MACHINERY AND EQUIPMENT MANUFACTURING

In an age governed by technology and automation, machines are king. But who makes the machines? The production of equipment, components and parts for industry is a crucial pillar of commerce and economic growth, and the industry is becoming ever more specialised.

As developing countries in Asia strengthen their position in the manufacturing supply chain and increase competition at the low-cost end of the market, leading companies—and economies—must move up to focus on producing equipment for high technology and high-value-added activities.

Manufacturers worldwide demand precision, reliability and cost competitiveness from their equipment. Responding to global trends, Malaysia has developed a competitive edge through its skilled and knowledgeable workforce, and its investment

**"We have continuously enjoyed pro-business government policies with attractive investment incentives, well-developed infrastructure and a dynamic, vibrant business environment," says Christian Wachtmeister, head of corporate development at the Mühlbauer Group.**

in high technology. Machinery and equipment (M&E) firms operating in the country can develop robust engineering design and R&D functions, and efficiently produce high-value, customised products.

One global company taking advantage of Malaysia's appealing climate for the M&E sector is the Mühlbauer Group, a technology firm that produces machines for the smart-card, e-passport and carrier-tape industries, and specialises in innovations

**"We know that these achievements are only made possible by our employees, vendors and customers, as well as facilities provided by the government," says C.B. Chuah, Pentamaster's executive chairman.**

in microchip sorting, printed electronics and RFID. "With ten years' operation in Malaysia, we have continuously enjoyed pro-business government policies with attractive investment incentives, well-developed infrastructure and a dynamic, vibrant business environment," says Christian Wachtmeister, the company's head of corporate development.

Malaysia is also giving rise to highly successful, home-grown M&E-makers. Founded in 1995 in Penang, Pentamaster provides automation solutions for manufacturers in a wide range of industries, including computing, automotive, pharmaceuticals and consumer goods. The company now operates worldwide, and attributes much of its success to the supportive conditions in Malaysia. "Starting from our home in Penang, we have expanded our wings to the Asia-Pacific, Europe and America," says C.B. Chuah, Pentamaster's executive chairman. "We know that these achievements are only made possible by our employees, vendors and customers, as well as facilities provided by the government."

**The world's leading makers of machinery and equipment are making Malaysia their hub from which to embrace the myriad business opportunities in Asia today. To find out more about how you can join them, contact MIDA, the Malaysian Investment Development Authority. [www.mida.gov.my](http://www.mida.gov.my)**

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## Coal in Australia

# Pier pressure

MACKAY

**A big export scheme becomes a flashpoint in a close election**

THE bars along Wood Street have gone quiet. Thirsty mine workers on six-figure salaries have become a rarity since a coal-exporting boom ended. Boom-bust cycles are hardly new for this northern coastal city in the state of Queensland. But Greg Williamson, the mayor, says: "The cliff we fell off this time was enormous." Many see salvation in a plan by Adani, a firm based in the Indian state of Gujarat, to build Australia's biggest thermal coalmine in the remote Galilee Basin, about 300km (190 miles) west of Mackay (see map). The proposal has ignited protests around Australia, and could even decide the outcome of a state election on November 25th.

Coal has long helped Australia prosper. It is its second-biggest export (after iron ore), and Queensland's biggest. The industry employs over 40,000 people. Adani wants to build a railway 388km across the outback from the Galilee Basin to a terminal it owns at Abbot Point, north of Mackay. From there, the coal will be shipped through the Great Barrier Reef, just offshore, to power stations in India.

But Adani has yet to secure financing for the A\$16.5bn (\$12.5bn) project. Australia's four biggest banks have demurred. One of them, Westpac, announced a climate policy in April to limit lending for new thermal-coal projects to "existing coal-producing basins only", in effect ruling out the as yet untapped Galilee Basin.

The banks' reluctance reflects wider misgivings. Many Australians are queasy about the primacy of globe-warming coal in their power supply (it provides almost two-thirds of the country's electricity). They consider it hypocritical to be boosting exports of coal even as Australia seeks to cut its own emissions of greenhouse gases. And they fear harm to the Great Barrier Reef, from the increased maritime traffic and the warming effect of the coal once it is burnt.

Last month thousands of people spelled out the words "Stop Adani" in co-ordinated rallies around the country, including one on Bondi Beach in Sydney, 2,000km south of the proposed mine. Geoffrey Cousins, a businessman and head of the Australian Conservation Foundation, a pressure group, says such protests have turned into the biggest environmental campaign "ever run in Australia".

Others worry more about the economy. Queensland's Bowen Basin, south-west of Mackay, fed the most recent boom, thanks



largely to China's demand for coking coal to make steel. About three years ago, after falling coal prices prompted mining firms to slash jobs, Mackay and other cities began to suffer. Townsville, where Adani has opened an office, has 9% unemployment, two-thirds higher than the national rate.

Peter McCallum lost his job as a courier, and now runs the Mackay Conservation Group, an environmental outfit. Adani claims that opening up the Galilee Basin will provide 10,000 direct and indirect jobs. Mr McCallum doubts it.

Anastacia Palaszczuk, Queensland's premier, visited Mackay and Townsville during the campaign's final week. Her minority Labor government is chasing a second term against the conservative alliance of Liberals and Nationals led by Tim Nicholls, a former state treasurer. The Adani project loomed large in the campaign. The

company has applied for a loan from the Northern Australia Infrastructure Facility, a federal body, to meet almost half the A\$2.5bn cost of building the railway, which is crucial to the whole venture.

At first Ms Palaszczuk supported such a loan in order to create jobs. But just days into her campaign, she declared that she would block any disbursement if re-elected. She says she wants to avoid accusations of bias: her partner worked for the firm that handled Adani's loan application. Others detected a more political calculation: to save votes in cities such as Brisbane where the project is unpopular. A recent opinion poll showed 68% of Australians opposed a taxpayer-funded loan to Adani, and Labor was leading narrowly in pre-election polls in Queensland.

Malcolm Turnbull, the prime minister, accused Ms Palaszczuk of being beholden to an "inner-city, Green-left agenda" with a "total rejection of coal in all its forms". But not everyone in the coal industry supports the loan: the Infrastructure Fund, co-owner of Australia's biggest coal port at Newcastle in New South Wales, commissioned research on the impact of starting to export from the Galilee Basin. It found output and jobs from existing coal mines in New South Wales and southern Queensland would suffer. Jonathan van Rooyen of the company says the federal government's "billion-dollar support for the Galilee coal basin is not just playing state against state, it's mate against mate."

Others question the scheme's economic viability. After crunching costs against projected returns, John Quiggin, an economist at the University of Queensland, argues that "any public funds advanced to the project will be at high risk of loss." Adani is reportedly negotiating funding in China; the company says it is "very well advanced getting our finances internationally". Queensland's voters, in other words, are not the only people being asked to take a punt on the project. ■



The voting booth's the place to do it



## The Communist Party

# It's not for everyone

BEIJING

### The world's second-biggest political party is becoming choosier

TONI LI was still in high school when she first asked to join the Communist Party. Recruiters at the time declined her three-page handwritten application. But when she tried again at university, she had more luck. After a two-year application period, during which time she attended party-run classes on politics and history, and scribbled a dozen philosophical essays, she was granted entry just before graduating. Despite the time-consuming process, she thinks almost all her classmates also applied.

At the end of 2016 China's Communist Party boasted nearly 90m members, or around one in 12 adult Chinese. (Only the ruling Bharatiya Janata Party of India, an outfit with much less stringent entry criteria, can claim deeper ranks.) The party has doubled in size since 1985, according to a recent analysis by Lea Shih of the Mercator Institute in Germany; in the past decade alone its ranks have swelled by nearly a quarter. Yet under Xi Jinping, who became the general secretary (leader) of the party in 2012, officials are closing the floodgates (see chart). Last year's growth of 0.8% was the lowest in decades.

The party has good reasons to nurture a multimillion-strong membership. Sheer numbers lend it a helpful lustre of legitimacy. Party cells provide eyes and ears in all corners of the country, and inside myriad

firms. Under Jiang Zemin, a former general secretary, the party sought to appear more modern and inclusive, not least by encouraging businesspeople to join.

Mr Xi, by comparison, has spent a large part of his first five years rooting out corruption at the top of the party and renewing ideological fervour at its base. His government worries that a surfeit of half-hearted party members is a strain on resources, a risk to its reputation and an invitation to graft.

The decision to slow the growth in membership is popular among existing members, who are made less special by an influx of novices. Jude Blanchette of the

**Also in this section**

**30 Tying Hong Kong to the mainland**

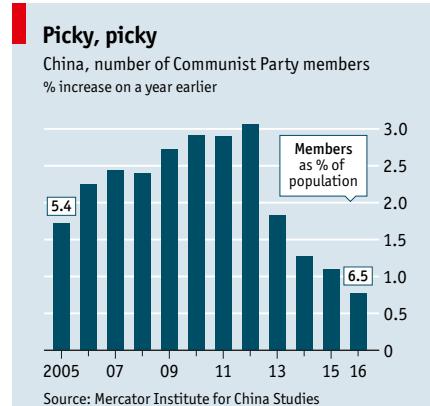
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Conference Board, a research group, says cadres view the flabbiness of some parties in the former Soviet empire as one reason for their collapse. A supportive recruiter in Beijing says that a government filled with "parasites" is "inevitably doomed".

The party's new quotas appear to squeeze all categories of applicants but are particularly affecting students, who had been the main beneficiaries of the more open entry policies pursued by Mr Xi's predecessors. Students were only 2% of recruits in 1990, the year after the repression of student protests in Tiananmen Square, but by 2012 they were 40% of the party's annual intake.

Research suggests that many of these youngsters see membership not as a vocation but as a shortcut to stable employment (many jobs in public service and government-linked companies are reserved for party members), or simply as one more way of proving their superiority over classmates. In 2015 a survey at one middling university found that only one-sixth of those applying to the party were doing so to "serve the people", and that only a quarter could say that they had a "very strong" desire to be accepted.

These applicants have tended to calculate—mostly correctly—that the demands of party membership are somewhat lower than publicly advertised. High achievers know that they can treat the application process as a formality because recruiters have been ordered to snap up the brightest sparks. Members are supposed to pay up to 2% of their salary in fees and attend regular study sessions, but in practice the obligations vary widely, depending on the enthusiasm and resources of their local branch. Though foreign employers and some private firms worry that hiring party members ➤



► will cause them headaches, it is a small matter to omit the credential from one's curriculum vitae. One young professional says that party membership has "no costs, only benefits".

Such notions may gradually be fading. Last year the total volume of applications to join the party fell by about 10%—the first big drop in years—perhaps because stricter enforcement of party regulations and renewed efforts to collect membership dues is making party life look less appealing. (The party's statistics suggest that it nonetheless received 11 applications for every one it approved.) Some cells have stopped allowing student applicants to retake party entrance exams, designed to test their knowledge of its history and constitution, and have begun requiring them to supplement their mandatory study sessions with character-building morning runs.

A more disciplined membership would doubtless improve the party's image among ordinary Chinese. Yet it may not do much to quash corruption, which results

less from ideological impurity than from the party's unchecked grip on power. Moreover, throttling entry also risks impeding efforts to make the party more youthful and diverse. Although about 40% of new recruits are female, women are still only about a quarter of all members and hold only a fraction of senior jobs. A shake-up of the party's Central Committee in October, which saw two-thirds of its members replaced, actually raised their average age (to 57, the oldest in decades).

A tougher task than sifting newcomers is to kick out dodgy or useless old-timers. At present the old rarely choose to leave the party, even in retirement, for fear that doing so will stigmatise them or their children. Party cells that report inactive or disillusioned members fear censure for failing to keep them engaged. In 2013 a political scientist recommended getting rid of about 30m members, in part by sweeping old hands into new "emeritus" clubs. But for now the party seems to think that slower expansion is safer than a cull. ■



land. Non-citizens must show passports and visas to cross it; locals must produce passes. Some people in Hong Kong complain that the proposed arrangement at the station permits security agents of a one-party dictatorship to work openly in a place that, for all China's efforts to restrict its democracy, remains remarkably liberal.

The immigration proposal requires Hong Kong's government to lease part of the station and the train tracks themselves to the mainland authorities, whose security personnel will have full criminal and civil jurisdiction over them. On November 18th Hong Kong's chief executive, Carrie Lam, and the governor of Guangdong province, Ma Xingrui, signed an agreement to kick off the project—a moment which was delayed for three weeks after opposition politicians filibustered a non-binding vote to approve the step by members of Hong Kong's Legislative Council. Next month China's rubber-stamp parliament is expected to ratify the arrangement. After that, a law will need to be passed in Hong Kong allowing the mainland officials to work there. The government hopes that will happen in time for the line to open around a year from now.

The railroading of these measures will not quell dissenters. Distrust of the central government is intense among pro-democracy legislators in Hong Kong. They fear that people might be arrested by mainland officers at the station in Hong Kong if they break any of the mainland's often ill-defined laws, not just ones relating to immigration. A poll in August found that 55% of Hong Kongers supported the scheme but 48% were worried that it would lead to more bits of the territory being surrendered to the mainland's control.

It is likely that the issue will be hotly debated in March during campaigning for four Legco seats left vacant by the recent expulsion of pro-democracy legislators for deliberately mangling their oaths. Candidates demanding more autonomy for Hong Kong will play to the public's fears. New connections may ease travel around the Greater Bay Area, but they will not erase its political divisions. ■

### Tying Hong Kong to the mainland

## Signal failure

HONG KONG

**A plan to deploy mainland police in Hong Kong's new railway terminus is arousing fierce debate**

**G**RANDIOSE development projects are so numerous in China that superlatives have been exhausted. But the "Greater Bay Area" scheme, embracing a large chunk of Guangdong province as well as the neighbouring enclaves of Hong Kong and Macau, deserves a special mention. Chinese officials tout it as a "megacity cluster" in the making, which will surpass the bays of San Francisco and Tokyo in economic might. In his speech at the congress of China's ruling Communist Party in October, President Xi Jinping said the project, involving big spending on transport links, would be a national "priority". But there is grumbling in Hong Kong.

The former British colony is already well connected with the Chinese mainland by road, rail, sea and air. Next year it will have two new links that will make travel even easier: a 40km-long bridge joining Hong Kong, the mainland and Macau; and a high-speed rail service between Hong Kong and Guangzhou, the capital of Guangdong (see map). The new railway will reduce the journey between Hong Kong and Guangzhou to 50 minutes, from two hours at present. Hong Kong's share of the project, including a massive new terminus (pictured) under construction in Kowloon, a central neighbourhood, will cost more than HK\$84.4bn (\$10.8bn).

Officials would like to make the rail journey even smoother by stationing border police, customs officers and quarantine inspectors from mainland China in the new building. That may sound fair enough—Hong Kong is, after all, a part of China. But under the policy of "one country, two systems", it has what amounts to an international border with the main-



The thin end of the wedge



## Redistribution

# For richer, for poorer

WASHINGTON, DC

### How America does, and does not, redistribute income

**A**MERICANS are not known for their love of income redistribution. Asked to rank, on a scale of one to ten, how important it is for democracies to reduce inequality, they say only six; Europeans say eight. Yet the country is hardly indifferent to who gets which slice of the economic pie. Three in five Americans say that income and wealth should be spread around more. The most potent charge laid against the unpopular Republican tax plan making its way through Congress is that it is a giveaway to the rich and to corporations—groups that voters, by large margins, think should pay more tax, not less.

This strange amalgam of views manifests itself in fiscal policy. The federal government has no qualms about making the rich pay the country's bills; it has perhaps the most progressive tax system in the rich world, according to one study from 2009. But it pulls off only half of Robin Hood's trick, because it funnels very little of the money it raises towards the poor. In combination, its reluctance to redistribute is the stronger force. America's government reduces inequality by much less than those of other rich countries (see chart).

America's levies rise with income, but not to particularly great heights. In 2016 the top rate of income tax averaged about 46% once state taxes were included, less than France's 55% or Sweden's 57%. So what makes its taxes so progressive? The answer is twofold.

First, America has no value-added tax, a

levy on consumption. Because VATs are flat taxes, they are regressive. In any given year VATs cost the poor a higher fraction of their income than the rich, because high earners tend to save more. The average rate of VAT in the OECD, a club of mostly rich countries, is about 19%. Many American states levy sales taxes, which are similar to VATs, but are on average less than 10%.

Second, America's generous deductions and credits, or "tax expenditures" in the jargon, are good for the working poor. Chief among them is the earned-income tax credit (EITC), a wage top-up for low earners. The child tax credit, a refund for parents, is another. In dollar terms the rich do best from tax expenditures, because of breaks for mortgage interest and employer

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provided health insurance. Yet as a percentage of income, the poor benefit most. In 2013 tax expenditures boosted the incomes of the poorest fifth of households by almost 12%, according to the Congressional Budget Office. A single mother with two children earning two-thirds of the average income pays overall taxes of just 13% in America according to the OECD. In egalitarian Sweden the charge is almost 34%.

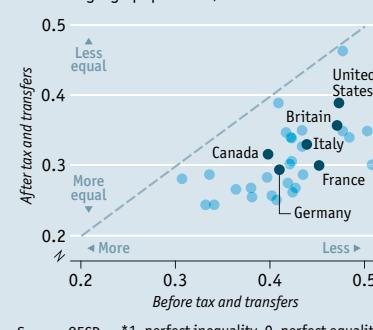
The Republicans' tax reform would not do much to alter these fundamentals. The bill that passed the House of Representatives on November 16th expands the child tax credit, leaves the EITC unchanged and limits several deductions that benefit the rich. It preserves the top rate of federal income tax (though it raises the threshold at which it applies). Yet Democrats are still up in arms for two other reasons. First, changes to inflation indexing and the sunsetting of some clauses would hit the poor in the long term. Second, and most important, the bill would cut the corporate and estate (inheritance) taxes.

This would continue a long-running trend. Both taxes have been falling—and incurring more avoidance—for decades. In 1967 they raised a combined 4.4% of GDP; by 2016 this had fallen to 1.7%. Who benefits from lower corporate taxes is a controversial question. The answer is some combination of investors, through higher profits, and workers, through higher wages. The best guess is that about 75% of the benefit goes to rich investors. There is less ambiguity about who pays the estate tax, which kicks in above about \$5.5m.

In any country the left would surely oppose such tax cuts. But it is not clear whether, over the long term, America's left should focus on keeping taxes progressive or on boosting spending. The international comparison suggests expenditure is more important. For all America's tax progressivity, its poor, especially those without

### Inequality of inequality

OECD countries, Gini coefficients\* of working-age population, 2014



Source: OECD \*1=perfect inequality, 0=perfect equality

► children, languish. In a dozen other countries, those in the tenth percentile of household income are better off, according to an analysis by Demos, a think-tank, from 2015. What is more, seven in ten Americans want to boost spending on the poor. A more regressive—but more lucrative—tax system, including a VAT, might enable such spending. Republicans, who normally like flat taxes, tend to oppose VATs precisely because they fear these make it too easy to expand the government.

But if spending on the poor is branded as “welfare”, conjuring up images of layabouts, support for it plummets. Seizing on this, conservatives like to argue that many beneficiaries of programmes like Medicaid, health insurance for the poor, are undeserving. The receptiveness of Americans to their argument explains why raising taxes on the rich is easier than raising spending on the poor.

Still, it may be that the most consequential impact on inequality of Republicans’ tax reform comes not from its direct effect on incomes, but rather from its knock-on effects on government spending. America would eventually have to pay for the tax cuts, which would add around \$1.5tn to total borrowing over the next decade. That would make a bad fiscal outlook worse. Growing spending on health care and pensions for the retired is already expected to push up the deficit from 3.2% of GDP in 2016 to 5.2% of GDP in 2027.

Even bigger deficits will make it easier for Republicans to justify cuts to entitlement spending, which they frequently say is unaffordable. The Republican plan to repeal and replace Obamacare, which flopped earlier in 2017, would have reduced Medicaid spending by 35% by 2036 (Medicaid spending is the biggest slice of the federal budget that is dedicated to the poor). The tax bill may eventually allow them to achieve a similar result and more.

In reality, America could afford a bigger state; the question is whether it wants to. This coming fight, over the size and responsibilities of the federal government, will matter more than an argument over precisely who pays for what. ■



## Harassment and politics

# The reckoning

WASHINGTON, DC

### Sexual-harassment scandals imperil Democrats more than Republicans

WHEN asked how he went broke, Mike Campbell, a drunken lout in Ernest Hemingway’s “The Sun Also Rises”, replies, “Two ways...Gradually and then suddenly.” That is how the ongoing spate of sexual-misconduct scandals feels: the sudden breaking of a dam held too long in place. It went six weeks ago, after the *New York Times* and *New Yorker* reported multiple, decades-long allegations of sexual assault, harassment and rape against Harvey Weinstein, a film producer. The waters remain roiled. In the past week more women have accused Al Franken, a Democratic senator from Minnesota, of groping and John Conyers, a Democrat who has represented Detroit in Congress since 1965, of sexual harassment (he denies doing anything wrong). Glenn Thrush, a reporter, and Charlie Rose, a television host, were suspended and fired respectively after sexual-harassment allegations. More cases are doubtless coming.

In the past, sexual misconduct in politics tended to be ignored, disbelieved or excused. Bob Packwood, a Republican senator from Oregon, was accused of assault for years before at last resigning in 1995—but only after the Senate Ethics Committee had voted as one to expel him. Anita Hill faced humiliating interrogation before a panel of white male senators; Clarence Thomas, whom she accused of sexual harassment, still sits on the Supreme Court.

Democrats and feminists defended Bill Clinton against allegations of sexual assault, which one aide memorably derided as “bimbo eruptions”. Mr Clinton, the thinking went then, was a rogue, not a predator. Such attitudes have not entirely vanished. Mr Rose, for instance, reportedly walked semi-clothed around his young female employees, and regaled one with his fantasies of watching her swim nude; his executive producer, says one former employee, dismissed such behaviour as “Charlie being Charlie”.

But, at least in the leftish enclaves of media and entertainment, that sort of thinking is on its way out. Mr Thrush is in professional limbo because of what the headline of the article detailing accusations against him describes as a “history of bad judgment around young women journalists”. The wave of scandals is too big, broad and unpredictable to write off with scepticism, or as the isolated peccadilloes of a few bad actors. Feminists have long held up culture change as a goal, and it now ap-

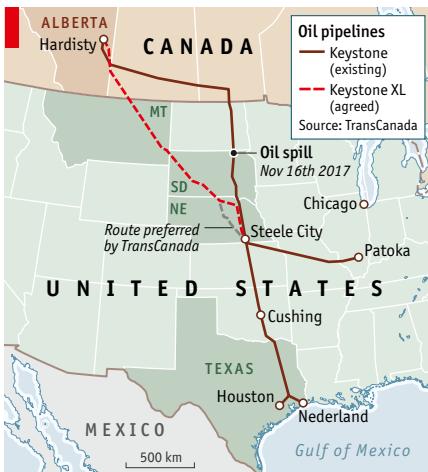
pears within reach. Social media have amplified the whisper network into a tribune of institution-shaking power.

Congress is getting its house in order. Sexual-harassment training is mandatory, as of this month. Not a moment too soon: Jackie Speier, a Democratic congresswoman from California, says she knows of two sitting members of Congress who have “engaged in sexual harassment”; Barbara Comstock, a Republican congresswoman from Virginia, says a member of Congress exposed himself to a young woman who worked for him. According to a survey by CQ Roll Call, our sister company, in 2016, one in six women working in Congress has been harassed. Four in ten said sexual harassment is a problem. Ms Speier has introduced a bill to overhaul a tangled and onerous reporting procedure. Mr Franken has called for an ethics investigation into his own actions. Attending to the beam in their own eye before turning to moles elsewhere, plenty of Democrats have ruefully urged him to resign.

Republicans have not been so quick to punish offenders. True, Bill O’Reilly, a caustic talk-show host, stepped down, but only after advertiser boycotts, millions of dollars in settlements, a federal investigation and the ousting of his boss, Roger Ailes. But in Alabama Roy Moore may win a Senate seat next month, despite allegations that he dated and assaulted teenage girls while he was in his 30s. And of course more than a dozen women have accused President Donald Trump of sexual misconduct; he has suffered no consequences.

Democrats hope they can change that, or at least maintain pressure on Mr Trump, by acting swiftly on allegations of sexual misconduct. That strategy may pay long-term dividends, changing the culture in a way that feminists have long wanted, and keeping faith with liberal voters. But in the short term it means that accused Republican lawmakers can copy Messrs Moore and Trump—deny, obfuscate and blame “fake news”—while Democratic ones fall on their base’s sword.

Since Mr Trump’s election, Republican attitudes towards sexual misbehaviour have grown more instrumental than they were during the Clinton years. Many evangelical voters enthusiastically supported the thrice-married libertine president, who probably reads the Bible about as often as he tithes, because he promised to appoint conservative judges. Asked whether Mr Trump supports Mr Moore despite allegations of child-molesting, a presidential spokeswoman replied, “We want the votes in the Senate to get this tax bill through.” This attitude may incur long-term costs, turning women away from the party. But if Republicans start responding seriously to accusations of sexual misconduct, they will then have to explain why the president gets a pass. ■



### Pipeline politics

## Ex-XL?

CHICAGO

**There is still no guarantee that the Keystone XL pipeline will be built**

IN THE nine years since Keystone XL was first proposed it has become the most political of pipelines, pitting environmentalists, ranchers and Native Americans against oil companies, state officials and unionists. Barack Obama's administration delayed its construction in 2011, then rejected it in November 2015. Shipping oil from Canada's tar sands, which is one of the dirtiest sources of crude, threatened to undercut the leadership role the government wanted to play on climate change. "So sad that Obama rejected Keystone Pipeline. Thousands of jobs, good for the environment, no downside!" tweeted Donald Trump, then a presidential candidate.

As soon as Mr Trump was in office he revived the proposal for a large tube running from Alberta, Canada, to the Gulf of Mexico. Russell Girling, boss of TransCanada, the Canadian operator of Keystone, said he was "very relieved" to see the \$8bn project finally approved. On November 20th Nebraska's regulators had more good news for Mr Girling. The Public Service Commission, an elected panel of four Democrats and one Republican, approved Keystone XL crossing Nebraska, clearing the last big hurdle for the construction of the expanded pipeline.

Yet the green light came with an amber one—the commissioners did not approve the route preferred by TransCanada, but one farther east. This could add more expense and complexity to a project that was costly and complicated before it even started (it involves dozens of landowners who have not yet been consulted). It could also prompt yet another review of Keystone XL in neighbouring South Dakota, which has

already said it will look at the pipeline again if changes made by other states affect the route through its plains.

TransCanada's reaction to the regulators' decision was muted, at best. Mr Girling is now "assessing how the decision would impact the cost and schedule of the project", he said in a statement. In July TransCanada launched an "open season" to solicit binding commitments from shippers for Keystone XL. It has not made the results public.

"The reviews of the regulatory decision were mixed," says Jim Smith, a Republican senator in Nebraska's unicameral state legislature. Mr Smith is a longtime supporter of the pipeline. As the owner of a business selling Omaha's finest garage doors, he says, he knows about the importance of cheap and plentiful energy. Mr Smith thinks renewable energy is too costly and unreliable to replace fossil fuels. He points out that pipelines are a safer way to transport oil than rail or lorries. And when they leak, operators can at least clean up fairly quickly. On November 16th Keystone spilled 5,000 barrels of oil in South Dakota, which shut down the pipeline until at least November 23rd.

Once all the reviews are completed, it may be economics rather than politics that halts the pipeline. "The financial viability of the project is highly speculative," says Tom Sanzillo of the Institute of Energy Economics and Financial Analysis, a research group, who thinks there is only a 20-30% chance the pipeline will be built. For Keystone XL to work financially, the price of oil needs to be \$80-90 a barrel, with an upward trajectory, says Mr Sanzillo. The price of oil is at \$60 a barrel, compared with \$140 in 2008 when TransCanada first applied for a permit to pipe oil across the American-Canadian border. Lorne Stockman of Oil Change International, an advocacy group, also thinks the pipeline is unlikely to be built. To get going TransCanada needs to sign up enough clients with long-term contracts for 90% of the capacity of Keystone XL, which will be able to transport 830,000 barrels of oil a day (compared with 600,000 barrels from the current pipeline). "Shippers will not have signed the dotted line before the Nebraska decision," says Mr Stockman. And they are likely to be more hesitant to sign up now given that the route has been altered from the one preferred by TransCanada.

Zachary Rogers of Wood Mackenzie, an energy consultancy, is less pessimistic about the finances of the project. Thanks to cuts by the OPEC oil cartel, declining Mexican production and the political instability in Venezuela, the market for heavy crude has been tight recently, says Mr Rogers. However dirty and difficult to refine, Canada's thick tar-sands oil could fill that gap. (Using tar-sands oil emits up to 50% more carbon dioxide than using conven-

tional oil.)

TransCanada's bosses will decide in December whether to build the pipeline. The prospect of interminable litigation is likely to weigh on their minds. Jane Kleeb of Bold Alliance, a foe of Keystone XL, says her group believes TransCanada will have to seek another federal review, as 63 miles of the newly approved route have not been examined by the federal government. Other opponents are expected to take the case to a state district court, from where it is likely to go all the way up to the state Supreme Court. Mr Trump handed the pipeline a reprieve. But its ultimate fate will be decided by shareholders, rather than by activists, courts or governments. ■

### Mental health

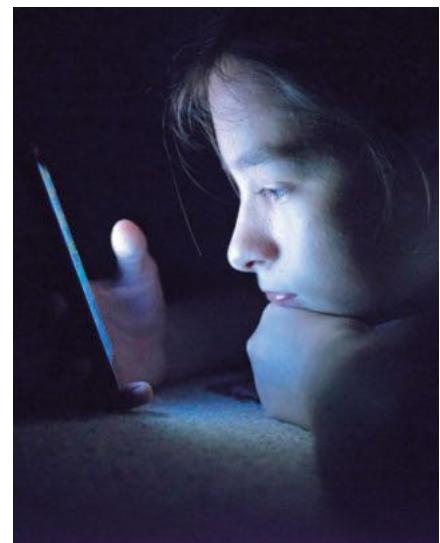
## Me, myself and iPhone

LOS ANGELES

**Teenagers are anxious and depressed. Could the culprit be in their pockets?**

THE final bell rings at a high school in downtown Los Angeles, and nearly every pupil spilling onto the pavement either clutches a smartphone or studies a screen, head bowed. A group of boys strolls down the street laughing at a YouTube video, while a girl waiting for her lift home catches up with the Kardashian sisters on Instagram. Since 2007, when Apple released the first iPhone, such scenes have become the norm in America. The Pew Research Centre found that three-quarters of teens have access to a smartphone. According to one Facebook executive, millennials look at their phones on average more than 150 times a day.

Over the past decade, the number of ➤



BlackDog.gif

American children and teenagers admitted to children's hospitals for reporting suicidal thoughts has more than doubled. Some have not received help in time; after declining for years, the suicide rate for 15-to-19-year-olds shot up between 2007 and 2015, increasing by 31% for boys and more than doubling for girls. Psychologists are striving to understand whether this increase merely coincides with the rise of social media, or whether something causative is happening.

There may be plenty of analogue reasons for it. "A number of things are pretty unique to young people today. They were born around when the Columbine shooting happened, they were kids for 9/11, they were kids during one of the worst recessions in modern history," says Nicole Green, the executive director of Counselling and Psychological Services at the University of California, Los Angeles, who has seen demand for her office's services from college undergraduates surge.

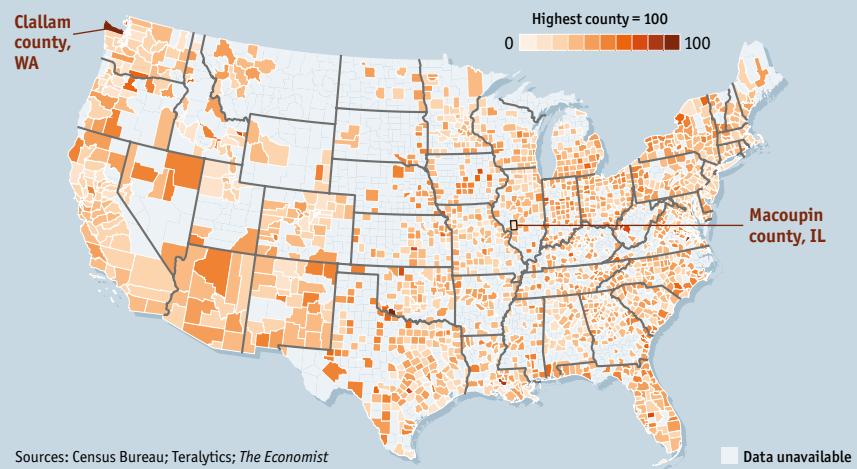
A big new study suggests a different explanation for teenage melancholy—the many hours young people spend staring at their phone screens. That might be having serious effects, especially on young girls, according to the study's author, Jean Twenge, a psychology professor at San Diego State University and author of "*iGen: Why Today's Super-Connected Kids Are Growing Up Less Rebellious, More Tolerant, Less Happy*".

By scrutinising national surveys, with data collected from over 500,000 American teenagers, Ms Twenge found that adolescents who spent more time on new media—using Snapchat, Facebook, or Instagram on a smartphone, for instance—were more likely to agree with remarks such as: "The future often seems hopeless," or "I feel that I can't do anything right." Those who used screens less, spending time playing sport, doing homework, or socialising with friends in person, were less likely to report mental troubles.

As Ms Twenge herself concedes, the study does not prove causality. It is possible that another force is behind the increased diagnosis of depression among adolescents, and that sad teenagers are more likely than their happy peers to seek refuge in their phones. But a growing body of scientific evidence supports the idea that social media can inspire malaise. One study published in 2016 asked a randomly selected group of adults to quit Facebook for a week; a control group continued browsing the site as usual. Those who gave up Facebook reported feeling less depressed at the end of the week than those who continued using it. Another experiment published in 2013 found that the more participants used Facebook, the gloomier they felt about their lives. Additionally, it showed that feeling blue did not lead people to increase their Facebook use.

## The pumpkin index

Equally weighted index of Thanksgiving travel destination in 2016  
By volume, journey time, distance and duration of stay



### Thanksgiving politics

## The pumpkin index

NEW YORK

### Measuring the effects of partisanship on pie-eating

**T**HANKSGIVING is supposed to be a time for families to gather together, forget their differences and feast on turkey and pumpkin pie. The Automobile Association expects 51m people to travel at least 50 miles to do so. With this in mind *The Economist* has created a pumpkin-pie pilgrimage index, a measure of how far people are prepared to go to celebrate Thanksgiving. Our index uses numbers provided by Teralytics, a Zurich-based startup that tracks people's movements anonymously, sifting through data collected by mobile-phone masts. Using county-level data for a seven-day period over Thanksgiving 2016, we calculated distance travelled, journey time and the duration of stay.

The average American who celebrated Thanksgiving outside their home county left home at 3:40pm on Wednesday, travelled for 300 miles, arrived six hours later at their destination and then stayed for nearly three days. Unsurprisingly, people from counties whose residents travel the farthest tend to stay longer. Nonetheless there is still vast variation between counties. We grouped

distance travelled, journey time and duration of stay together into an equally weighted index to rank the counties where people travel farthest and stay longest. Clallam county near Seattle comes top. Its residents travel 1,200 miles on average and stay for four days at their destination. At the other end of the scale is Macoupin county in Illinois, whose residents travel just 100 miles and stay for just 42 hours, on average.

What lies behind these vast differences? Every \$10,000 increase in a county's median income increases the distance that its residents travel for Thanksgiving, on average, by 35 miles. And the more educated a county's residents, the more likely they are to travel. What about politics? Could partisanship after last year's divisive presidential election have affected people's Thanksgiving plans in 2016? It seems so. Residents of Democratic counties who travelled to less Democratic places were more likely to shorten their stays. People from Republican counties who went to less Republican ones, by contrast, were more likely to stay for longer.

Not all studies are so damning. Past research suggests that social-networking sites can promote happiness if used to engage directly with other users, rather than just to covet glossy photos of someone else's exotic holiday or lavish wedding. This distinction is a reminder that social media is what users bring to it—their attitudes shape their experiences, both on and offline. "It's pretty easy to romanticise

someone's life based on their Snapchat or Instagram," reflects Sarah, a junior at high school in Los Angeles. "I try to remind myself that it's filtered. People only post what they want you to see, so it can seem like their life is better than yours." Nicole, another junior, agrees. But when asked if she has ever considered deleting her social-media accounts, she looks perplexed. "No. I would feel lost." ■

## Criminal-justice reform

# Outing bail

TRENTON, NEW JERSEY

**On any given day nearly half a million people are in jail awaiting trial. New Jersey hopes to change that**

**H**E WAS listed as a three, your honour." "He's a two on the raw score." "On danger to the community, he scores a five." The defendant, a lean, bearded man in an orange jumpsuit and shackles, sits next to his lawyer, listening intently to his rankings on a six-point scale. Welcome to the world of pre-trial hearings in New Jersey, which on January 1st became the first state to eliminate almost completely the use of bail. Instead of relying on hunches, or a fixed schedule matching bail amounts to crimes and lawyers' arguments to set bail, judges there now use a nine-factor algorithm to assess whether a defendant is dangerous or likely to flee. Those thought to be in either category can be detained; the rest are released, but monitored.

Defenders of New Jersey's experiment point to a dramatic decline in the state's jail population, driven by a reduction in the number of poor, non-dangerous offenders who are incarcerated while awaiting trial for no other reason than their inability to pay bail. In September 2017 New Jersey's jails held 36% fewer people than they did in September 2015. (Under American law, those in custody awaiting trial and those serving short sentences go to "jail"; the rest of the convicted serve time in "prison".) About 440,000 people are detained awaiting trial in America on any given day, or nearly a fifth of the total number put away.

Opponents of what New Jersey is up to worry that the law lets dangerous criminals back onto the streets. But reform is catching on across America. Some of the changes are legislative. The California Senate's Public Safety Committee has approved a bill much like the one that passed in New Jersey. The New Orleans City Council passed a measure banning cash bail for misdemeanours; Connecticut has also limited misdemeanour bail. Kamala Harris and Rand Paul, a Democratic senator from California and a Republican one from Kentucky respectively, introduced a bill encouraging states to move away from money bail, and to implement pre-trial risk-assessment programmes based on evidence. In 2016 and 2017 Illinois, Montana, New Mexico and Alaska all passed measures likely to reduce the use of cash bail, and ensure the pre-trial freedom of more poor defendants.

Sometimes courts have led the charge. Last April a federal judge in Harris county, Texas—home to America's third-largest jail—found its system of misdemeanour

bail unconstitutional because it detained people simply because of their inability to pay. (Harris county has appealed.) In Cook county, Illinois, a judicial order directing judges to limit bail to amounts defendants can afford went into effect in September; judges in Arizona, Maryland and elsewhere have issued similar decrees. Suits brought in various cities have contended that cash bail violates the 14th Amendment's equal-protection clause, sending people to jail purely because they cannot afford bail.

The American Civil Liberties Union (ACLU) sued Randolph county, Alabama, for instance, for jailing Kandace Edwards, an army veteran who was seven months pregnant, because she could not afford a \$7,500 bond after being arrested for forging a \$75 cheque. A study of the jail population in New Jersey before bail-reform legislation found that 12%—more than 1,500 people—were locked up solely because they could not afford a bond of up to \$2,500. Extrapolating that rate nationally means that around 76,000 people are sitting in jail for want of a few thousand dollars.

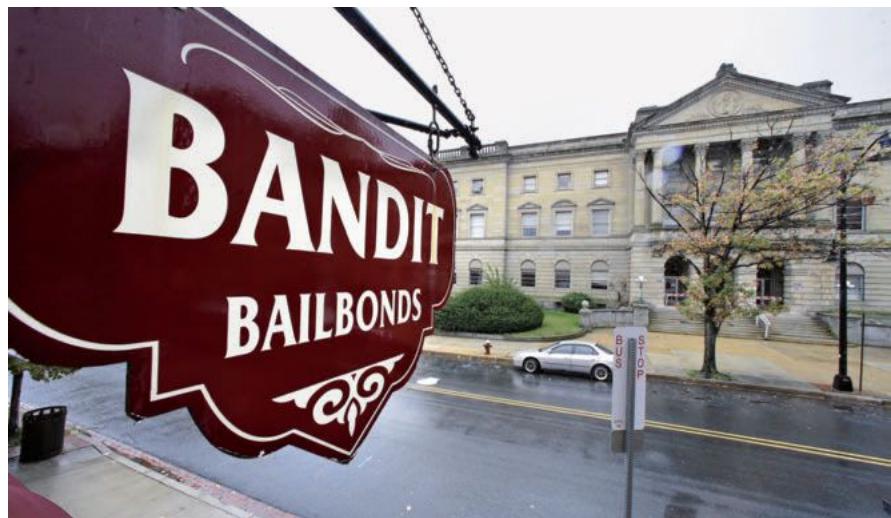
That has lasting costs. A study by the Arnold Foundation, which created the pre-trial assessment system used by New Jersey, found that even brief pre-trial detention for low- and moderate-risk defendants corresponds with higher reoffending rates for years. Alexander Shalom, a former public defender in Newark who now works for the ACLU in New Jersey, said he would routinely defend clients against

whom the prosecution had weak cases. But when offered the choice between taking their case to trial—and sitting in jail for a year or two before then—and pleading guilty to time served and just going home, many chose jail.

Bail also leads judges to game the system. State constitutions often require bail for people arrested on non-capital charges. But in the name of public safety judges use high bail to keep people locked up, without going through the rigorous process that the Supreme Court says is necessary to detain people without trial. This hurts poor defendants but allows rich, dangerous ones to buy their freedom. Bail reform in New Jersey changed this by introducing a right to remand anyone arrested who is deemed dangerous.

But David Feige, who with his wife, Robin Steinberg, founded the Bronx Freedom Fund, a charity that bails out people arrested for misdemeanours, calls this standard "a dangerously elastic concept [that] expands every time there's another headline." The point of bail, he argues, is to get people to return to court; and over a decade of bailing out thousands of defendants, less than 5% have skipped. Both he and officials in New Jersey have found that the surest way to get defendants to show up is to bombard them with messages reminding them of their court date.

Ras Baraka, Newark's mayor, believes that too few people are being detained. He says that those arrested and released in his city have gone on to commit more crimes. "People caught who've done seven, eight, nine burglaries, it doesn't make sense to let them out so they can do 11, 12, 13 more," says Mr Baraka. Yet he still supports reforms that make it easier for poor people accused of petty crimes to go home. Courts and legislatures around the country increasingly take the same view. New Jersey's experiment with bail reform may be the biggest and boldest; it will not be the last. ■



Freedom just across the Jersey line

# Lexington | Trumping the law

**Conservative lawyers are among the president's biggest enablers. They will come to regret it**



**A**DRESSING over 2,000 conservative lawyers and friends at a banquet in central Washington, DC, last week, Neil Gorsuch was in jocular form. "If you're going to have a meeting of a secret organisation, maybe don't have it in the middle of Union Station!" quipped the newest Supreme Court judge. This was disingenuous. The reason many worry about the Federalist Society, the legal organisation whose annual bunfight Justice Gorsuch was addressing, is not because it is shadowy, but because its influence is vast, brazen and part of a wider politicising of the last branch of American democracy to succumb to partisanship. His speech suggested those worries are if anything underplayed.

Two things about it were most striking. First, the triumphalist tone Mr Gorsuch, a supposedly impartial steward of the constitution, struck in celebrating the legal philosophy and activism of a group closely linked to the Republican Party. "Tonight, I can report, a person can be both a committed originalist and a textualist and be confirmed to the Supreme Court!" he said. "Thank you from the bottom of my heart for your support and prayers through that process." If that was perhaps inappropriate, it was deserved. Founded in the early 1980s, as a riposte to the legal profession's liberal mainstream, the Federalist Society has had a hand in the past three Republican Supreme Court appointments—starting with its frosty response to George W. Bush's nomination of Harriet Miers and promotion of Samuel Alito in her place. Yet its role in Mr Gorsuch's elevation is much greater.

As the youngest conservative justice, he is the first to have been a beneficiary of its now-ubiquitous legal networks throughout his career. Less ideological ways for conservative judges to advance—including senatorial favour or working for the Republican Party—have meanwhile fizzled. When Donald Trump, in need of conservative credentials last year, demanded a list of potential Supreme Court nominees, it was natural he would turn to the "Federalist people" for their suggestions, which included Mr Gorsuch. Having ridden that promise to victory, Mr Trump has since sidelined the American Bar Association, which traditionally vets judicial nominees, and outsourced the process to the society—or rather insourced it, the White House counsel, Donald McGahn, noted at its annual shindig, because he is also a member.

The second striking thing about Mr Gorsuch's speech was his

boldness in signalling a legal agenda—curtailing the federal bureaucracy's power to interpret statutes—he means to pursue. This implied two sorts of departure from Antonin Scalia, the originalist he succeeded. Scalia deferred to both the executive and a tradition whereby justices reveal their thinking more in legal opinions than after-dinner speeches. Mr Gorsuch's remarks—which even an approving legal scholar in the audience considered to be "tip-toeing the sideline" of propriety—augur a more activist approach.

The prospect of more ideological and active conservative judges is not intrinsically bad. The federal courts look stronger for including a range of legal philosophies. The problem is that conservatives are not striving for balance, but conquest. That is the logic of Mr Gorsuch's divisive rhetoric. It is also Mr McGahn's plan, encouraged by a president who cares not a whit for legal philosophy, but who has found his promise to appoint conservative judges to be uniquely effective and achievable.

With three liberal or moderate Supreme Court justices, Stephen Breyer, Ruth Bader Ginsburg and Anthony Kennedy, in or approaching their 80s, Mr Trump may well increase the court's conservative majority. The lower federal courts are even more vulnerable to an ideological makeover. Because Republican senators refused to approve many of Barack Obama's nominees, Mr Trump inherited many empty seats on the benches, which the Democrats' decision to scrap the use of the filibuster in judicial appointments has made easy to fill. His administration has so far nominated 59 judges, three times as many as Mr Obama at the same point in his tenure, and with almost half of the 150 appellate judges of retirement age, it expects to nominate many more. Some ideologues are still unsatisfied; Steven Calabresi, a Federalist Society co-founder, suggests packing the federal courts with at least 260 new judgeships. Mr Trump's recent boast that, "There has never been anything like what we've been able to do together with judges," could prove to be unusually accurate.

It is hard to exaggerate how significant, divisive and fundamentally antithetical to the Federalist Society's original purpose this project is. It represents an assault on the courts' already-tested consensual traditions, which the next Democratic administration would naturally emulate, thereby dividing the courts even more nakedly along partisan lines and making judicial appointments even more politicised than they already are. The society's founding mission was to defend the separation of powers: its extremism threatens to erode whatever open ground remains between the judiciary and elected branches. Bruce Ackerman, a legal scholar, predicts the federal courts are heading for a period of "hyper-politicisation" not seen since the 1930s, when Franklin Roosevelt went to war with the Supreme Court over its hostility to the New Deal.

## Ah, Mephistopheles!

This is not only bad for the courts. The irony of the Federalist Society's pact with Mr Trump is that a movement dedicated to defending the constitution has enabled a president whose conflicts of interest, disregard for due process and disparagement of independent agencies and actors—including "so-called judges"—represent a grave constitutional threat. Conservative lawyers know this. Many have told Lexington of their unease with almost everything Mr Trump is doing outside judicial appointments. Yet instead of acting on principle, they keep raising the price of their support, and Mr Trump, who knows a good deal when he sees one, keeps paying the bill. ■



## Elections in Honduras

## Smashing. But a success?

TEGUCIGALPA

### A crime-fighting conservative looks to be heading for victory

**JUAN ORLANDO HERNÁNDEZ** is the first presidential candidate in Honduras's recent history to run for re-election as an incumbent. He is making the most of it. Last month he took a sledgehammer to the masonry of a notoriously permissive prison due for demolition. A brand-new landing craft, commissioned to repel drug-traffickers from the northern coast, is distributing food to the poor. The media gave both events flattering coverage.

With days to go before elections on November 26th, he is the firm favourite to win the presidency (congressional elections also take place on that day). The latest poll puts him 15 percentage points ahead of his main rival, Salvador Nasralla, a sports broadcaster. Mr Hernández's approval rating is 56%. He is reaping the benefit of a tough-on-crime policy, which helped reduce Honduras's murder rate (it had been the world's highest when he became president in 2014). But he has also been tough on institutions like the judiciary and congress, which are supposed to be independent of the presidency. His re-election could encourage other would-be leaders with an authoritarian bent, such as Jair Bolsonaro in Brazil.

In Central America's "northern triangle", a region of political pygmies, Mr Hernández counts as a colossus. The president of neighbouring Guatemala is a bumbling political neophyte who came into office after demonstrations against corruption and the arrest of his predecessor in 2015. Similar protests in Honduras barely weak-

ened Mr Hernández. His underlings marvel at his energy and foresight. Wilfredo Cerrato, the finance secretary, says that the president often sends him text messages at 5am. "It's incredible what he can manage in his mind," Mr Cerrato says. A business boss praises Mr Hernández's "vision of what he wants for Honduras for the next 30 to 50 years".

The president's biggest boast is that he has cut the murder rate nearly in half, from 79 per 100,000 people in 2013 to 42 this year. His government has nearly doubled the budget for security, sent the army to patrol violent neighbourhoods and strengthened the border. After a constitutional change allowing extradition from Honduras, he was the first president to send criminals to the United States. Such measures have discouraged traffickers from shipping cocaine to the United States through Honduras. Many now prefer to trans-ship through El Salvador, Jamaica and Mexico.

### Purging the police

The murder rate is still 50% above Latin America's high average, and crime remains the top concern of 60% of Hondurans. To hold the murder rate down, and lower it further, the government needs to replace the army with a reformed police force. In 2012, 63% of Hondurans thought police were involved in crime, the highest level in Latin America. Mr Hernández's government completed a purge of the police, in which a quarter of its 14,000 officers were dismissed. It plans to double the size

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of the force by 2022 and replace promotions based on seniority with a system based on merit.

Mr Hernández takes more credit than he is due for a buoyant economy. GDP is expected to grow by 4% this year, helped by a 10% jump in remittances from Hondurans abroad, bigger harvests of shrimp and coffee, and higher banana prices. His main economic success has been to slash the budget deficit, from 7.9% of GDP in 2013 to 2.8% last year. Credit-rating agencies have upgraded Honduras's debt.

But his plans for making Honduras a hub of activities besides cocaine-smuggling have not progressed very far. Plan 20/20, a strategy to develop the economy by encouraging tourism and attracting factories, among other things, is so far mostly a plan. Foreign direct investment fell by 30%, to \$1bn, between 2014 and 2016; most of it consists of profits reinvested by firms already operating in the country. A scheme to set up investment-friendly "charter cities", with their own rules and courts, is shrouded in secrecy. Despite strong economic growth, the poverty rate as measured by the World Bank is above 60%.

Though Mr Hernández's accomplishments are debatable, his ambition is not. His bid for re-election is itself an act of audacity. Honduras's constitution bars presidents from seeking re-election. In 2009 the army staged a coup against Manuel Zelaya, a left-wing president who tried to get rid of the term limit by arranging to hold a referendum. Mr Hernández was wilier. As president of congress from 2010 to 2013 he encouraged the sacking by the legislature of four supreme-court judges; their successors went on in 2015 to invalidate the term-limit clause in the constitution.

That was just the start of Mr Hernández's power grab. In the days before he became Honduras's president, congress passed more than 60 decrees giving him more control over spending. If revenue is ➤

► higher than expected, he can spend some of the surplus as he pleases (so the government lowballs revenue estimates). He can withhold money for discretionary spending from congressional districts. That has helped Mr Hernández win votes in congress, even though his centre-right National Party does not have a majority. During his presidency of congress it tamed the press by threatening to withdraw tax exemptions, to which it is entitled under the constitution. "Hernández could do anything he wants and nobody will say anything," says Hugo Noé Pino, an economist.

An exception is MACCIH, an anti-cor-

ruption body under the aegis of the Organisation of American States, which Mr Hernández invited in to appease protesters in 2015. They were outraged by corruption in earlier governments and by reports that his campaign had benefited from stolen public money. Unlike CICIG, a similar agency in Guatemala backed by the UN, MACCIH cannot bring cases directly to court. It acts through the attorney-general's office, which is led by an independent-minded prosecutor, Oscar Chinchilla. So far, MACCIH's main achievement has been to draft a party-financing law, approved by Mr Hernández, which seeks to eliminate il-

licit money for campaigns. It led to a 60% drop in election spending this year.

One test of the partnership between MACCIH and the attorney-general will be whether they prosecute allies of Mr Hernández who are suspected of corruption. Another test of the justice system stems from the murder in 2016 of Berta Cáceres, an indigenous leader who had lobbied against the building of a hydroelectric dam. A report by an international panel of lawyers published last month said government officials and businessmen had colluded with gangs in the killing. Much will depend on whether Mr Hernández reaps ►

## Bello | Why no Catalonias?

### Explaining the absence of separatism in Latin America

LATIN AMERICA is linked to Spain and Portugal by language, culture and ancestry as well as by investment and the shared project of democracy. So it is not surprising that Latin Americans have been gripped by the conflict over Catalonia's future. *Se rompe España?* (Is Spain breaking up?), asked the cover of *Semana*, Colombia's leading news magazine.

For most Latin Americans it goes without saying that Catalonia is part of Spain. While the Spanish empire was at first a Castilian venture, Catalonia, too, provided viceroys and the forebears of presidents. In recent decades many Latin American writers have made Barcelona, with its literary agents and publishing houses, a temporary or permanent home. Having lived in Barcelona for 12 years until 2012, Juan Gabriel Vásquez, one of Colombia's leading novelists, wrote last month in *El País*, a Spanish newspaper, of his "astonishment and melancholy" at the drive for Catalan independence.

To ensure that they remain part of a global culture, several writers have moved recently from Barcelona to Madrid (as last month did Planeta, the biggest Spanish-language publishing house). But the astonishment is also because separatism is unfamiliar in Latin America.

That statement needs some slight qualification. Spanish-speaking mainland America splintered into 15 countries after independence. So that he could build a canal, Theodore Roosevelt arranged to detach Panama from Colombia in 1903. Rio Grande do Sul fought a ten-year war to break away from Brazil before coming to terms in 1845. (Paradoxically, Giuseppe Garibaldi, later the hero of Italian unification, fought for Rio Grande.) In 1849 Yucatán sought to follow Texas in seceding from Mexico and joining the United States, but was turned down.

More recent separatist efforts have been less significant. Commercially minded eastern regions of Bolivia flirted with secession during their political battle with Evo Morales, the socialist president. There are occasional mutterings of separatism in Zulia, in western Venezuela, and in Argentine Patagonia. Last year a campaign called "the South is my country" organised an informal referendum on independence in three southern states of Brazil (including Rio Grande), in which less than 3% of the electorate voted. In an echo of Catalonia, its organiser claimed that the region pays "four times" more taxes than it receives. An attempt to stage a repeat on October 7th this year was a fiasco: only 2% turned out.

Latin America's linguistic and ethnic divisions do not lend themselves to separatism. Indigenous populations, with their own languages, are too crushed, dispersed and/or divided to attempt it. Many indigenous people would not want to: in several countries, they want autonomy to preserve their culture but are also battling to be treated like full citizens.

Another reason is that, like France, countries such as Brazil and Mexico turned

national unity into an explicit political project. In 1937 Getúlio Vargas, Brazil's nation-building populist, having declared a dictatorship, ordered the ceremonial burning of the flags of the states—including the *farrapo* (rag), as the flag of his native Rio Grande do Sul was called. He claimed to have crushed "the arrogant imposition of regional interest" which endangered national unity. Vargas ordered Portuguese to be the sole language of school teaching.

Something similar happened in Mexico following its revolution of 1910-17. "We are Indian, blood and soul; the language and teaching are Spanish," declared José Vasconcelos, the education minister in the 1920s and champion of *mestizaje* (racial mixing) as the essence of Latin America. Only more recently in Mexico, as in the Andean countries, have governments promoted bilingual teaching in Spanish and indigenous tongues.

For regional grievances to become separatist movements requires some specific conditions, as Alberto Vergara, a political scientist at the University of the Pacific in Lima, has noted in a comparative study of Peru and Bolivia. These include a powerful regional political elite, access to economic resources and foreign trade, and a paramount city that rivals the national capital. These applied to the Bolivian movement centred on Santa Cruz. And they apply in Catalonia.

Yet if the Bolivian movement petered out it was partly because the pull of national unity in Latin America is strong. The popular demand is often to make that a reality by building infrastructure and spreading public services. Outside Brazil, Mexico and Argentina, Latin Americans know what it is for their countries to be small and weak in global terms. Breaking away has little appeal.



# THE HUB

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points Mr Chinchilla, whose term ends in August, or opts for someone more pliant.

Mr Nasralla, on his second run for the presidency, promises to sweep away the corrupt governing class. He will establish a "Berta Cáceres Day" if elected. Mr Hernández, whose 115-year-old National Party has provided 13 presidents, should be an easy target for an anti-establishment candidate such as Mr Nasralla.

But the anti-Hernández vote is split between Mr Nasralla and Luis Zelaya (no relation to Manuel), a reform-minded former professor who is running as the candidate of the Liberal Party, the other traditional political force. Mr Zelaya has little chance of winning, but he has made it harder for Mr Nasralla to defeat the incumbent in an election that has just one round.

Hondurans who give Mr Hernández credit for reducing violence and steadyng the economy after a post-coup recession may hardly mind that he is not much of a democrat. Support for democracy has dropped by seven percentage points this year to 34%, the lowest level in Latin America, according to Latinobarómetro, an opinion survey. Prizing democracy so little, Hondurans risk letting it slip away. ■

#### Local elections in Cuba

## Party tricks

#### How the communist government keeps challengers off the ballot

**I**F CUBA were a democracy, the municipal elections that start on November 26th would open a season of participatory politics, culminating in the choosing of a new president next February. This year more than 200 people, a record number, put themselves forward as "alternative" candidates for local office, contesting the hegemony of the Communist Party. The government put a quick stop to that.

Local elections, held every two years, are Cuba's most democratic. All Cubans older than 16, except felons and the mentally ill, can run for 12,515 council seats. The job of those who are elected is to coax local governments to fix potholes, supply water and the like. Nominees, chosen in meetings of their neighbours, appear on paper ballots; citizens decide among them in secret voting. Membership of the Communist Party is not a requirement.

Shutting up about political pluralism apparently is. The government found "wildly creative and sometimes even comical" ways to keep alternative candidates off the ballot, says Manuel Cuesta Morúa, the director of *Otro 18* (A Different 18), a grassroots group to which most of them

#### Muslims in Canada

## Gotta not wear shades

OTTAWA

#### Quebec bans face veils—indirectly

**I**N QUEBEC, Canada's French-speaking province, it is illegal to talk to a librarian while wearing sunglasses. So is using a bus pass while shrouded in a scarf, no matter how bitter the weather. These prohibitions are the consequence of a law enacted in October whose real purpose is to ban Muslim women from wearing niqabs, or face veils, when they provide or receive public services. By widening the ban to all sorts of face covering it seeks to deflect the charge that it is based on religious animus. It does the job as well as a see-through burqa.

The Canadian Civil Liberties Association and the National Council of Canadian Muslims challenged the law in Quebec's superior court on November 7th, saying it violates rights to sexual equality and religious freedom. The court is expected to rule soon on whether to suspend the prohibition on face coverings while it deliberates.

Quebec's Liberal government, led by Philippe Couillard, is not the first to try to strip people of faith-based garments. France and Belgium banned face coverings in public in 2011. The separatist Parti Québécois (PQ), which governed briefly until April 2014, tried but failed to pass a charter of values that would have banned public servants from wearing "conspicuous" religious symbols. Mr Couillard tutted that the charter would infringe people's rights. A Liberal government would do better, he promised.

It came up with a muddle, which has flummoxed officials trying to interpret it. Quebec's justice minister said at first that

belong. One aspiring candidate in Havana received a phone call from someone who claimed to have a package for him from a friend in the United States. When he went to retrieve it, he was greeted by police officers who drove him around in a patrol car until the nomination meeting was over.

A railway worker from the city of Holguín, who had been a member of the city's council for ten years, joined *Otro 18* out of frustration with the socialist system. Just before Holguín's nomination deadline he was put under house arrest for allegedly stealing a bag of maize worth 23 pesos (less than a dollar).

The jump in the number of alternative candidates, from just two in 2015, is a sign that the demand for real democracy is spreading, says Pablo Díaz Espí, director of *Diario de Cuba*, an online newspaper. The challengers, who insist that they are not

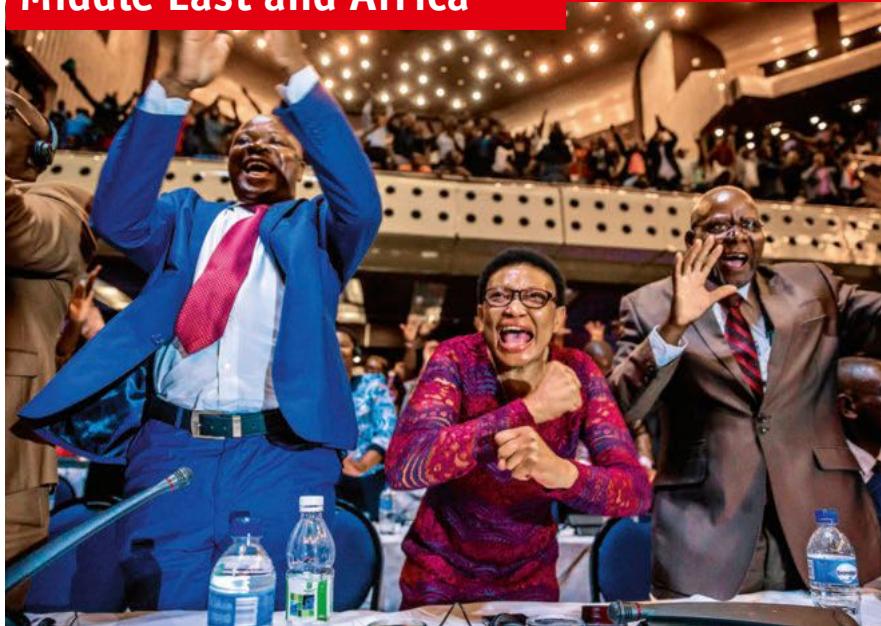
face coverings, including sunglasses, would be banned on buses, then said passengers could put them on after showing their passes. An exemption on "religious grounds", granted through a cumbersome procedure, makes the law potentially pointless as well as confusing. The PQ and another opposition party said the legislation did not go far enough and voted against it.

Just 50 or 60 women, out of Quebec's 8.4m people, wear niqabs, says Farida Mohamed of the Canadian Council of Muslim Women. Most Quebecers and Canadians favour laws that oblige them to unveil, polls show. Despite its non-sectarian disguise, the new law risks inflaming Islamophobia in a province that has more than its fair share of it. In January a student shot six Muslims at a mosque in Quebec City, the capital. The sunglasses ban is only partly a joke.



dissidents, communicate through a network of think-tanks, workers' organisations, religious groups and youth groups. "Everyone knows that these candidates won't win," says Mr Díaz. "You play your part in the spectacle to prove that it's just that—theatre."

That is unlikely to change when Cuba's (indirectly elected) national assembly chooses a new president to replace Raúl Castro, the brother of the leader of the revolution, Fidel Castro; Fidel died last year. Miguel Díaz-Canel, the vice-president, who is thought likely to succeed Mr Castro, says he will not tolerate municipal mischief-makers. In a speech in February to party activists Mr Díaz-Canel warned that letting independent candidates win municipal seats would "legitimise the counter-revolution". Expect more trumped-up charges and long rides in patrol cars. ■



**Zimbabwe**

## A tyrant is gone

HARARE

### But the task of fixing a broken country is daunting

IT TOOK time for the dancing and honking of horns to die down. After 37 years in power, Robert Mugabe resigned on November 21st. Long-suffering Zimbabweans went wild. But as the party ended, many began to ask whether and how his successor, Emmerson Mnangagwa, would be any better. Mr Mnangagwa, a former Mugabe henchman notorious for persecuting the opposition and for organising the rigging of elections, returned from a short exile on November 22nd, promising "a new democracy". "We want to grow our economy, we want peace, we want jobs," he told supporters in Harare, the capital.

Hope that Mr Mnangagwa will deliver any of these rests on two pillars. The first is that he plainly realises that Zimbabwe desperately needs economic help from abroad. The fiscal deficit, according to various analysts, is a whopping 12-15% of GDP. Inflation, variously measured, is 25-50%. Foreign reserves could run out in months. The infrastructure is falling apart. "Harare is the pothole capital of the world," grumbles a former minister.

Second, Mr Mnangagwa seems to accept that in order to receive help he will not only have to get the government's spending under control, but also enact political reforms that culminate in proper elections.

Sceptics recall that much the same hope was expressed when a unity government was formed in 2009 after the brutally rigged election the year before. In the

event, Mr Mugabe failed to enact any of the major reforms he had pledged. This time, if Mr Mnangagwa is to get the cash and Zimbabwe be forgiven any of its \$9bn in outstanding debts, he will have to fulfil whatever promises he makes.

Among measures urgently needed to reassure potential investors is a repeal of Mr Mugabe's "indigenisation" law that called for firms to be majority-owned by black Zimbabweans. In the past year or so Mr Mnangagwa had hinted he would enact one. He has also discussed coming to terms with the farmers, nearly all of them white, who still own legal title to some of the more than 4,000 farms that were confiscated over the past 17 years.

Political reform will be even harder. So

### Hungry for change

Zimbabwe, % of respondents saying they are unable to afford food at times



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far the upheaval has been, in essence, a battle within the ruling party, Zanu-PF. By the time Mr Mnangagwa returned, dozens of Mr Mugabe's allies had been arrested or had gone into hiding. These include Ignatius Chombo, the finance minister, and Grace Mugabe, the former president's wife, who is holed up in her vast palace.

Many doubt that Mr Mnangagwa would allow a fair election: ie, one that he might actually lose. Under the constitution his presidential term must conclude at the end of his predecessor's five-year mandate—by August next year. Already there has been talk that he could get a two-thirds majority in both houses of parliament to extend his term of office, perhaps by two or three years. The main leader of the opposition, Morgan Tsvangirai of the Movement for Democratic Change (MDC), has so far set his face against such an extension. But though it would be against the spirit of the new order, Zanu-PF has the parliamentary numbers to enforce it.

In any event, the opposition is painfully weak. Earlier this week Mr Tsvangirai, who was robbed of the presidency at the elections in 2008, was bouncing back to his old hale-and-hearty form, rousing a crowd to a pitch of excitement at Mr Mugabe's humbling. He is clearly still the main opposition leader. But he is stricken with cancer and lost credibility during his period in coalition from 2009 to 2013. His party has been rent with division and has produced no natural successor.

Moreover, some analysts think the MDC would struggle to win elections, even if they were fair and it entered an alliance with other opposition parties. And Mr Mnangagwa, who is known as the crocodile for his tactic of waiting patiently before attacking ruthlessly, may well chip away at the opposition by enticing its more senior figures to support him. Indeed, if he ➤

were to offer Mr Tsangirai an important post, the betting is that he would take it.

Foreign governments, especially in the West, are in a quandary. On the one hand, they want to encourage Mr Mnangagwa to embark rapidly on the minimum economic and political reforms needed to unlock largesse from the World Bank, IMF and others. On the other hand, they remain wary that he could pocket concessions, as Mr Mugabe always did, while consolidating control over the country with no genuine intention to hold free elections.

Tendai Biti, a former finance minister, complains that the UN has yet to send an envoy. Though the UN Development Programme has been helping with a biometric voter register, Mr Biti and other mem-

bers of the opposition want deeper international involvement in the transition, especially in the election. "It isn't good enough to outsource it to SADC," he says of the Southern African Development Community, a regional bloc that in the past has rubber-stamped rigged elections.

If Mr Mnangagwa can steady the economy and create a new mood of harmony during the post-Mugabe transition, perhaps he could win respect, if not the popularity that has so far eluded him. Despite his reputation as a party hatchet-man, many Zimbabweans hope that he can surprise them and turn over a kinder leaf. "People are confused," says Joice Mujuru, a former vice-president who was expelled from the ruling party in 2014. "This situation is not at all static." ■

## Zimbabwe

# Robert who?

HARARE

**The former despot's name and face are vanishing from public places**

**R**OBERT MUGABE SQUARE, a grassy patch in central Harare, will host a congress of Zimbabwe's ruling party in December. Unforeseen events have made this an awkwardly named venue. Since Mr Mugabe was booted from power his comrades have scrubbed his image from the home page of the party's website. As the congress tent goes up, everyone is trying to remember to call the spot by its informal name, Freedom Square. Like countless other places in Zimbabwe—including Harare's airport—it had been renamed in honour of the man who bragged that he would rule until he died.

At the corner of Robert Mugabe Road and Rotten Row, a hawker describes how people celebrating Mr Mugabe's ouster shimmied up poles to tear down street signs. Some kept them as souvenirs. Others stamped on them. "I saw one tied to a dead dog," says Raymond Gotora, who sells bottled water and airtime at the intersection (the dog was hit by a car in a separate incident). "People now have a lot of freedom to express themselves."

Two weeks ago you could have been locked up for speaking ill of Mr Mugabe. A 25-year-old American woman is still facing charges that could see her jailed for 20 years for a tweet referring to him as a "goblin" (she denies posting it). But at the state broadcaster, disrespecting the former president is now *de rigueur*. One journalist says the first negative report about Mr Mugabe left her "shocked". Now the army tells it what to broadcast. "What the new dispensation wants you to do, you do exactly that," says another of its journalists.

It is less clear what to do with the



thousands of official portraits of Mr Mugabe that have long loomed over hotel reception desks and government offices. Kubatana, a non-profit group, launched a #TakeHimDown campaign; they suggested dropping off unwanted presidential portraits at the nearest police station. At a recent anti-Mugabe march, a defaced portrait made a nifty protest sign. Another, hanging at a conference centre that briefly hosted Mr Mugabe's impeachment hearing, was removed just a few minutes after he resigned. A crowd chanted "Remove, remove, remove!" as the old man's mug was taken down—only to be swapped with a picture of Emmerson Mnangagwa, due to be sworn in as Mr Mugabe's successor.

## Christians in Sudan

# Rendering unto Bashir

KHARTOUM

**Despite persecution, Sudan's Christian minority is growing**

"**I**F SOUTH SUDAN secedes," Omar al-Bashir told supporters at a rally in 2010, "we will change the constitution", paying no attention to "diversity of culture". The Sudanese president revisited the subject two years later. "Our template is clear: a 100% Islamic constitution," he said in a speech to Muslim leaders in the capital, Khartoum. As for non-Muslims: "Nothing will preserve your rights except for Islamic sharia."

The south seceded in 2011, taking with it most of Sudan's Christians. After the split churches in the north were burned. Then came demolitions: at least 20 since 2011. Four took place in August this year. About 27 other churches are listed for bulldozing. The government says it is merely removing unlicensed buildings. But only churches seem to be getting knocked down. In any case, the government announced in 2013 that it would no longer grant licences for the construction of new churches. "Christians have no rights here any longer," says Reverend Kuwa Shamal of the Sudanese Church of Christ, one of several church leaders who have been arrested on spurious charges of spying and undermining the constitution.

Sudan's treatment of Christians has long been dire. Forced assimilation in the 1980s and 1990s helped spark its decades-long civil war. "Denial of religious freedom" was cited by Bill Clinton, then America's president, among his reasons for imposing sanctions on Sudan in 1997. A peace agreement with southern rebels in 2005 brought some respite, but "after the independence of South Sudan the government decided there was no space for Christians," says Muhanad Nur, a human-rights lawyer in Khartoum.

Many Western observers agree. On November 17th America's deputy secretary of state, John Sullivan, told Sudan to stop smashing churches. Open Doors, an NGO, ranks Sudan as the fifth-worst country in the world for the persecution of Christians. In June, American congressmen from both parties wrote to President Donald Trump urging him to delay lifting sanctions for another year, citing in particular "state-sanctioned persecution of Christians". (They were lifted anyway on October 12th to prise Sudan from the orbit of Iran, a long-standing ally.)

Although foreigners focus on Sudan's central government, much of the repression is happening locally and sporadically. ►

► Church demolitions in Khartoum, for instance, are carried out by local authorities. Many suspect they are more interested in grabbing valuable land than in suppressing religious minorities. The governor of Khartoum, Abdel Rahim Muhammad Hussein, has threatened to kick out tens of thousands of South Sudanese refugees, many of whom are Christian. He claims they cause insecurity and spread disease. Such words are worrying when coming from a man who, like Mr Bashir, is wanted by the International Criminal Court on

charges of crimes against humanity.

Yet Sudanese citizens are far more welcoming. Sudan still has many Christian schools, most of whose pupils are Muslim. And many of the Christians that Sudan lost when the south broke away have since returned: about half a million South Sudanese have crossed the border since the start of a civil war there in 2013. Father Juma Charles of St Matthew's Catholic Cathedral in Khartoum says that so many of his flock have returned that prayer centres that were closed in 2011 are open again. ■

portant than countering Iran, which has extended its influence in the region. He has sought a closer relationship with Israel, which shares his dark view. There are reports that the Jewish state has shared intelligence with Saudi Arabia to help it in its war against the Iranian-backed Houthi rebels in Yemen. Prince Muhammad may calculate that a viable peace process would give him political cover to make the alliance more overt.

Other Arab states also have an interest in restarting talks. Egypt under Abdel-Fattah al-Sisi has taken a more active role in the peace process and recently helped to end the feud between Hamas and Fatah. Saudi Arabia and the United Arab Emirates support Mr Sisi's aim of cutting Hamas off from Iran and Qatar. Under a deal, they would probably fund development in Palestinian areas and furnish Israel with security guarantees.

Binyamin Netanyahu, Israel's prime minister, has long seemed reluctant to negotiate with the Palestinians. But he might prefer an open-ended process to one with clear milestones and deadlines that would pin him down. He also wants to show gratitude to Mr Trump for not pushing him as hard as Mr Obama did.

The Palestinians are also loth to alienate the Americans. But they fear being pushed into a deal that leaves Israel in military control of the West Bank. (The Israelis have already pushed for Hamas to be disarmed before the talks begin.) "Neither Netanyahu nor Abbas wants to insult the American plan, but neither has any real interest in it either," says Jon Alterman of the Centre for Strategic and International Studies, a think-tank in Washington, DC.

In the region, officials rate the chances of success as very, very low. "They won't find a way to make the circle square after so many others have tried," says an Israeli diplomat. "Both sides are looking for ways to say no to Mr Trump," says a Palestinian negotiator. On this, at least, they agree. ■

## Israel and Palestine

# The art of a peace deal

JERUSALEM

### Donald Trump's road map may be more about countering Iran than making peace

PRESIDENT DONALD TRUMP casts himself as a master negotiator. But when he talks of trying to achieve peace between Israel and the Palestinians, he often sounds less confident. It is a "complex subject", the "toughest deal of all", said Mr Trump in September. Still, he rates his chances of success as "very, very good".

A peace plan from the administration, expected in September, is now due in January. Mr Trump's son-in-law and adviser, Jared Kushner (pictured, centre), is leading the effort. He is being helped by Jason Greenblatt, the president's envoy to the Middle East; David Friedman, the ambassador to Israel; and Dina Powell, a deputy national-security adviser. The first three are orthodox Jews who do not conceal their pro-Israel sympathies.

Initially dismissed as neophytes, the team has won over sceptics with its willingness to listen. Even the Palestinians admire their readiness to take soundings in refugee camps, not just from politicians. They find the team more genial than Barack Obama's "pen-pushers". Mr Greenblatt, the chief negotiator, has opposed unilateral moves by Israel and welcomed the Palestinian reconciliation deal between the nationalist Fatah group (which controls the West Bank) and Hamas, an Islamist group (which holds sway in Gaza).

The administration has been tight-lipped about the details of its plan, but those who have spoken to Mr Greenblatt describe it as more of a process—"a road map without a defined road", says one Palestinian negotiator. The initial steps will probably be little more than confidence-building measures. The harder problems, such as drawing borders, returning refugees and resolving the status of Jerusalem, would be left until much later. It is not even certain that the endgame is two states,

which most of the world has long demanded. Among the ideas being mooted is eventually to put Jewish settlements in the West Bank under Palestinian control. The lack of clarity is seen as a tactic aimed at keeping everyone on board.

Whatever the administration produces, Saudi Arabia is likely to support it. Mr Kushner has struck up a friendship with Muhammad bin Salman, the Saudi crown prince. Though the prince's foreign-policy record is not widely admired, he seems to have convinced Mr Kushner that he can help reshape the Middle East in ways that suit America. At Mr Trump's behest he summoned the octogenarian Palestinian leader, Mahmoud Abbas, to Riyadh earlier this month and urged him to embrace the American plan. Mr Abbas is seen by all sides (including his own) as plodding, time-serving and compromised.

For Prince Muhammad, it seems, Palestinian aspirations to statehood are less im-



How hard can this peace thing be anyway?

Prince Muhammad's purge

# Sheikhdown

CAIRO

## Saudis applaud the anti-corruption sweep, but investors fret

**C**HECKING into Riyadh's Ritz-Carlton usually costs about \$300 per night. Checking out could cost the current guests billions. This month the Saudi authorities commandeered the hotel to serve as a gilded prison for more than 200 princes, ministers and businessmen held in an anti-corruption sweep. Though the kingdom has not released a list of suspects, some big names have been leaked. Among them are Prince Alwaleed bin Talal, a billionaire investor; Khaled al-Tuwaijri, the former head of the royal court; and Waleed al-Ibrahim, the chairman of the region's largest satellite broadcaster. The arrests were engineered by King Salman and his son, Muhammad, the young crown prince.

Some of the suspects could soon buy their way to freedom. A new anti-corruption committee, led by Prince Muhammad, is offering release in exchange for a portion of their assets. Officials hope to recover at least \$50bn this way. That figure may be too optimistic, and represents only a fraction of what graft has cost the kingdom. Still, it would boost a government struggling with a recession and a deficit that hit \$79bn last year. Foreign reserves, while still plentiful at \$475bn, are at their lowest level in more than six years. The central bank has burned through \$250bn since mid-2014 to support an economy battered by low oil prices.

Those who refuse to pay up face an uncertain future. Officials have promised fair trials in the coming months, but some of the detainees have complained of being denied legal counsel. It would be easy enough for Saudi Arabia to seize assets from domestic firms, or from neighbouring countries. In the United Arab Emirates, authorities have asked banks for information about 19 wealthy Saudi clients. It will be harder to claw back the billions that Saudi citizens and companies have stashed further afield. Authorities in Europe and America will want to see evidence that the suspects received due process.

Prince Muhammad's allies call the speed and scope of the arrests necessary—shock therapy for a kingdom that can no longer afford the lavish habits of a bloated royal family. It is a "limited, domestic affair", one that would have "no impact on foreign direct investment", says Khalid al-Falih, the energy minister. But foreign investors are rattled. Prince Muhammad needs them to overhaul the economy. He hopes to raise \$100bn by selling a 5% stake

Justice in Egypt

# Of puppets and parasites

CAIRO

## The weird prickliness of Egypt's courts

**A**FTER centuries of abuse, the Nile river will finally get its day in court. At a concert in the United Arab Emirates, a fan asked Sherine Abdel-Wahab to perform her patriotic song "Mashrebtesh Min Nilha?" ("Haven't You Drunk From the Nile?"). The Egyptian chanteuse replied with a joke about the notoriously polluted river: "You'll get bilharzia [a disease caused by parasitic worms] if you do." Better to drink Evian, she said. It was sound advice. Though the government insists that the water is safe, people are often poisoned by it. But her comments sickened a lawyer called Hany Gad, who sued Ms Wahab for insulting Egypt. She will stand trial in December.

In many countries this case would be laughed out of court. No one has standing to sue on behalf of a resentful river. But in Egypt judges are often eager to restrict free speech and promote a paranoid strain of nationalism. In 2014 they investigated a puppet after someone took issue with a holiday advertisement for Vodafone featuring Abla Fahita, a popular children's character (pictured). The



Egypt's terrorist sextop

in Saudi Aramco, the state oil giant, next year. In October he announced plans for NEOM, a \$500bn city in the desert staffed by robots. He hopes to privatise other state firms, and to build new tourist facilities on the Red Sea coast. All of this requires confidence in Saudi institutions.

The purge has gone down better with ordinary Saudis, who have bristled at the government's austerity. Many have rejoiced at the sight of pampered princes also

claimant said the ad was a coded plan for a terrorist attack. The Christmas lights in the background were allegedly wires for a bomb; a reference to a shopping mall identified the target. His lawsuit was eventually dismissed, but not before Vodafone executives were questioned.

Egyptians are famous for their irreverent sense of humour. But the courts seem to lack one. The daughter of the late president, Anwar Sadat, sued the information ministry in 2009 over the Hollywood film "I Love You, Man", which featured a dog named after the slain leader. She said the romantic comedy insulted both her father and Egypt, and demanded its removal from cinemas. Adel Imam, Egypt's most successful actor, was convicted of "insulting Islam" in 2012 for his portrayals of fundamentalists in several films. In the same case, he was accused of offending Islamic beards. (The conviction was later overturned.) Naguib Sawiris, a telecoms mogul, faced a similar (unsuccessful) prosecution for tweeting an image of Minnie Mouse in a niqab.

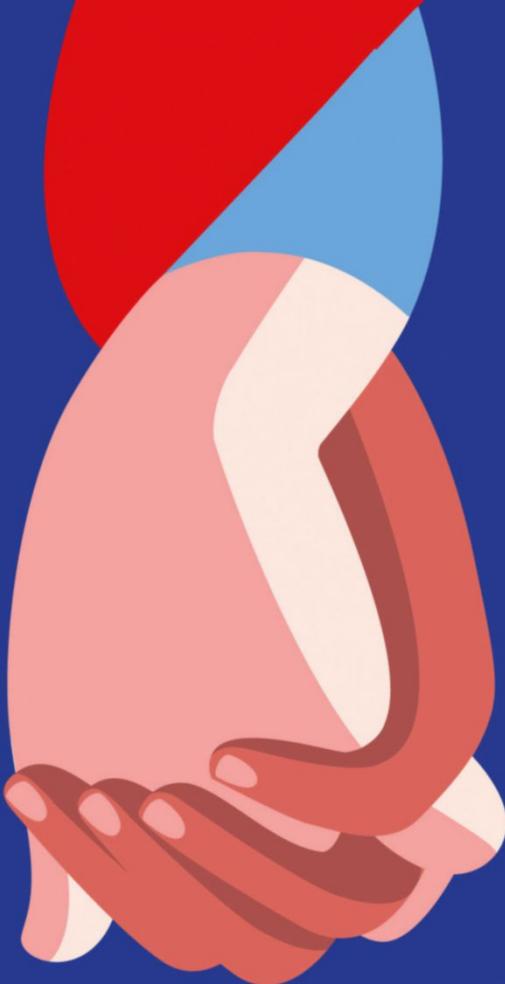
Such cases still abound under Abdel-Fattah al-Sisi's ostensibly secular regime. One blogger was charged for claiming that one-third of Egyptian women cheat on their husbands. A novelist was jailed for racy prose that gave a reader "palpitations". In September Egypt chose the film "Sheikh Jackson" as its foreign-language submission for the Oscars. Two months later the drama's lead actor was sued for contempt of religion over his portrayal of a cleric. Even poor Abla Fahita found herself back in court in 2016, this time for holding a copy of "Fifty Shades of Grey" in an ad and thus spreading "sexual innuendo".

Ms Wahab has apologised and promised to avoid such "naive mistakes" in the future. But she has already been barred from performing in her native country. Egyptians often tell visitors that anyone who drinks from the Nile is destined to return. It seems the opposite is also true.

having to make sacrifices. Expectations for Prince Muhammad's rule are growing—along with his own touchiness. Earlier this year the police detained dozens of his critics. Prince Mutaib, the ex-commander of the powerful national guard (and a son of the previous king), now occupies a room at the Ritz. If the crown prince's economic programme does not yield quick results, he may find himself preoccupied with fighting off more rivals. ■

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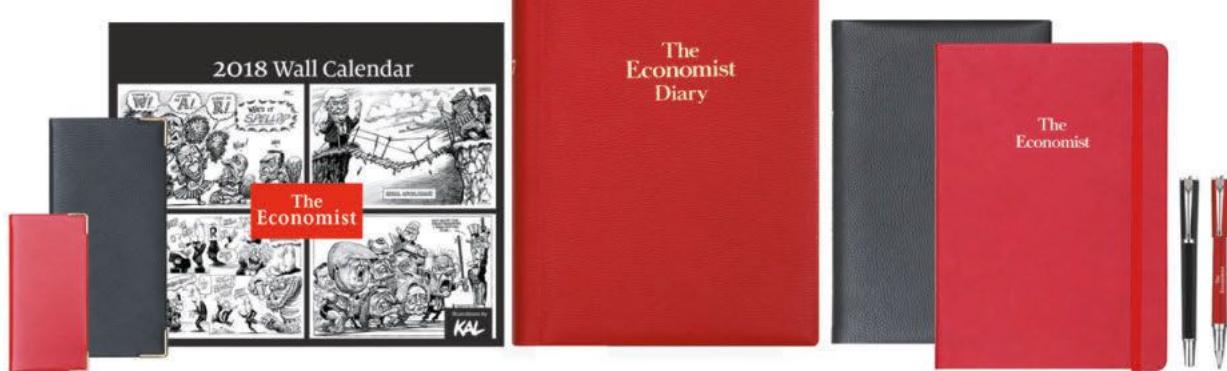
SPECIAL REPORT  
**MARRIAGE**  
November 25th 2017



A looser knot

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# A looser knot

**Marriage is becoming less hidebound, less dutiful and less obligatory—but even more important, says Joel Budd**

"THIS IS SO exciting!" trills a young woman, squeezing her friend's arm. Laid out before her, in the Olympia exhibition centre in west London, is the National Wedding Show. Some 300 merchants have turned up to sell everything that is needed to throw a wedding, and a great many things besides. There are florists, harpists, teeth-whiteners, tiara-sellers, a fireworks firm and more than a dozen photographers. A new company, Hitch and Pooch, arranges for people's dogs to play a role in their weddings—as ring-bearers, say. Every two hours a blast of music announces a catwalk show consisting entirely of wedding dresses and grooms' suits.

Marriage is often said to be ailing. It is "fashionably dismissed" and "taken for granted", sniffed Iain Duncan Smith a few years ago when he was Britain's secretary of state for work and pensions. Social conservatives argue that a once-great institution has been undermined by ever more blasé attitudes to premarital sex, cohabitation and divorce—and, in the past few years, by the legalisation of gay marriage. Successive American presidents have poured money into programmes that aim to promote marriage among poor people.

In some ways the worriers are right. For hundreds of years marriage was an essential step on the road to full adulthood in Western countries. In pre-industrial England all single women,

no matter how old, were "maids", and all single men were "lads". Preachers argued that marriage was the crucial bond holding together the household, which was, in turn, the foundation of society.

By the mid-20th century marriage was almost unavoidable. The idea that people ought to wed and then form a household with a primary male breadwinner was, in the words of Stephanie Coontz, an American historian, "like a steamroller that crushed every alternative view". People tied the knot at ever younger ages: in the 1950s and 1960s the average American bride was too young to consume alcohol at her own wedding. Europe was almost as marriage-mad. As late as 1972 fully 87% of French women aged between 30 and 34 were married.

These days just 43% of French women in their early 30s are married. That is part of a broad retreat. In Argentina weddings have become so rare that one outfit, Falsa Boda, has started staging wedding-themed parties, complete with fake vows. And in many countries marriage has become unmoored from parenthood. In 2015 two-fifths of all American babies were born to unwed mothers. In France the proportion is 59%; in Colombia it is 84%. Just 21% of Britons aged between 15 and 24 now agree that people who want children should get married, half the share in 1989.

The West seems set on a different course from the rest of the world, ►►



## ACKNOWLEDGMENTS

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► especially Asia, where traditional attitudes persist. In rural China a single man in his late 20s is seen as pathetic and perhaps even dangerous. In Japan only 2% of births are to unmarried women; in India and across much of north Africa and the Middle East the share may be even lower. In many poor and middle-income countries the law still does not recognise unmarried couples and treats their offspring as virtual non-people.

This special report will argue that much of what people think they know about marriage is wrong. In the West the institution is more resilient than it seems, although profoundly changed since the mid-20th century. In Asia, it is much more fluid and unstable than it might appear. What look like fundamental cultural differences between West and East are often just differences of timing and degree. Marriage is being transformed almost everywhere, and in many of the same ways. But different countries are at different stages of the journey.

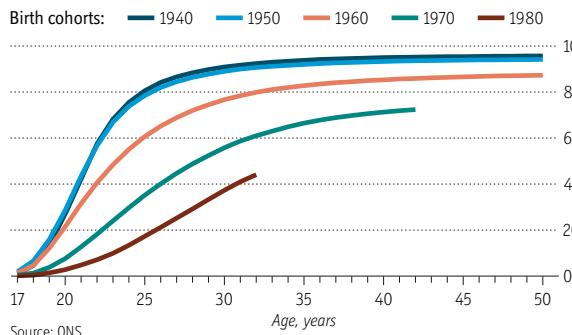
From west London to Chinese villages to Indian slums, three great changes are afoot. The first is that marriage decisions are being wrenched out of the hands of parents and relatives and made by the young people themselves. The clearest sign of this is the almost universal rise in the average age of marriage (see chart below). There is still a large gap between Norway, where women marry at an average age of 32, and Bangladesh, where they wed at 19. But there is also a crucial difference between marrying at 19 and at 16, which was the average in Bangladesh in 1974.

The second change is the emphasis on conjugal love. For much of Western history romantic love, or “familiarity”, was held not only to be unnecessary for a strong marriage but antithetical to it. William Gouge, an influential Puritan writer in 17th-century England, lambasted women who called their husbands “sweet, sweeting, heart, sweet-heart, love, joy, dear... duck, chick, pigsnie &c”, terms that struck him as undermining the wifely deference essential for a successful union. Many English couples probably ignored Gouge and went on murmuring sweet nothings, which is why he was able to collect so many of them. But his view was perfectly orthodox at the time.

Today love is triumphant. The merchants at the National Wedding Show invariably report that every couple insists on their wedding being romantic and special. “You don’t have to get married these days,” explains Anna Muckart, who makes charming wedding invitations. And because weddings are no longer obligatory, they must be extraordinary. Marriage has changed from being a rite of passage to a celebration of love and commitment—a sign that two people who already live together are ready to commit themselves further. Asian brides and

### From obligation to option

England and Wales, proportion of women married, by age, % of total



grooms often demur, arguing that marriage should be entered with a cool head and that weddings join families, not just couples. But even they now stress what they call “compatibility”.

When love is the basis for marriage, it follows that a marriage without love should be put asunder. The third great global change is the growing acceptance of divorce. It is now more common in many countries, especially fast-modernising ones where women are becoming economically self-sufficient. These days China and South Korea have divorce rates above the European and OECD averages.

### Where breaking up is hard to do

Churches and governments have often tried to resist these changes. Usually they have been humiliated. In America, even government-funded studies conclude that federal programmes aimed at strengthening marriage have almost no effect. Attempting to preserve unions by making divorce more difficult might just lead to fewer marriages. In Chile divorce was almost impossible until 2004 and is still not easy. Probably not coincidentally, Chile has the highest proportion of births outside marriage among the 35 members of the OECD.

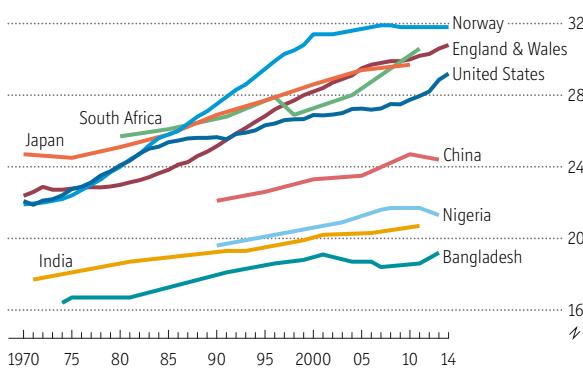
Almost everywhere marriage is becoming less obligatory, less coercive and less dutiful. It has not, however, lost any of its appeal or its private binding power. A recent survey of young Britons found that 93% aspire to marry. Even in countries where divorce is socially acceptable, people still believe that marriage is a special bond, not to be made or broken lightly. Its effects are expressed more accurately by novelists than by statisticians. The single life is rather like riding a moped, explains a character in “The Age of Grief”, a story by the American writer Jane Smiley: you feel every bump in the road. A marriage, particularly a marriage with children, is like an 18-wheel lorry barrelling along.

Study after study testifies that married people are healthier, wealthier and happier than unmarried ones, and less likely to split from their partners. It is hard to tell how much of this is because they are married and how much is a selection effect—happy, healthy people in strong relationships being more likely to get married in the first place. But academics who have tried to control for those things still tend to find a marriage effect. Wedlock seems to increase human happiness even allowing for the fact that many marriages fall apart.

In rich countries, the institution of marriage increasingly confers advantages on people who already have many. Affluent, highly educated men and women marry late and after careful consideration. Their marriages are highly successful—on average, almost certainly the happiest and most fulfilling that the world has ever seen. Among this privileged group, divorce is in-

### No rush

Women, average age at first marriage, selected countries



▶ creasingly rare. The marrying classes of the West are building unions as resilient as the dutiful ones found in poorer countries.

For many others, however, marriage seems to be moving out of reach. The working classes have become much less likely to marry than the middle classes, and when they do, their unions are more liable to break down quickly. Most working-class people still idealise marriage, but think of it as something to be undertaken at some point in the future, or perhaps not at all.

This report will examine the growing social divide in Western marriage, as well as an even more extreme social cleft in China, where a shortage of women may leave tens of millions of poor men without brides. But it begins in India, where weddings rival cricket as the nation's favourite pastime, and where old marriage practices are being discarded at alarming speed. ■

### Marriage in India

## The triumph of love

### As parents lose control over marriage, Indian society is shaking

INTO A CRAMPED, stuffy room on the outskirts of Delhi shuffles a middle-aged woman in a yellow sari. Giving her name as Nirmala, she launches into an account of a marriage gone horribly wrong. Her husband has become a drunkard, she says. He often comes in late and is sick on the floor. When drunk, he can be violent: recently he tried to strangle Nirmala, injuring her neck. Nirmala's father- and mother-in-law, with whom she and her husband share a home, are bullies who accuse her of lying in bed all day. So she has moved out to live with her parents.

Nirmala's husband, Chiranjit, has also turned up at the hearing, which is a *mahila panchayat*—a sort of informal marriage court run by women. He disputes little of what his wife has said. He points out, however, that he has defended Nirmala

against his brother, who has tried to beat her. He also says that she has attacked him on occasion.

The marriage would appear to be over. But that is not the conclusion drawn by Nirmala or Chiranjit, both of whom say they wish to be reconciled. The two dozen local women who have gathered to hear their case agree. Chiranjit should stop abusing his wife, defend her against his parents and clean up after himself when he is sick, they declare. For her part, Nirmala should reduce the sum she is demanding from her husband to get her injured neck treated. Fine, says Nirmala. She will return home, though if things do not improve, she will file for divorce.

India remains a highly traditional society. Marriage is much more about binding families, and much less about personal choice and fulfilment, than in most other parts of the world. Arranged marriages are so much the norm that people who find their own partners sometimes seek to disguise the fact. Among Hindus, caste barriers appear insurmountable.

But change is afoot, especially in the crowded, sprawling cities where a growing proportion of Indians live. Astonishingly quickly, India's most important social institution is being reshaped. Traditionalists loathe these changes; Westernised élites celebrate them. But even they underestimate the transformation.

Many young Indians now have mobile phones, which make secret courting easier. The growth of marriage websites and, more recently, dating websites has given them more control over the search for a partner. And India is becoming wealthier, more urban and more educated. A quarter of young Indians now go to university, and half of all students are women. Because marriage is usually delayed until people have finished studying and found a job, brides and grooms are growing older. As recently as 2005–06, 47% of Indian women in their early 20s were married before their 18th birthday. By 2015–16 the share had fallen to 27%—and just 18% in the cities.

Pandit Rajesh Sharma, a Hindu priest with a sideline as a marriage broker, says that power has shifted over the past 15 years or so. Although parents might seek marriage partners for their children, the final decision now rests with the young, especially among the urban middle classes. One large survey shows that the more educated the woman, the more likely she is to have met or communicated with her husband before the wedding day (see chart on the next page).

*Marriage in India is much more about binding families, and much less about personal choice and fulfilment*

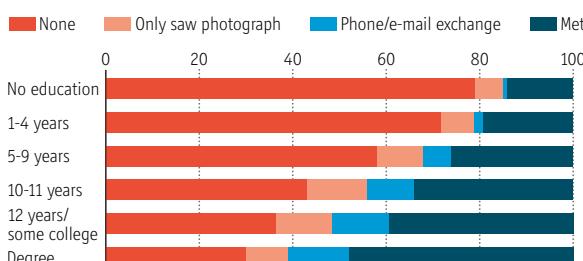
The perfectly chaste bride is going out of fashion, too, says Ajit Singh, a private investigator in Delhi. Mr Singh has a theatrical detective's hat and dark glasses, but spends much of his time on the unglamorous task of checking out prospective marriage partners on behalf of parents. Women's families usually want to know whether a man is as affluent as he says he is, and whether his mother is a bully. Men's parents, for their part, want to know about a prospective bride's romantic entanglements. To them, Mr Singh delivers a warning. It is a good idea to find out whether a girl currently has a serious boyfriend and whether she has been engaged before, he says. But prying any further will only lead to disappointment. "Everybody has a past," he explains.

Caste is weakening more than appearances suggest. Amit Ahuja, a political scientist at the University of California, Santa Barbara, has tested it by signing up ►►



**Blind dates**

India, wife's pre-marriage contact with husband  
By education, 2011-12, %



Source: India Human Development Survey

weds, Shazia and Subobh. They are an Indian rarity: a mixed Hindu-Muslim couple. They met when Subobh rented an annexe of Shazia's parents' house, from which he ran a mobile-phone business. The courting couple talked long into the night on their mobile phones. When the two sets of parents eventually learned about the romance, they were deeply shocked. But they accepted it, and the marriage went ahead.

These changes seem disconcertingly quick. The West took centuries to articulate an ideal of companionate marriage, and decades after that to elaborate social codes around dating and premarital sex, points out Ira Trivedi, a novelist who has written a book about marriage in India. In her country everything is happening at once. Until recently, she points out, many Indian men were unaccustomed to the sight of a woman's exposed upper arms. Suddenly they can download Tinder, a dating app created in Silicon Valley.

Conservatives consider the changes outrageous. Informal male-dominated courts known as *khap panchayats* strive to prevent inter-caste marriages (and, it is whispered, wink at honour killings). Hindu nationalists fume about "love jihad"—marriages between Hindus and Muslims in which the Hindu partner converts to Islam. India's Supreme Court is currently hearing a case brought by a middle-aged Hindu man whose daughter had married a Muslim whom she had met at medical college. A lower court had annulled the marriage, declaring that the new bride was "weak and vulnerable" and ought to have consulted her parents before the wedding.

For Madhu Purnima Kishwar, a culturally conservative feminist, nothing less than the future of Indian society is at stake. Love marriages—the Indian term for unions conducted in de-

eligible grooms to three of India's largest marriage websites. The men, who were very similar in every respect other than their caste, contacted women and measured how they responded. Many of these men seemed to be snubbed just because of their background. For example, only 33% of affluent upper-caste women responded to advances from successful lower-caste men. Intriguingly, though, 60% of less affluent upper-caste women expressed an interest in such men. That suggests Hindus now see caste not as an impenetrable barrier but as a bonus in the marriage market, like a university education or fair skin.

Sometimes urban anonymity and technology enable young people to challenge more fundamental social rules. In Shashi Garden, a slum near the centre of Delhi, live two newly-

## All in the family

### The practice of cousin marriage is doomed

CHARLES DARWIN MARRIED his cousin, and may have regretted it. The great scientist's experiments on plants later convinced him of the "evil effects" of persistent inbreeding. In 1870 he wrote to an MP, suggesting that the upcoming national census ask parents whether they were blood relatives. For, as he noted, consanguineous marriages were commonly said to produce children who suffered from "deafness and dumbness, blindness &c".

Darwin's request was turned down. Britain did not start keeping records of marriages between first cousins, nor did it ban the practice, as some American states were doing at the time. Instead, British society gradually changed so that marriage between cousins became undesirable, verging on unthinkable. The same is now happening across the world.

Data are patchy, but the trend is clear. In Jordan, 57% of marriages in 1990 were consanguineous, but by 2012 the figure had dropped to 35%. Surveys of Israeli Arabs suggest that 20% of marriages before 2000 were between first cousins, compared with 12% in 2005-09. Consanguineous marriage

has also declined in Pakistan, Turkey and south India. It seems to be growing nowhere except Qatar.

Health workers take credit for the decline. They have argued for years that consanguineous marriage increases the risk of genetic disease, on good evidence. One of the best studies is of Bradford, in northern England, where 37% of ethnic Pakistani babies born between 2007 and 2011 were the children of first cousins. Researchers found that cousin marriage doubled the risk of birth defects, from 3% to 6%.

Not all birth defects are serious, however, and a slightly higher risk of medical problems might not always be evident. Besides, there are arguments in favour of consanguineous marriage. In dowry cultures, women who marry relatives usually have to bring less money to the marriage. Parents who are blood relations will raise their children within a tight kinship web which may provide strong support. One survey in Oman showed that a majority of respondents understood the health risks of having children with a cousin, but a larger majority approved

of the practice all the same.

Yet cousin marriage is doomed, if only for demographic reasons. In many countries where it is common, birth rates are plunging. In the early 1980s Pakistan's fertility rate was 6.4 (meaning that a woman could expect to have that many children during her child-bearing years). That number is now thought to have come down to 3.4, and UN demographers expect it to fall to 2.4 by the early 2040s. In Iran, the fertility rate has crashed from 6.5 in the early 1980s to just 1.6.

Two academics, Bilal Barakat and Stuart Gietel-Basten, point out that when women usually have five surviving children, a woman can expect to have 25 male cousins. When the average number of children falls to two, that same woman will have just three male cousins, some or all of whom might be younger than she is, and thus ineligible as marriage partners. The marriage squeeze will be even tighter in cultures that insist, for example, that a woman marry not any old cousin but her father's brother's son. Eventually, cousin marriage will be crushed not by medics but by mathematics.



Joining the uxariat

England and Wales in 1970, whether single, divorced or widowed, 60 got hitched. Women married for the first time at a median age of 21, to men who were two years older. One-third of brides under 20 were bounced into marriage, with a baby arriving less than eight months after the wedding. To have a child outside wedlock was almost unthinkable.

These days the marriage rate in England and Wales is just 21 per 1,000 single women in any one year. The median age at first marriage has climbed to 30 for women and 31 for men. Having children outside marriage is almost the norm. Fully 48% of English and Welsh babies were born to unmarried mothers in 2016, up from 8% in 1970.

Marriage is no longer thought essential, even for raising children. Even so, Britons seem to idealise marriage more than ever. A once universal institution has become the mark of having made it, both romantically and economically. Among the privileged group of people who attain wedlock—call them the uxariat—marriage is becoming more egalitarian and more resilient. These changes are reflected in wedding ceremonies, in the division of housework and in bed.

NatCen Social Research, an independent institute, has been surveying Britons' attitudes to sex and marriage since the early 1980s. In almost every respect, it finds that people are becoming more liberal. In 2016, for example, 75% of Britons declared that premarital sex was not wrong at all, up from 42% in 1983. With each passing survey, fewer people say that couples who want children ought to marry first. But there is an important exception to this easy-going rule. All Britons, especially young ones, now take a more critical view of affairs. Marriage seems ever less necessary but also ever more inviolate.

An ever-shrinking share of the population embarks on it. In the first quarter of 2017, 65% of top professional adults in Britain were married, according to the Labour Force Survey. For people in routine jobs the proportion was 44%, and for the unemployed and those who had never worked 40%. Among women with young children the social divide is even sharper. The Marriage ►

► fiance of parents' wishes—do not last, she says. And when marriage ceases to be a family concern and becomes a purely private matter, family obligations of all kinds are forgotten. If Indian parents relinquish their control over their children's marriages, the country will be on a slippery slope to Western-style teenage pregnancies and old people left to moulder in retirement homes.

This is a caricature of the West—where, in fact, teenage pregnancies are rarer than they are in India. But conservatives are right to fear changes to marriage. There is indeed a link between arranged marriage and wider family obligations. Formally, at least, much of India is patrilocal: married couples are expected to live with the husband's parents. If a man's parents help him pick a bride, it is because they are also picking a live-in companion and, eventually, a nurse for their dotage.

### Cracks in the system

Once this web of obligations begins to fail, it can collapse quickly. What should worry conservative Indians is not so much that their country will go the way of America but that it will follow Japan. Arranged marriage was the norm in Japan before the second world war, and many retired Japanese lived with their children. Today arranged marriage is almost unknown in Japan, and children feel little obligation to take in their aged parents.

In India, meanwhile, marriage is also quietly eroding from below. Nirmala's threat notwithstanding, slum-dwellers whose marriages collapse seldom bother with divorce. Instead they separate from their spouses and take up with new partners. Sometimes they announce that they are now married to their new loves. Technically this is illegal, but nobody seems minded to interfere. "In all these years I have hardly ever seen a prosecution for bigamy," says Gouri Choudhury of Action India, a charity, who has been working with poor city women since the 1970s.

Nervously and unsteadily, India is letting go of old ways and groping towards something that resembles Western marriage. At the same time the West is in one sense turning more Indian. The idea that the best marriage partner is someone with the same family background and belonging to precisely the same social group seems to be rooted in the subcontinent. But something that looks remarkably like caste marriage is becoming increasingly common in rich countries. ■

### The West

## For richer

### In wealthy countries, marriage is no longer a rite of passage but a sign of having arrived

IN A CLASSROOM in southern England, a group of 17-year-old girls has just learned something extraordinary. The pupils are interviewing a couple, Jane and Graham Marshall, who have been sent to their school by the Students Exploring Marriage Trust, a charity that tries to promote wedlock by providing teenagers with real-life examples. Mr Marshall has mentioned that he has been married to Mrs Marshall for 48 years. "Aww," say the girls. Then they stop to think, because Jane and Graham do not look terribly old. Hold on, asks one pupil after a few seconds—how old were you when you got married? Nineteen, says Mr Marshall. The pupils gasp. "Whoa!" says one.

It is a long cultural journey from half a century ago to the present. Out of every 1,000 unmarried adult women living in

► Foundation, a charity, calculates that 87% of women in the highest-earning quintile with children under five are married, compared with only 24% in the lowest-earning quintile.

It is not quite accurate to say that in Britain the rich marry and the poor do not. Rather, marriage is favoured by well-off people and some ethnic minorities, especially immigrants and the offspring of immigrants from countries such as Bangladesh, India, Pakistan and Somalia, which have strong marriage cultures. The part of Britain with the lowest proportion of births outside marriage, at 20%, is Harrow, a middle-class London suburb where less than one-third of the population is white British. The highest rate, at 75%, is in Knowsley, a poor suburb of Liverpool where 19 out of 20 people are white Britons.

Laura and Richard, a middle-class couple in their late 20s living in Leeds, will marry next year. Both are clear about the proper order: marriage first, then children. They are less clear about why they believe this. Laura is Catholic but Richard is not, and she does not ascribe her views to her faith. "It's just how I've always thought I want my life to be," she says. It is probably significant, though, that almost everybody she and Richard know has done the same thing.

As marriage becomes the preserve of such careful people, unions are growing more resilient. If you wanted it to last, the worst years to marry in England and Wales, statistically, were in the mid-1990s. Among those who tied the knot in 1996, 11% had split up by the fifth year of marriage and 25% by the tenth. Couples who married a decade later are faring better. Among those who wed in 2006, 8% had split by their fifth year and 20% by their tenth year. More recent cohorts seem to be even more steadfast.

Much the same is happening in other countries. Across Europe, except in Belgium, highly educated women are less likely to have children outside marriage. In America education and marriage go hand-in-hand, to the extent that marriage rates are now higher among women with PhDs than among women with bachelor's degrees. At the age of 45, the average university-educated American man has led a fairly straightforward personal life. Fully 88% of such men have married, and three-quarters of those are still married to their first wives. Men who did not finish high school are less likely to have married and, if they have, more likely to have divorced (see chart).

The marrying classes have become ever better at picking partners who are similar to them. Three academic economists, Pierre-André Chiappori, Bernard Salanié and Yoram Weiss, have shown that white Americans are increasingly likely to marry partners of the same educational level. This trend is sometimes ascribed to the growing numbers of female graduates, but the economists control for that and still find evidence of growing selectivity. Other studies show that women tend to marry men who share their attitude to financial risk, and that people with similar levels of parental wealth tend to end up together.

These marriages of social and educational equals seem to

be satisfying, especially for women—who, at least in Britain, drive divorce trends. Since 1979 British men have consistently filed between 38,000 and 48,000 divorce petitions per year. Women, by contrast, went from filing 96,000 petitions in 1979 to 118,000 in 1993, before dropping to 65,000 in 2016.

Perhaps husbands have become less objectionable. Academics at Oxford University have shown that although women still do more housework than men, the gap has narrowed everywhere. In 1974 British women cleaned, cooked and laundered for 172 hours a year more than men. By 2005 they were putting in only 74 hours more. In America, the difference between the time married working women and men spent doing housework each day fell from 38 to 28 minutes between 2003-06 and 2011-15.

### Be fair

Not only are men behaving better; women increasingly prize better behaviour among men. Daniel Carlson, a sociologist at the University of Utah, has shown that couples (whether married or cohabiting) who share child care and housework duties more equally report greater satisfaction in their relationships and in their sex lives. In the 1980s and 1990s the opposite was true. Men and women used to be content to specialise—he paying the mortgage, she changing the nappies. No longer.

For those who achieve it, marriage increasingly looks like a triumph. More than in the past, it is a fulfilling union between two people who collaborate (if still rather unequally) in child care, housework and money-earning. Almost all couples now live together before they marry, so people are well aware of what their partners expect of them. Most will have several more years to fine-tune their behaviour before the arrival of children.

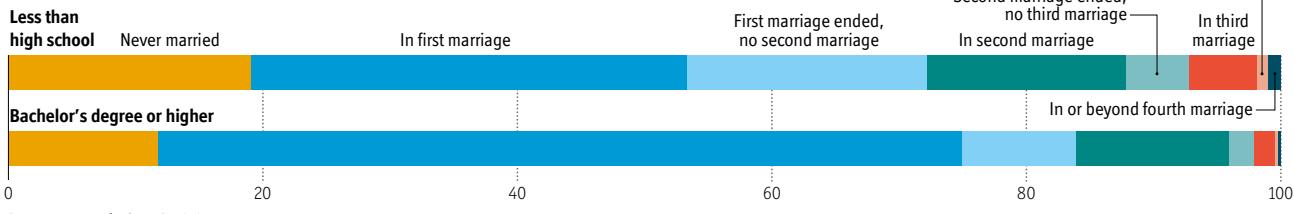
Weddings have come to express this triumphant view. Now that couples are older and wealthier, gifts are downplayed: some ask for donations to a favourite charity. Brides and grooms splash out on lavish ceremonies that demonstrate their devotion to each other. Mathilde Robert, managing director of Planet Weddings, has been organising ceremonies for British couples in Cyprus and Greece since the early 1990s. In the early years, she says, most of her clients were middle-aged and marrying for the second time. They had money and wanted to treat themselves; most invited only a few guests. These days most of her clients are marrying for the first time and invite dozens of people. The majority pay for the wedding themselves.

There is, however, a cost to this kind of marriage. If you insist on a strong relationship and a healthy bank balance before tying the knot, and on piling up even more wealth before starting a family, your chances of having the number of children you want become slimmer. In most rich countries, the more highly qualified the woman, the more likely she is to remain childless. Many childless people are perfectly happy. But others endure expensive medical treatment and great disappointment.

Little wonder, then, that many people choose a different ►

### Staying the course

Marital careers of American men aged 45-52, by level of education, 2010, % of total



Source: Bureau of Labour Statistics

## Adam and Steve

### The challenge from gay marriage is not what conservatives predicted

THE SCRIPT IS familiar by now. Supporters talk about freedom and equality, and point out that many other countries allow it. Opponents pose as plucky defenders of traditional norms, and warn that schools will push homosexuality and gender confusion on children. Then gay marriage becomes the law of the land. Australia is the latest country to go through these motions: on November 15th a majority of voters supported gay marriage in a non-binding plebiscite. The excitement will be quickly forgotten.

Few things have gone from unthinkable to normal with such speed. "I can't go that far—that's the year 2000," said President Richard Nixon in 1970 about a lawyer who appeared to favour same-sex marriage. But the US Supreme Court upheld gay marriage in 2015, and a poll earlier this year found that 64% of Americans now approve of it.

One possible explanation for the non-chalance is that the number of gay marriages has been fairly small. When they were legalised in Britain in March 2014, the government expected more than 9,000 gay weddings in the following year, but fewer than 6,000 took place. "It hasn't taken off as I would have hoped," says Emma Joanne of Shotgun Weddings, a photography firm based in Brighton, Britain's gayest burgh.

American polling data suggests that just one in ten lesbian, gay, bisexual and transgender adults are married to somebody of the same sex. Many gay people are young, and young people seldom marry, regardless of their sexual leanings.

Women have been keenest to go down the aisle. In Britain, Sweden and the Neth-



And Eve and Genevieve

erlands, marriages between women outnumber marriages between men. Women's unions are also more likely to break down. In the Netherlands, which legalised same-sex marriage in 2001, 82.1% of opposite-sex marriages joined in 2005 were still intact in 2016, compared with only 69.6% of marriages between women. Gay men were the commitment champions: 84.5% of their marriages had endured.

Opponents of gay marriage sometimes fret that it will spoil straight people's appetite for the traditional kind, but no evidence for this has emerged. Still, the long battle for gay marriage has left some traces. Many countries permitted gay civil partnerships before acceding to demands for marriage, and some have allowed straight couples to enter into such partnerships too. In the Netherlands this option has become popular. In 2016, 19% of all formal unions there were partnerships, up from 9% a decade earlier. These have almost all the legal force of marriage but few of the costly ritual trimmings (the most popular day to get partnered is Monday). Their popularity in one country suggests that some of the people now squeezing into wedding gowns might opt for a cheaper kind of union, so long as it was not dignified by the name of marriage.

► trade-off. In another paper, Mr Carlson examines what a mixed-race cohort of young Americans expected of life when they were interviewed in 1979 and what actually happened to them. Their aspirations were almost identical. Fully 98% of whites and Hispanics and 94% of blacks expected to marry, and all reckoned they would embark on parenthood at 23 or 24. White Americans hit the first target, more or less—90% ended up marrying—but were, on average, three years late in having children. Blacks and Hispanics, who in America are disproportionately working-class, came closer to hitting their ideal child-bearing age but fell far short of their marriage targets. Only 83% of Hispanics and 68% of blacks ended up marrying.

"Poor people and rich people want the same things," says Kathryn Edin, who studies the romantic lives of impoverished Americans. If anything, she says, the least fortunate cling most tightly to a romantic marriage ideal. Faced with messy reality, though, people of different means prioritise different things. Poor women tend to put children above marriage, largely because the men they might marry are not up to much.

#### A lost world

For a glimpse of working-class life and love in the mid-20th century, there is little better than Stan Barstow's British novel of 1960, "A Kind of Loving". Its protagonist, Vic Brown, is dragged into a miserable marriage after he gets his 18-year-old girlfriend pregnant. If that seems like an account of a lost world, so is the la-

bour market depicted in the novel. Characters walk out of stable jobs and into new ones with ease. At one point, a man who has been chastised by his boss for fighting calmly takes out a newspaper and runs his finger down the job advertisements.

These days a pregnant 18-year-old would probably not marry her boyfriend even if he asked. He may well be incapable of supporting her and the baby, and she has better options outside marriage than she did in 1960. Jobs for thinly educated men have become insecure and unrewarding. In America, wages for men who did not complete high school fell by 32% in real terms between 1979 and 2015; and men who finished high school but did not go to university earned 19% less than they did. Women fared somewhat better: pay for female school dropouts fell by 10%, whereas pay for those who finished high school was up by 4%.

That bleak economic reality helps to explain why attempts to promote marriage have such a dismal record. America's federal government has given hundreds of millions of dollars to programmes that seek to nudge poor people into wedlock or teach couples how to resolve conflict. These programmes have been found to have hardly any effect.

Conservatives point out that none of the barriers to marriage in Western societies are insurmountable. It is not necessary to have a lavish wedding. A man who sometimes drops out of work might nonetheless prove a good husband and father. Poverty does not in itself prevent anybody from tying the knot—at least not in Western countries. In China it does. ■

China

## In search of women

### A shortage of brides is bending Chinese society out of shape

IN PI VILLAGE, on the outskirts of Beijing, a man in his late 50s who gives his name as Ren is mixing cement for a new apartment building. As he shovels, he gives an account of bride-price inflation. When he married, his parents gave his wife 800 yuan, which seemed like a lot. Twelve years ago one of Mr Ren's sons married. His bride got 8,000 yuan. Recently another son married, and Mr Ren had to stump up 100,000 yuan (\$15,000). He is likely to be mixing cement well into his 60s.

Like India, most of China is patrilocal: in theory, at least, a married woman moves into her husband's home and looks after his parents. Also like India, China has a deep cultural preference for boys. But whereas India has dowries, China has bride prices. The groom's parents, not the bride's, are expected to pay for the wedding and give money and property to the couple. These bride prices have shot up, bending the country's society and economy out of shape.

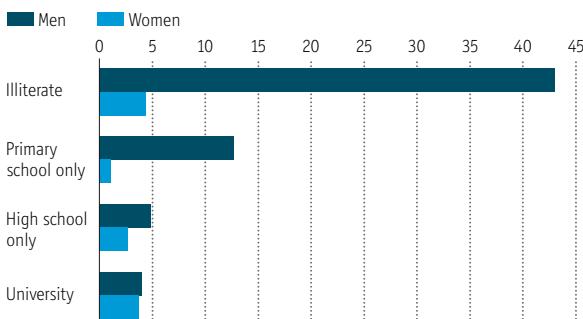
The cause, as Mr Ren explains, is a shortage of women. Without human intervention, about 105 boys will be born for every 100 girls: boys and men are slightly more likely to die, so by the time they reach reproductive age the number of men and women should be roughly equal. But many Chinese couples have tipped the scales. Driven partly by China's now-abandoned one-child policy, they have used ultrasound scans to determine the sex of fetuses and then aborted some of the girls. By 2010 there were 119 boys under five years old for every 100 girls. Two demographers, John Bongaarts and Christophe Guilmoto, estimate that China is missing more than 60m women and girls.

In the province of Shandong, in eastern China, the child sex ratio skewed early and drastically. It was highly unbalanced by 1990, and by 2010 had reached 123:100. Moreover, not all Shandong girls hang around awaiting marriage proposals from local boys. The province lies between Beijing and Shanghai, so it is easy for the province's young women—said to be unusually tall and beautiful—to migrate to the great metropolises in search of work and boyfriends. The result is a severe shortage, and bride prices that are barmy even by Chinese standards.

### The undateables

China, percentage of men and women who have never been married at age 35-39

By education



Sources: 2010 census; Quanbao Jiang



Get thee to a monastery

In Zhongdenglou, a tidy village in western Shandong, 30-year-old Deng Zhikuan runs a grocery store. When he married, ten years ago, bride prices in the village were between 2,000 and 3,000 yuan. Now they run between 200,000 and 300,000 yuan, although Mr Deng hears that as much as 500,000 has been handed over (50,000 yuan would be a respectable annual salary thereabouts).

### Past it at 25

Other villagers give similar figures. It is a buyer's market, complains Qiang Lizhi, a newly married man who runs a café nearby. A 47-year-old man, Deng Xinling, says that men are now considered shopworn if they are unmarried at 25. By contrast, no woman is thought too old to marry; even widows have no difficulty in finding husbands.

China's growing sex imbalance is driving boys' parents to desperate lengths. Some add another storey to their houses, not because they need the space but because a woman might be impressed. They give money to their sons to buy gold jewellery and pay for extravagant wedding photo shoots. They start saving early, then go into debt. China has a sky-high household saving rate: couples squirrel away 38% of disposable income, compared with 10% in notoriously frugal Germany. Two academics, Shang-Jin Wei and Xiaobo Zhang, estimate that half the increase in China's saving rate between 1990 and 2007 can be attributed to the rising cost of marriage in a society with too many men.

Some fear that worse is to come. The unmarried male population is concentrated both geographically and socially. China's women are taking advantage of their scarcity value to marry men from wealthier backgrounds, leaving many poor, illiterate rural men on the shelf (see chart). In a country where respectable adulthood is tied to marriage, the outcome could be a large pariah population and an epidemic of prostitution, abduction and organised crime in the countryside.

But if rural China were heading for social Armageddon, there ought to be some sign of it already. There is not. The inhabit-

► ants of Zhongdenglou tell stories about brides being imported from other countries, especially Vietnam—but these stories turn out to come from the news media. They seem to view single men with pity and scorn rather than alarm—“people will laugh,” says Mr Qiang. Understandably, many unmarried men disappear, migrating to jobs in the cities in order to build up their savings. By the time they give up on marriage, in their 40s, they are too old to cause much trouble.

Perhaps the most likely outcome is that China will endure a painful, decades-long marriage squeeze before the problem solves itself. Silly bride prices are an economic signal to which families are already responding. Lihong Shi, an anthropologist at Case Western Reserve University in America, says that many rural Chinese families have already come to view sons more as economic burdens than as security for their old age. If one believes Chinese statistics, the sex ratio at birth has fallen from a peak of 121 boys to 100 girls in 2004 to 114:100 in 2015.

Besides, as China becomes more mobile, patrilocal customs are breaking down. Married couples often live far from their aged parents and support them by sending money home. It turns out that daughters can look after their parents just as well as sons—and, according to Ms Shi, are thought to be better at the daily practicalities. Couples who failed to produce a boy 20 or 30 years ago, and endured the mockery of their neighbours, are having the last laugh. ■

### Parenthood

## The four-handed juggling act

### Marriage, it turns out, is still the best place for children

IF YOU TAKE a long, wide view, marriage and personal relationships are in fine shape. Parental coercion is weakening; marriages are becoming more egalitarian; enormities such as child marriage are fading. Even in countries where divorce is common, most marriages last. A couple who tied the knot in England or Wales in 2012 can be expected to stay together for 32 years, according to the Office for National Statistics. By contrast, the average pre-industrial English marriage endured for just 15–20 years before one partner perished. The vows in the Anglican wedding service, in which couples promise to love and cherish each other “till death do us part”, used to be laden with doom.

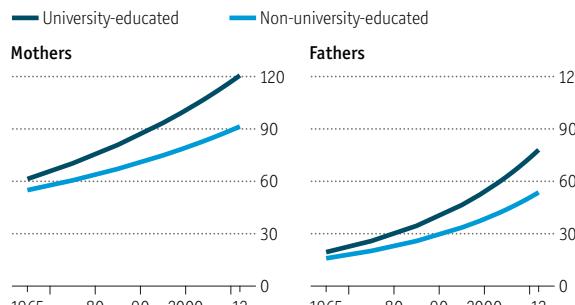
Nor, if only the couples are considered, is the spread of cohabitation anything to worry about. Fewer people have jobs for life these days, or even careers for life, so it seems odd to expect them to leap into lifelong romantic commitments. Demographers used to argue that living together before marriage raised the risk of early divorce. But couples who move from cohabitation to marriage often start living together when they are quite young, and what is risky is not sharing a bedroom before marrying but living together in young adulthood, whether or not you have a wedding ring when you embark on it.

However, there is one big reason to worry about the quality and longevity of people’s intimate bonds. It is that relationships often produce children, and children are profoundly affected by how their parents get on.

You could make enough confetti for a summer of weddings with all the academic papers that show how much children gain from being brought up in stable, loving families, and how much

### Hothousing

United States, daily child care, by education level, minutes



Source: "Educational Gradients in Parents' Child-Care Time", by G. M. Dotti Sani and J. Treas

they suffer when those families break down. Culture and customs make little difference. In Japan, four-fifths of single-parent households emerge when couples divorce—a much higher share than in the West, where people usually slip into single parenthood without marrying. Japanese children living with only one parent nonetheless perform significantly worse in school tests, just as children from single-parent families do in Europe and America. In poorer countries, family breakdown can kill. According to one recent estimate, the chance that an African child will die before turning five is about 25–30 per 1,000 for those born into stable families, but 35–40 per 1,000 for the children of single, divorced or widowed parents.

Marriage is not always good for children. They do not benefit when a parent marries somebody who is not their mother or father, and seem to suffer if the parent they live with cycles through several relationships. What they seem to need most is for their biological parents to stick together. And one strong claim that can be made for marriage is that it appears to glue parents together more tightly than any other arrangement.

Analysis of one large American data set by Kathryn Edin and Laura Tach, two sociologists, shows that 27% of marriages broke down within nine years of a child being born. By contrast, among couples who were merely cohabiting when a child appeared, 53% separated within nine years—and most of the remaining 47% were married by that point. Among couples who were dating but not living together when the child was born, 81% had split up.

Again, this pattern runs across national and cultural borders. Cohabiting couples behave a bit more like married couples in countries where giving birth outside marriage is very common, such as Estonia and Norway. But they seldom attain the same level of stickiness as married couples, even after controlling for the mother’s level of education.

### Deconstructing marriage

Statistical controls are important. Some people are more likely to choose to wed than others. Married people tend to be not just more highly educated than unmarried ones but also wealthier, older, more religious, more cheerful and more likely to own a home. Many of these characteristics are also associated with happy, successful children.

Studies that have wrestled with this problem have concluded that the greater the number of personal characteristics you control for, the less magical wedlock appears to be. Yet the effect of marriage cannot quite be controlled away to zero. Ms Edin and Ms Tach found that more than two-thirds of the difference in the nine-year break-up rate between married parents and those who



► are only dating when a child is born can be explained by personal characteristics (such as education, employment, criminal history and women's feelings about men). But that still leaves almost a third of the difference attributable to marriage or to other, unmeasured factors.

Another researcher, Rebecca Ryan, adds an intriguing wrinkle. After controlling for various selection effects, she finds that the children of married parents at age three do better on a standard picture vocabulary test (which might ask them to point to a drawing of a mouse or a laughing person). But this is only true, on average, for the children of married parents whose background suggests they were likely to marry. So cajoling young, poor couples into marriage might not help their offspring.

As some researchers grapple with the slippery question of what marriage does, others are studying how parents bring up children. They find huge differences not just between well-educated, privileged people and others but between modern parents and past ones. When their conclusions are set next to those of the marriage researchers, the consequences of marriage become a little clearer.

#### Committed to the cause

With apologies to older readers of *The Economist*: parents these days take a lot more trouble over the job, or at least middle-class parents do. One analysis of 11 rich countries estimates that the average mother spent 54 minutes a day caring for children in 1965 but 104 minutes in 2012. Men do less than women, but far more than men in the past: their child-caring time has jumped from 16 minutes a day to 59.

At the same time a gap has opened between working-class and middle-class parents. In 1965 mothers with and without a university education spent about the same amount of time on child care. By 2012 the more educated ones were spending half an hour more per day. (The exception is France, where the stereotype of a bourgeois couple sipping wine and ignoring their remarkably well-behaved progeny appears to be accurate.) In America, another analysis shows that black children under two on average receive one hour a day less attention from parents than white children. The explanation seems to be more poverty among blacks.

Privileged parents also give their children a different kind of attention. They play more. They tend to respond to children's questions with questions of their own. They fill their children's

waking hours with music lessons, organised sport and assorted mind-sharpening activities. Some parents have schedules for their offspring stretching 18 months into the future, known in America as "mom planners". In short, they engage in what Annette Lareau, a sociologist at the University of Pennsylvania, calls "concerted cultivation". And still their children complain of being bored.

Though this style of child-rearing is easy to mock, the problem with concerted cultivation is not that it is ridiculous, but that it is extremely effective. Affluent children raised in this way are exposed to many more words and complex ideas than poorer children. Ms Lareau, who studied a dozen families over many years, found that the upper-middle-class children became far better at negotiating with institutions to get what they wanted—skills that helped them later in life.

This style of child-raising requires a lot of time and cultural knowledge, though, not to mention a lot of money. Working-class parents, who love their children no less, tend to lack these things. They also lack the institutional awareness and the powerful friends that would help them take on a teacher when things go wrong for a child at school. Their approach to child-rearing tends to rest on the idea that children grow up by themselves, and need above all to be kept happy and safe.

In this context, the true purpose of middle-class marriage becomes apparent. People fall in love with and marry people who are just as highly educated as themselves. They define and express their shared values through expensive wedding celebrations.

After marriage, they continue to fine-tune their relationships and pool their resources. When children appear, they put their accumulated social and cultural capital to work. Married couples engage in a demanding four-handed juggling act that prepares their offspring for success at school, university and the most demanding jobs. Their children marry well, and the cycle begins again.

All this can be done by couples who are not married; it can also be done by single parents. But it is probably a little easier with the additional glue and social recognition that marriage brings—and the sharp-elbowed middle classes will take any advantage they can get. As well as promising to love and cherish, marrying couples might as well vow to transmit every one of their social advantages to their children—though somehow that sounds a little less romantic. ■

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*Privileged parents give their children a different kind of attention*



## Germany

## Taking the long way round

BERLIN

### The break-up of coalition talks leads the country into uncharted territory

THE clock was nearing midnight on November 19th when Christian Lindner walked out. Angela Merkel's Christian Democrats (CDU), Bavaria's Christian Social Union (CSU), Mr Lindner's Free Democrats (FDP) and the Greens were close to reaching a deal after weeks of preliminary coalition talks—or so observers thought. In a brief statement, the FDP's leader shattered their expectations. The talks had failed to yield a "common vision" for the future of the country, he said. Entering a coalition would require his party to give up its principles: "It is better not to govern at all than to govern wrongly."

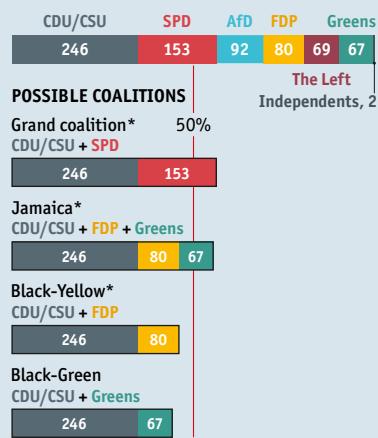
Mr Lindner's walkout has put Germany in an unprecedented situation. With the option of a so-called Jamaica coalition (the parties' colours are the same as those of the Jamaican flag) all but off the table, coalition talks have failed to produce a government for the first time since the federal republic was founded in 1949. For Angela Merkel, already weakened by poor election results, the failure to form a government is a further blow. Yet it does not herald political crisis. Germany's constitution, drafted by men and women who had witnessed political turmoil turning into dictatorship, prizes stability above all. The previous administration will stay on in a caretaker function for as long as it is needed. The Bundestag went into session as planned

on November 21st, albeit with added grumbling about the FDP.

There was always a risk that the talks might fail. The election in September returned an unusually fragmented parliament, with seven parties represented rather than the usual four or five. The Social Democrats' refusal, after heavy losses, to continue the coalition with the CDU and CSU forced parties to the table who have

#### Tough numbers

Germany, federal election result  
Number of seats won, 2017



Source: Bundestag

\*Currently ruled out

#### Also in this section

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never been natural allies.

The talks were marred by frequent leaks and public sniping. The number of refugees Germany should be helping was a particularly contentious issue. The CSU and the FDP, which had fought an election campaign based on opposition to Angela Merkel's *Willkommenspolitik*, wanted to limit the number of refugees admitted to the country to 200,000 a year. The decision to make this cap flexible to win the support of the Greens was one of Mr Lindner's main criticisms. He also complained of insufficient regard for key FDP aims such as the abolition of a special tax meant to promote investment in the east, the rejection of greater risk-sharing in the euro zone and the protection of jobs endangered by policies to limit climate change. In retrospect, many of those involved in the negotiations share Mr Lindner's assessment that the group lacked a common vision.

Mr Lindner said on November 21st that he felt "humiliated" by the Greens, which suggests he feared a coalition that would force his party to make too many concessions. The FDP remains scarred by the election of 2013, when voters kicked it out of the Bundestag. This followed a coalition with the CDU/CSU alliance during which the FDP's election promises were quietly buried and its support for bailing out Greece contributed to the rise of the anti-EU Alternative for Germany (AfD). Going into opposition may allow Mr Lindner to sharpen the FDP's profile as a right-leaning liberal party that would appeal to those who consider the AfD too radical but dislike the green and social-democratic streaks in Mrs Merkel's CDU. A snap poll suggested that his party's support has gone up a bit. ►

Criticism of Mr Lindner may increase if his move results in another election. But it may not come to that. The Bundestag cannot simply dissolve itself if no government is formed, a safeguard installed to prevent a repeat of destabilising Weimar-era snap polls. Angela Merkel, as caretaker-chancellor, cannot ask for a vote of no-confidence. What happens next is down to Frank-Walter Steinmeier, the president, who must now suggest a candidate for chancellor. Mr Steinmeier wants to avoid a new election. The day after Mr Lindner's walkout, he reminded the parties that the responsibility to govern was not "one we can simply hand back to the voters". As Jan Josef Liefers, a well-known German actor, put it on Twitter: "It was our fault, we didn't vote well enough. Sorry for the bother."

Mr Steinmeier has held private talks with the leaders of the Greens, the FDP and the CSU to see if they might return to the negotiating table. As *The Economist* went to press, he was also planning to talk to the

SPD's Martin Schulz. A CDU/CSU-SPD coalition would have a workable majority, and there was some indication that the SPD might back down from its earlier insistence on remaining in opposition. There were rumours that the party might even oust Mr Schulz and replace him with a leader more favourable to making such a deal: that would of course require a whole new set of negotiations.

If his talks do not come to anything, Mr Steinmeier could press Mrs Merkel to lead a minority government instead of making use of his right to dissolve parliament. That would be a novelty in Germany. It would go against Mrs Merkel's reactive political style, forcing her to fight for policies with opposition parties. If, however, there is a new election (which polls say is Germans' preferred option), the niceties of the constitution imply that it would be unlikely to happen until February or March. Whatever happens, voters are going to need patience over the coming weeks. ■

sia fell from \$69bn in 2013 to just \$6.8bn in 2015. Yet with time, businesses adjusted to the new conditions. Western executives gradually returned to Russian gatherings. Foreign investors again gobbled up Russian government bonds.

As well as stopping Mr Trump from backsliding, CAATSA moderately increases the pressure on the Russian economy. It extends the restrictions on investing in new Russian oil and gas projects to the operations of Russian firms in third countries. Yet the effectiveness of these new sanctions, which the administration is allowed to pause until late January, is undermined by the fact that European firms have been ring-fenced from their effects. Gazprom, Russia's natural-gas giant, which supplies Europe with a huge amount of gas, has also been excluded from the sanctions lists, as is Nord Stream 2, a second trans-Baltic gas export pipeline to Germany. Some American officials would have liked to see that project blocked, but the desire to preserve unity between America and the EU turned out to be more important, says Daniel Fried, a former US official who designed the initial sanctions.

America and Europe did not want to fall out over arms sales, either. CAATSA extends existing sanctions to make sure that anyone engaged in a "significant transaction" with the Russian defence and security sectors can be affected. But as the world's second-largest exporter of arms, Russia supplies many of America's friends, including India, Vietnam and Iraq, as well as some NATO members including Turkey, Greece and some former Warsaw Pact members in eastern Europe. So decisions on applying sanctions to Russian arms sales will also be made case by case.

It is the personal sanctions that worry the Russian elite most. CAATSA allows "secondary sanctions", meaning that American officials can go after anyone, in any country, with significant business dealings with the so-called "specially designated nationals" (SDNs) who are already under sanctions—such as Igor Sechin, the head of Rosneft, the state oil firm, and Gennady Timchenko, an oligarch with interests in transport and energy. Depending on how CAATSA is implemented, this could make some of Mr Putin's closest allies and cronies as toxic as other SDNs in Hezbollah, Iran or North Korea. A Chinese energy firm or a Western consultant dealing with any of the Russian SDNs could be affected. "This is absolutely nuclear," says a Russian official. "It goes beyond anything we had during the cold war."

Another part of CAATSA requires the administration to submit a report to Congress identifying Russian oligarchs and senior foreign-policy officials with close ties to Mr Putin and his inner circle. Although the report will not place those named in it under sanctions, it makes them potential ►

## Sanctions on Russia

# Waiting for the other shoe to drop

MOSCOW AND WASHINGTON, DC

## The Russian elite are spooked by America's next round of sanctions

LAST January, shortly after Donald Trump was sworn in as America's president, telephones started to ring in several Senate offices. The White House, staffers learned, was drafting an executive order to lift some of the sanctions imposed on Russia in response to its war against Ukraine in 2014. "We were horrified. Everyone was calling each other and we soon realised that all heard the same thing," one recalls.

The staffers promptly leaked the rumour, and began work on a bill to turn the sanctions, imposed by executive order under Barack Obama, into law. The idea was to stop Mr Trump from lifting them unilaterally. Although the earlier sanctions were related to the Russian invasion of Ukraine, it was evidence of Russia's meddling in America's elections, not to mention Mr Trump's worryingly consistent praise of Vladimir Putin, Russia's president, that propelled Congress into action. The result was the Counter America's Adversaries Through Sanctions Act (CAATSA, which also includes measures against Iran and North Korea), the only piece of legislation to be almost unanimously supported by both parties in Congress. Passed by 419-3 in the House and 98-2 in the Senate, it left Mr Trump with no choice but to sign or have his veto overridden.

The new law, signed in August, entrenches and in places tightens the sanc-

tions of 2014, which have cut off Russian firms from most Western sources of financing. Economically, they compounded the effects of the oil-price collapse on Russia's economy in 2014 and have hampered Russia's ability to climb out of the trough. Uncertainty about their scope has made foreigners cautious about dealing with any Russian firm, not just with those directly targeted. Foreign direct investment in Rus-



Trump's hands are tied

A fishy tale

## Failing the smell test

AMSTERDAM

Can the Dutch still trust their herring-tasters?

**H**ERRING (genus *Clupea*, with four species found in the Baltic and North Seas) have been vital to northern Europe's economy since the Middle Ages, when fishermen worked out how to preserve them in brine. Every north European country maintains that there is a right way to eat the fish, but they differ as to what it is. In Sweden Baltic *surströmming* are fermented until slightly rancid. In Denmark the sill are pickled, or cooked and eaten in long strips. In the Netherlands *haring* must be lightly salted for preservation but otherwise raw, dipped in minced onion and accompanied with a pickle. No food is more loved.

So the Dutch were shocked when accusations surfaced in November that there was something rotten about the national herring test. The test, sponsored by the *Algemeen Dagblad*, a newspaper, is carried out by two expert tasters, who each year rate the herring at over a hundred shops and stands across the country. Ben Vollaard, an economist at Tilburg University, was surprised when his respected local fishmonger scored zero. The merchant told Mr Vollaard that one judge routinely tipped the scales, giving higher scores to stores that get their fish from the Atlantic Group, a distributor in Scheveningen. The judge happened to be a consultant for Atlantic, giving courses on how to slice and serve herring.

"I saw how much damage a low rating could do. The judges act like God," says Mr Vollaard, who specialises in using statistics to detect crime. He decided to run the numbers. The ratings include objective criteria, like weight and fatness, and subjective ones such as taste and appearance. The economist contacted 85% of the shops surveyed in the past two years and asked who their distrib-



In a pickle

utors were. He found that whereas the overall average score was 5.5, the average for those supplied by Atlantic was 8.7. The extra boost for the Atlantic stores came mainly from the subjective scores.

Mr Vollaard's study has blown the lid off the sealed world of Dutch herring. Fishmongers who long suspected the judge of bias towards Atlantic now say the test is rotten. Two who received low ratings have vowed to sue the *Algemeen Dagblad* for defamation.

The judge and Atlantic say they have been smeared, and that the statistical evidence is a red herring. They say Mr Vollaard's figures are off, and that their high scores are due to their superior fish. But the charges of *belangenverstrekking* (conflict of interest) have left the test's reputation for impartiality gutted.

► targets if the confrontation between Russia and the West escalates, thus perhaps making them pariahs in advance. The report, which will also estimate the wealth and sources of income of family members, including siblings, children, parents and partners, has already sown panic among the Russian elite.

"Who will be doing the checking? Is it the FBI, the CIA or someone else?" asks one of Mr Putin's loyalists nervously. "Nobody likes what is happening. But there is not much we can do about it," he admits. Inclusion in the report will be almost impossible to reverse. But the definition of an oligarch remains vague.

The report is due out by early February—just weeks before Russia's presidential election—and could have large political consequences, fuelling anger at America among the elite and giving new ammunition to Alexei Navalny, Russia's leading opposition figure and anti-corruption crusader. Still, implementation will be the key. The tension between Congress and the White House which triggered the legislation may also undermine its execution. But although the administration may not be breathlessly eager to implement personal sanctions, it cannot ignore them, either. "We will be watching them like hawks," says a Senate staffer. ■

Ratko Mladic

## Life for genocide

PRISTINA

A guilty verdict ends years of trials for war crimes in the former Yugoslavia

**R**ATKO MLADIC, the military leader of Bosnian Serb forces during the war of 1992–95, shouted "lies" at the court. Nevertheless, the UN's Yugoslav war-crimes tribunal in The Hague found him guilty on November 22nd of genocide, war crimes, and crimes against humanity. There were no surprises in the verdicts and no surprises in the reactions. Mr Mladic has been sent to prison for life; and next month the tribunal will shut up shop for good.

Mr Mladic was a ruddy-faced soldier's soldier. He did not lead from behind. His troops loved him. He became, and still is, an icon for many Serbs. He saw himself as a defender of the Serbian nation, having taken up the sword as generations before him had done to fight for his people. He said he was innocent of all charges. Like many Serbs he was convinced that the tribunal was an anti-Serb kangaroo court.

Mr Mladic believed in revenge. During the second world war his father, a communist partisan, died fighting Croatian fascist forces. As a Yugoslav army general he helped the Croatian Serbs carve out a short-lived secessionist enclave in Croatia in 1991. When his troops took Muslim-held Srebrenica in 1995 he notoriously said: "The time has finally come for revenge against the Turks who live in this area." The Turks left Bosnia in 1878, but he used the term to disparage his Muslim enemies. In the next few days over 7,000 men and boys were murdered in cold blood.

The Hague tribunal found him guilty of genocide for the murders carried out at Srebrenica, but not for those in six other Bosnian municipalities where, although the judgment said that war crimes had taken place, it also ruled that they had fallen short of genocide. This verdict echoed that of 2016 against Radovan Karadzic, the political leader of the Bosnian Serbs during the war. Mr Mladic was also found guilty of terrorising the citizens of Sarajevo during his siege of the city, and of taking UN soldiers hostage.

If Mr Mladic remains a hero to many Serbs, to those who fought him he is the devil incarnate. The trial will have changed no minds. The tribunal sought to bring reconciliation to the region, but it failed, though it has amassed a huge archive of testimony about every detail of the Yugoslav wars, a vital resource for future historians. Still, the hope had been that if political and military leaders ended up in court for their deeds in wartime, that ►

would discourage future ones from committing such atrocities. From Syria to the ethnic cleansing of Myanmar's Rohingyas, this has proved to be a pious dream.

Terrible things happened during Yugoslavia's wars. Justice caught up with some perpetrators, such as Mr Mladic, while many others got away. Now, with this last trial over, history has moved on. Bosnians, Serbs, Croats, Kosovo Albanians and others in the region live with the legacies of past crimes. But more than revenge, they want better schools, health care and jobs, like everyone else. Today's leaders have nothing more to do than to get on with the boring task of making life better for the citizens of the seven little successor states of the old Yugoslavia that Mr Mladic and his like destroyed. ■

#### Labour rules

## The Swedish example

STOCKHOLM

#### The EU plans to make parental leave more generous

**W**HEN Johan Braven had his first child he took nine months of leave. For the second he took ten months, the same amount as his wife. "I was afraid of not having the bond if I didn't spend time at home with the children too," says Mr Braven. The first country in the world to allow couples to split parental leave (in 1974), Sweden offers each couple 480 days between them for each child. During the first 390 of those days, they are paid at close to 80% of their previous salary—by taxpayers. Ninety of those 480 days are reserved for each parent. The time can be taken up until the child is eight.

Parents in the rest of Europe are far less generously treated. In most countries parental leave, other than time taken by either parent as maternity or paternity leave immediately before (in the case of women) and after the birth of a child, is unpaid, and there is a lot less of it; currently 18 weeks per parent in Britain, for instance.

The European Commission now wants to bring aspects of the Swedish model to the rest of Europe. Negotiations began at the end of September on a new work-life balance directive, much of which is aimed at overhauling parental leave, the latest in a series of attempts it has made to update the laws. Under the new directive the length of leave available to parents—currently set by EU rules at a minimum of four months per child—would not change, but it would have to be paid at least at the same rate as a country's statutory sick pay (EU rules currently mandate only unpaid leave, which many people choose not to take). These

four months would be non-transferable, forcing men to use their parental leave or lose it. They would also be available to be used at any time up until the child turns 12. Additionally, the directive plans to introduce a minimum ten-day paternity leave to be used immediately following birth.

One aim of the changes is to help women back to work after having children by making sure they can get time off when they need it. Across all member states the female employment rate is 12 percentage points lower than for men: in Greece just 48% of women are in work, compared with 67% of men. Another aim is to close the pay gap. On average this is 16%, but in some countries, such as Estonia, it is as high as 27%. Moreover, although 32% of working women in the EU work part-time, only 8% of men do. The difference is greatest for those with children.

For some, though, the bill does not go far enough. Montserrat Mir Roca, of the European Trade Union Confederation (ETUC), says the group welcomes the directive, but will "keep pushing". "Getting pregnant right now in Europe carries the risk of ending up in a lesser-paid job," says Barbara Helfferich, an ETUC adviser. Legally women cannot be dismissed for taking leave but in reality they come back and "three weeks later they're sacked or moved to something else."

For business groups in Brussels, however, the directive is a large step too far. "We already have a good level of parental leave in Europe," says Markus Beyerer, director-general of Business Europe. "Now is not the moment to add costs and burden to employers." The directive will not only deter hiring but encourage parents, particularly women, to "keep out of the labour market", driving up the pay gap, says Mr Beyerer: "The money would be better spent improving child-care facilities." According to Mr Beyerer, member states will also take

umbrage with the EU meddling so deeply in social policy, especially those with high levels of sick pay like France. Such countries may be forced to reduce sick pay.

At a national level, a number of reforms to parental leave are under way. In Italy the government launched a campaign this year to encourage fathers to use their entitlement, and in Austria a new law came into force in March which rewards parents for sharing leave equally.

Despite being the model for the commission's proposed reform, the Swedish system itself is under review. "Everything is open to change," says Victor Harju, a spokesman for the Ministry of Health and Social Affairs. The government fears, correctly, that the rules have made it hard for female migrants to find jobs, since companies know they can retroactively claim parental leave for all their existing children.

Eastern European countries present a particular problem, says Mary Collins of the Brussels-based European Women's Lobby, an umbrella group. This is not only because maternity leave tends to be much longer, with women in Poland, for example, taking up to four years off (the last three of them largely unpaid), but also because people are a lot "more traditional" about gender roles. Although women can choose to share part of the first year with their partners, "most do not," says Kasia Boruta from Wroclaw, Poland. Her husband took just two weeks off, partly because he was on the verge of getting a promotion, but also because "being at home also means doing the housework," says Mrs Boruta. "This is a woman's role."

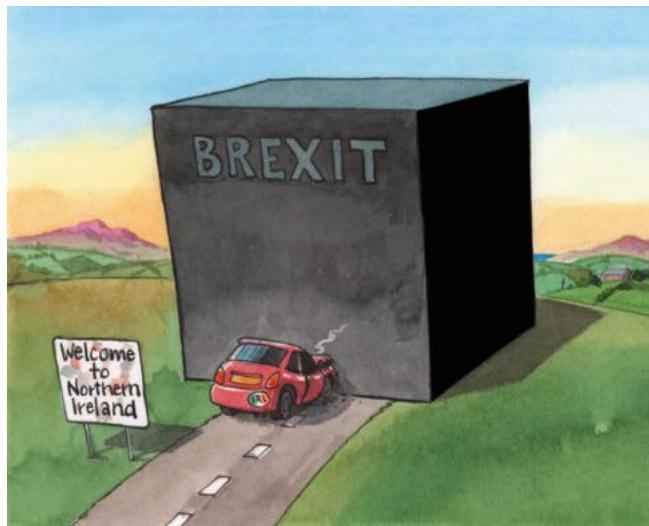
With the directive yet to pass through either the European Parliament or the Council of Ministers, its opponents still have plenty of time to tone down some of the more costly and intrusive proposals. The EU, says Mr Beyerer, should not "decree transformation overnight". ■



More time with the toddlers

# Charlemagne | Border blues

Brexit explodes the ambiguity that has underpinned stability in Northern Ireland



CROSSING the border between Northern Ireland and his home in the south always left the young Gabriel D'Arcy sweating. But that is because he was invariably overdressed. In the 1960s the D'Arcy family made regular sorties to the north to buy cheap clothes; on the way home the children would layer on their purchases and sit bulging in the back seats as grinning Irish customs officials pretended to check the car for contraband. Today, as the CEO of LacPatrick, an Irish dairy firm with complex supply chains that zigzag across the border, Mr D'Arcy worries that Brexit will revive dangers that people on both sides thought had been consigned to the past.

The adamantine certainties of the Brexiteers are an ill fit for the ambiguities of Northern Ireland. Talk to any Irish official and one assertion soon surfaces: Her Majesty's Government has not thought this through. After nearly 18 months of rumination, it is clear that there is no way to reconcile Britain's aims of yanking the province out of the EU's single market and customs union, and maintaining its seamless border with the republic, across whose 300-plus crossing points 110m trips are made annually.

The issue is pressing. Britain planned to delay tackling the border issue until the start of trade talks with the EU it hopes will get the go-ahead at a summit next month. Instead, Leo Varadkar, the Irish taoiseach (prime minister), and Simon Coveney, his spiky foreign minister, have threatened to veto that if Britain fails to offer "tailor-made solutions" for avoiding a hard border. Suddenly the Irish issue has become the biggest obstacle in the Brexit talks. Making matters more ticklish, Theresa May's government in London is propped up by Northern Irish unionists hostile to any manoeuvre that weakens their link to the mainland. Northern Ireland itself is in crisis, without a government since January.

Ireland's membership of the EU, which it joined alongside Britain in 1973, helped diversify the economy away from its larger neighbour, especially after the single market was established in 1993. In time it also provided a basis for improved Anglo-Irish relations. Brexit not only threatens Irish prosperity. It also places two countries that had been enjoying a golden age of good-neighbourliness on opposing sides of the negotiating table and in the cross-hairs of each other's tabloids (Mr Varadkar has been instructed by the *Sun*, a British red-top, to "shut his gob...and grow

up"). But Ireland's EU membership at least leaves it better placed, diplomatically and economically, to weather the storm.

Northern Ireland, every border region of which voted to stay in the EU, labours under rawer concerns. If the 1998 Good Friday Agreement, which helped end the decades-long Troubles, failed to lessen the sectarianism that had fuelled the violence, it diluted touchy questions of identity. Under its provisions the Northern Irish may be citizens of Britain or Ireland, or both. The province enjoys a status distinct from that of the other British nations, guaranteed by both Britain and Ireland. North-south institutions govern matters of joint concern, from food safety to waterways. The agreement's "consent principle" gives the north's republicans a path to reunion with Ireland, should they win majority support for it. And without checkpoints, border regions have found that commerce, in Mr Coveney's words, can be "a great healer". Today the councils of Derry-Strabane (in the north) and Donegal (across the border) exploit the common regulatory space that EU membership provides to market themselves to investors as the single economic unit of "Ireland North-West".

Brexit undermines all this, with particularly grave economic consequences for the still-struggling north. It is "quite remarkable", says John Bruton, who as taoiseach in the mid-1990s helped create the conditions for the peace settlement, that French, German and Italian leaders take the Good Friday Agreement more seriously than their British counterparts. A return to full-scale violence is not in store. But Jim Roddy, a community leader in the Northern Irish border city of Londonderry, says low-level paramilitary and gangland activity "has increased significantly" over the past year. He fears Brexit could make it worse.

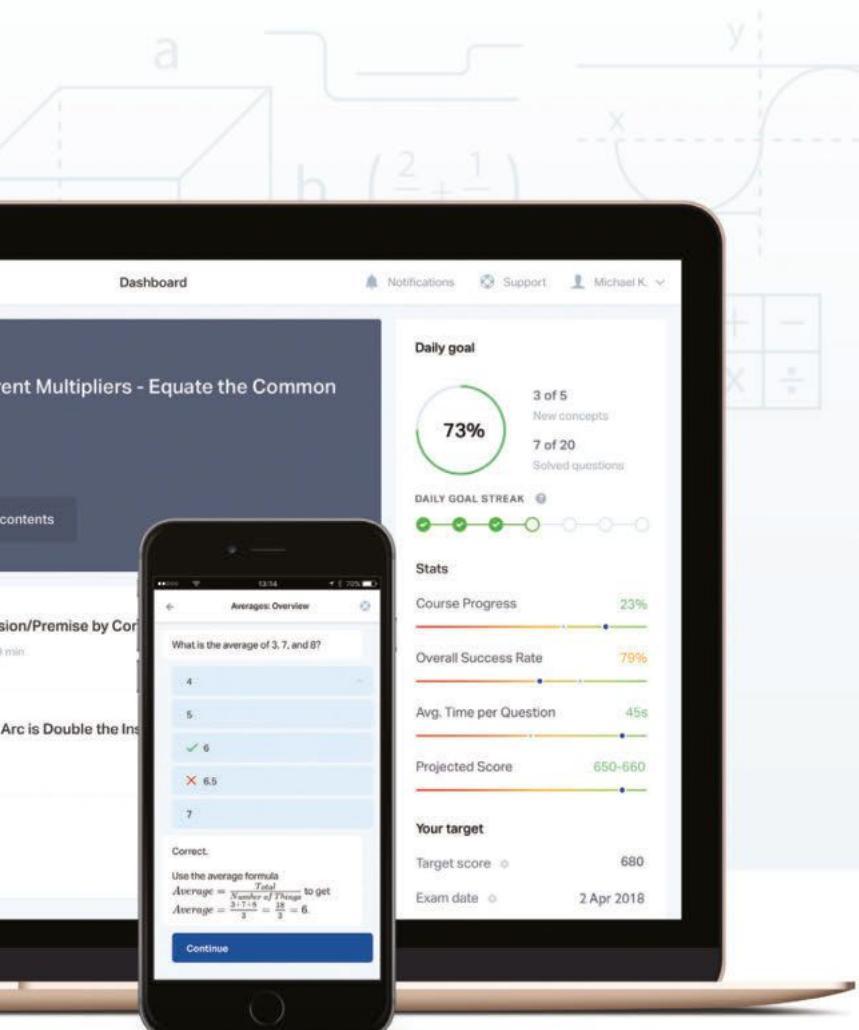
## An unpalatable choice

If Brexit is a tragedy for Ireland, it has at least offered its officials a chance to shine. No European government has prepared better. Irish diplomats quickly convinced their European colleagues to treat the border as a priority in the Brexit talks, and have held the line since. Now, as Mr Varadkar seeks to exploit his moment of leverage, his challenge is to avoid overplaying his hand—by shortening the odds of a no-deal Brexit that would be ruinous for Ireland, or by testing the patience of EU countries that do not see the border issue as existential.

Tired of the platitudes they hear from British politicians, the Irish are pushing their own ideas. They want written assurances from Mrs May that would in some fashion lock the north into the EU's regulatory and customs system, reducing the need for border checks. Irish and EU officials are studying existing areas of all-island co-operation, such as electricity, as possible models. Some look to Hong Kong or Macau, which have independent trade policies from China. The EU is on board: this week Michel Barnier, its Brexit negotiator, said Northern Ireland required a "specific solution", and that Britain must offer proposals soon.

To unionist-minded Britons, this is the sort of foreign meddling that inspired them to leave in the first place. The concern is reasonable: the Irish deny any designs on the north, but any scheme that binds it to the republic will inevitably mean drift from the mainland. Yet the dilemma highlights the point. The British helped lay to rest the ghosts of the past by removing from the people of Northern Ireland the need to make a clear binary choice between Britain and Ireland. Their vote to leave the EU rips that constructive ambiguity apart. Some questions are best left unanswered. But Brexit renders that impossible. ■

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## The budget

## Out of ammo

The chancellor is facing up to the economic problems facing Britain. But he cannot do much about them

AS HE rose to present his budget in the House of Commons on November 22nd, Philip Hammond was in a very tight spot. Neither the economy nor the public finances are in great shape, even before factoring in Brexit. At the same time Britons are increasingly fed up with stagnating living standards and squeezes on public spending. The need to square that circle made the chancellor's task a tricky one.

Despite this, Mr Hammond struck an optimistic tone, arguing that the Conservatives were up to the job of making Britain "fit for the future". He delivered a cautious budget that is unlikely to give his enemies in the Tory party an excuse to call for him to go. But his lack of fiscal and political room for manoeuvre meant that he was unable to do much more than that.

Mr Hammond first had to deal with significantly poorer economic forecasts from the Office for Budget Responsibility (OBR), the fiscal watchdog (see chart). For that, blame a big downgrade in expected productivity growth (ie, what the average worker produces per hour). The OBR's growth forecasts, though grim, may still be too rosy. They assume that long after Brexit, annual net migration to Britain will exceed 160,000, which runs up against the government's daft promise to reduce it to the "tens of thousands". Nor do they take into account a disorderly no-deal Brexit, which

could yet happen.

Weak productivity growth is bad news for Britons' pay, which is still below the peak it reached before the financial crisis of 2008-09. The OBR revised down its forecast for earnings growth. That has a knock-on effect on the "national living wage", the floor set for the over-25s. In March last year the assumption was that by 2020 it would be worth £9 (\$12) an hour. Now the OBR thinks it will be worth nearly 50 pence less than that.

Mr Hammond tried to distract from the awful economic news with a battery of jokes that were almost as bad (in one, Theresa May theatrically produced a packet of

### From bad to worse

Britain, GDP central forecast  
% increase on a year earlier



cough sweets, in a reference to her disastrous speech to the Tory conference earlier this year). Yet he also had a serious message, that getting productivity and wages up is the "central mission of the Treasury".

The trouble is that weak productivity growth in itself reduces tax revenues, and hence the amount of cash Mr Hammond has to achieve that objective. The OBR has increased its forecast of how much the chancellor will need to borrow. And with Brexit looming, he is keen to show the financial markets that he will meet his self-imposed fiscal targets, one of which requires him to limit the structural budget deficit to 2% of GDP by 2020-21. With all this in mind, and with the Conservatives' working majority slight, it was no surprise that the solutions he proposed were as unobjectionable as they were weak.

He made much of upgrading skills, and rightly so. A big reason for Britain's weak productivity growth is the breakdown of the "diffusion" of technological innovation from its most go-getting firms to its middling ones. Proposals to improve workers' tech-literacy aim to fix that problem. Mr Hammond pledged money for maths and computer-science teachers. A "national retraining scheme" will help older workers who struggle with new gadgets. But despite all this, real-terms spending on employment policies, science, technology and education remains some 15% lower than in 2010.

The centrepiece of the budget, however, was housing. A malfunctioning housing market can constrain productivity growth, by making it hard for people to work where they are most productive. Conservatives like to encourage home-ownership for political reasons, too, since they believe it breeds Tory voters.

## Foreign policy

# Diplomatic distress

For the first time in its history, the world court will lack a British judge

**O**N NOVEMBER 21st Boris Johnson, the foreign secretary, denied in Parliament that Britain's loss of its place on the International Court of Justice (ICJ) was a failure. "It has been a long-standing objective of our foreign policy to support India in the UN," he insisted. That Britain wilted in the face of an Indian challenge, leaving it with no judge on the court for the first time since it was founded in 1946, was thus almost a success.

His answer put a creative gloss on an unhappy state of affairs. The ICJ has 15 judges; five are elected every three years for a nine-year term. Britain's candidate, Sir Christopher Greenwood, was standing for re-election, and was widely expected to win.

That he did not partly reflects UN politics. Competition heated up after a popular former Lebanese ambassador decided to chance his luck, upsetting the balance of regional allocations to the court. The dominance of the five permanent members of the UN Security Council, including Britain, is increasingly contested. Sir Christopher is well regarded but carries baggage, having advised the British government on the Iraq war and acted as an arbitrator in a dispute between it and the Chagos islands that was recently referred to the ICJ by the UN.

Yet such problems ought not to have been insurmountable. That they were reflects other issues with Britain's foreign

policy, and its messenger. One observer says British diplomats lobbied hard but were undermined by their foreign secretary, who is known internationally for writing about the "watermelon smiles" of Africans and suggesting that Barack Obama's Kenyan ancestry might have influenced his attitude to Britain.

Brexit is another problem. "A lot of people perceive us as being rather introspective," and are confused about Britain's intentions, says Sir Simon Fraser, a former head of the Foreign Office. Cutting the Foreign Office budget from £2bn (\$2.6bn) this year to £1.2bn next is hardly going to help. Britain's reluctance to take on India was also partly down to hopes for a trade deal on leaving the EU, a weakness other countries may exploit.

Britain's allies declined to offer much support. America is said to have joined others in pulling the plug on a last-minute attempt to ensure Sir Christopher's election. And Britain's inability to carry the UN's general assembly, whose approval judges need, points to less than unanimous backing from EU and Commonwealth countries.

Mr Johnson says that Brexit offers a chance to create a "global Britain" that strides beyond its "immediate European hinterland" and gets closer to the rising powers of the 21st century. Failing to retain its judge on the ICJ points to how hard that may prove.



## Russia, Twitter and Brexit

## Londongrad

LONDON AND WASHINGTON, DC  
New studies reveal Russian meddling in the Brexit referendum

**T**ROLLS, bots, hackers, propagandists and provocateurs of Russian origin have lately descended on Western democracies. The tentacles of the disinformation apparatus, thought to be rooted in the Kremlin, have been found fiddling with elections everywhere from Ukraine and Bulgaria to France and America. It is perhaps no surprise, then, that they may also have touched the Brexit campaign held in June 2016 by trying to steer social-media conversations before the referendum, as a spate of new academic research suggests.

The evidence unearthed so far establishes only a small-scale effort by sources in Russia to nudge Britain towards the European Union's exit door. But new information is being dug out of online archives week by week. Theresa May, the prime minister, has accused Russia's government of "planting fake stories" to "sow discord in the West." MPs are pushing for an inquiry, which may yet reveal more meddling.

When it was summoned before Congress last month, Twitter published a list of 2,700 accounts run by the Internet Research Agency (IRA), a well-known troll farm with ties to the Kremlin. Two groups of British researchers who had collected Brexit-related tweets cross-referenced this list and found that some IRA accounts had pushed out content on the referendum. That discovery is disturbing in its own right. Russian interference is designed to erode trust in national institutions and weaken democracies.

On the current evidence, there are reasons to be sceptical that the interference swung the referendum, which was won by ➤

► Radicals in the cabinet advocate a repeal of stamp duty (a tax on homebuyers, which discourages moving) and more building on the green belt, tracts of land protected from development in order to constrain urban sprawl. Given the poor fiscal outlook, Mr Hammond may have felt that repealing stamp duty was out of the question. Mrs May, meanwhile, is no fan of loosening the green belt. The prime minister's leafy constituency, Maidenhead, is in a part of the country that is girdled by green-belt land.

Mr Hammond thus plumped for a number of modest proposals, adding to the 200 or so housing wheezes that the government has put forward since 2010. One was to abolish stamp duty for first-time buyers purchasing a house worth £300,000 or less (with discounts for those buying houses at up to £500,000). The policy will end up costing over £500m a year, but the hope is that young folk will find it easier to clamber on to the housing ladder. Mr Hammond said it would "re-

vive the home-owning dream". Yet at least part of the tax cut will be cancelled out, as buyers bid up house prices using the money that the chancellor has saved them. The OBR expects average house prices to rise by about 3% a year anyway.

The policy will have no impact on housing supply, which most economists see as the fundamental problem. Mr Hammond hopes councils will do the heavy lifting. Allowing them to levy higher taxes on empty dwellings may help bring more houses on to the market. Certain councils will soon be exempted from limits on how much they can borrow, which will allow them to boost spending on construction. Nonetheless, forecasts imply that annual housebuilding is unlikely to hit the government's target of 300,000.

Given the circumstances, Mr Hammond played his hand as best he could. Yet it would be naive to believe that the latest proposals will do much to right the problems that afflict Britain's economy. Future budgets will be trickier still. ■

► more than 1m votes. The volume of tweets was small. One study by the Oxford Internet Institute found 416 IRA tweets about Brexit among a data set of 23m on the subject. Another, from Edinburgh University, uncovered 3,468 tweets in a set of 62m. Both studies noted that around 80% of the IRA tweets they spotted came after the vote. And although the messages were mostly pro-Leave, some also argued for Remain, presumably to stir things up.

Another approach, taken by researchers at Swansea and Berkeley universities, was to examine the self-declared language of users tweeting about the vote in English. They found 150,000 Russian-language accounts, which fired off at least 45,000 tweets on the day of the referendum and the day after. But it is unclear how many such accounts were Kremlin-subsidised puppets. A handful are known to be trolls, but some could just as well be bilingual Russian bankers living in Kensington. The 45,000 tweets made up 1% of the messages in the data set. Japanese-language accounts published the same share, yet Shinzo Abe is not suspected of meddling.

But dismissal of the Russian connection would be premature. Researchers have not been given access to equivalent information by Facebook, which may be more influential over public opinion than Twitter, and would almost certainly be part of any sophisticated propaganda operation. "Internet researchers are always working from a position of weakness because Facebook is inscrutable," says Siva Vaidhyanathan, director of the Centre for Media and Citizenship at the University of Virginia. "It's about the most opaque media company in the world." Facebook says only that it has not observed "significant co-ordination" by known Russian trolls targeting the Brexit vote.

In America, the extent of Russian disinformation efforts became clear only when Congress began investigating. After Donald Trump won the presidential election, Mark Zuckerberg, Facebook's boss, pooh-poohed the "pretty crazy idea" that fake news spread on his social network may have influenced the vote, which he attributed to "a profound lack of empathy". (In the most recent quarter, Facebook received over \$10bn in advertising revenues on the pretty crazy idea that its ads could in fact influence users.) But Congress pushed the company to disclose in October that 10m Americans had seen divisive political advertisements bought in Russia. Three weeks later, ahead of a big hearing, it said that 126m Americans may have seen Russia-linked posts. Mr Zuckerberg has since said he regrets his earlier remarks.

**Correction:** In an article last week ("Held to ransom") we said that Nazanin Zaghari-Ratcliffe, a British-Iranian citizen imprisoned in Iran, had previously worked for the BBC's Persian service. In fact she worked for the BBC World Service Trust. Sorry.

In Britain, the Electoral Commission is already investigating whether various pro-Leave organisations broke campaign-finance rules in the run-up to the referendum. The chairman of the parliamentary committee in charge of media matters has written to Facebook and Twitter requesting information about Russian-bought ads linked to the Brexit vote and to the general election this June. MPs plan to go to Washington, DC, in February to seek answers in person. The prospect of bad media coverage seems to spur Facebook into some action. A full parliamentary inquiry could yet spur even more. ■

ered an IRA ceasefire and the decommissioning of its weaponry, in exchange for assurances that Sinn Fein would be allowed entry into the political mainstream.

Mr Adams leaves the stage with his party enjoying the support of half a million on the island of Ireland. It is the second-largest party in Northern Ireland, and its primary nationalist voice. It is also the third-largest party in the Republic of Ireland, where it recently declared its willingness to take part in a coalition government.

Yet Mr Adams had reached his political limits. He struggled with the transition from Belfast to the Dail in Dublin, weighed down by his role in the IRA's bloody past. Instead the party is now turning to those with a "clean skin", as locals term people unassociated with the terrorist group, who may be more politically presentable than Mr Adams.

Voters are still getting to know Michelle O'Neill, Sinn Fein's leader in Belfast, who took power at short notice after its former leader, the late Martin McGuinness, quit in January. Although she has no link with the IRA, her family is steeped in republicanism. Her father was interned during the Troubles, and a cousin was shot dead by Britain's special forces. In the south, Mary Lou McDonald, Mr Adams's deputy and most likely successor in Dublin, had a more orthodox upbringing. Ms McDonald has acquired a formidable reputation both in the Dail and as an MEP. Sinn Fein hopes that the pair may reach voters that Mr Adams never did—or could.

At Sinn Fein's annual conference in Dublin, party members gave him a hero's send-off with standing ovations. He will step down early next year as head of a movement he prised away from the gun and fashioned into a daunting political force. Yet he will retire a long way from his ambition to "take power in Ireland". Here, the man of war and peace fell short. ■

Gerry Adams

## Leaving the stage

BELFAST AND DUBLIN

### The man who led Sinn Fein in war and peace steps down

GERRY ADAMS, who on November 18th announced plans to retire after 34 years as president of Sinn Fein and the dominant figure in the Irish republican movement, will forever be associated with both war and peace. He came to the fore during the Irish Republican Army's most violent years in the 1970s and 1980s but also helped turn Sinn Fein into a legitimate political force on both sides of the border.

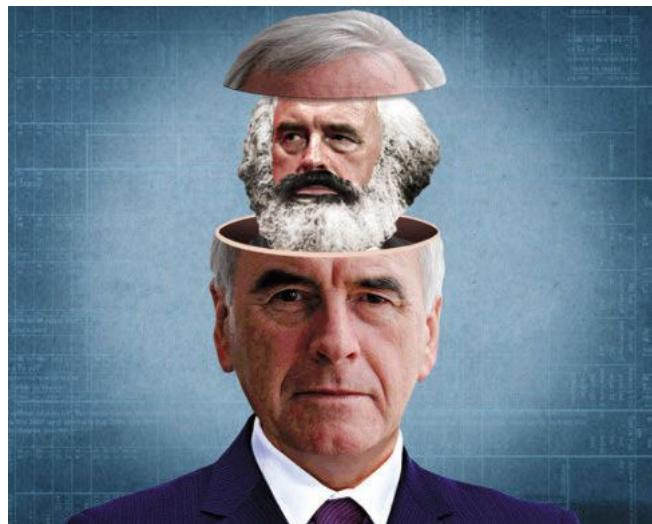
An exponent of "the long war"—the theory that, if IRA bomb attacks in Northern Ireland and mainland Britain went on long enough, British spirit would eventually be worn down—Mr Adams eventually oversaw a push for peace. The man who supported a strategy summarised by a close associate as "a ballot paper in one hand and an Armalite in the other" later deliv-



McGuinness and Adams, partners in politics

# Bagehot | The chancellor-in-waiting

The closer John McDonnell gets to power, the harder it is to pin him down



**P**HILIP HAMMOND provokes surprising emotions for somebody so bland. Brexiteers demonise him as the saboteur-in-chief. Anti-Brexiteers praise him as a voice of sanity. But one thing all agree on is that he is one-dimensional: pro-business but averse to ideology, cautious but given to technical tricks, unimaginative, plodding, parsimonious. What you see is what you get.

The same cannot be said of his Labour opposite number. John McDonnell is a hair's breadth away from becoming chancellor. Labour reckons the government is so weak that it could collapse within a year. He also has the makings of an especially powerful chancellor. Mr Hammond is hamstrung by his poor relations with Theresa May, who made no secret of wanting to get rid of him if the June election had gone to plan. Mr McDonnell and Jeremy Corbyn have been joined hip-and-thigh for 35 years, united both by shared politics and by complementary skills. Mr Corbyn is an idealist who cultivates an image of sanctity. Mr McDonnell is an ideologue who gets things done. A future Labour government will be more of a McDonnell than a Corbyn one.

Moreover, Mr McDonnell has changing opinion on his side. The unimaginative Mr Hammond is like a priest of a dying religion, repeating formulae that once moved people's hearts but have long since petrified. Mr McDonnell knows he is swimming with the tide. The full impact of the financial crisis on British politics was delayed because Labour was in power when it struck and the Tories did a good job of blaming the subsequent recession on its overspending. But the Tories have since come to own not just austerity but the very system that created the crisis.

The chancellor-in-waiting is a confusing figure because there are at least four McDonnells to choose from. The most familiar is a Marxist ideologue who got his training in politics in three engines of the hard left: the National Union of Mineworkers, where he worked as a researcher; the Greater London Council, where he served as deputy leader under "Red" Ken Livingstone until he was sacked for being too hard-line; and the Campaign Group of left-wing MPs, where he first forged links with Mr Corbyn. Mr McDonnell liked having his hands on the levers of power. At the GLC he ran the budget while Mr Livingstone did the posturing. But getting his hands dirty didn't mean compromising his enthusiasm for the true religion. "I'm straight up. I'm honest with people," he

once said. "I'm a Marxist."

Yet the closer he gets to power, the more Honest John plays down his Marxist youth, which somehow lasted until he was in his 60s, and plays up three other images instead. The first is the ever-so-sensible bank manager. The suit-and-tie that identified Mr McDonnell as the commissar among a rabble of rumpled idealists now marks him as a respectable guardian of other people's money. He promises to exercise "iron discipline" over day-to-day government spending. He admits higher spending means higher taxes (though he's wrong to think that all the money can be raised from taxing companies and the rich). He invokes the authority of the IMF to justify more public spending—or, as he puts it, borrowing to invest in the nation's productive capacity. Describing his own "shadow" budget on November 16th, Mr McDonnell even claimed that big businesses are "coming to us for reassurance about the long-term future of our economy".

The second is a mainstream European Social Democrat. Mr McDonnell likes to emphasise that his preferred policies, such as higher public spending and public ownership of the utilities, are centrist stuff in continental Europe. This is disingenuous, as Mr McDonnell, a long-standing opponent of the European Union as a capitalist club, knows. British public spending may be lower than the EU average, but many European countries have gone further in introducing market mechanisms into the welfare state. Sweden has contracted out the management of many schools and hospitals to private companies, Denmark has introduced a version of a school voucher system, and France has some of the world's most successful private-sector utilities. But it goes down well with liberal-minded Remainers who are desperately looking for an excuse to dump the Tories.

The third is the New Thinker determined to "rewrite the rules of our economy" for a world of smart machines and destabilising capital flows. He regularly name-checks heavyweight left-wing intellectuals such as Joseph Stiglitz and Thomas Piketty and cogitates on such fashionable subjects as corporate short-termism and the gig economy. This allows him to repackage himself not as a hangover from the old left but as a harbinger of the new progressivism that revives the socialist tradition for a changing world. It also lets him argue that the real dinosaurs are Tories like Mr Hammond who, for all their talk of the digital revolution, still believe that Milton Friedman is the latest word in economics. "Socialism with an iPad" is one of his favourite slogans.

## The real McCoy

Mr McDonnell is bringing a growing self-confidence to his juggling act. One minute he is dining in the City with the lions of capitalism, the next he is addressing his ideological allies in mass meetings. But it is still unclear whether he can sustain it. Labour is only neck-and-neck with the Conservatives despite the government's innumerable problems: indeed, one poll this week had the Tories four points ahead. The City is even more petrified of Chancellor McDonnell than of a hard Brexit. His inner circle of advisers includes some odd choices for a man trying to reinvent economics, such as Mr Corbyn's son Seb. Economic stars such as Mr Stiglitz and Mr Piketty are too busy on the lecture circuit to devote time to policymaking. Mr McDonnell's lectures flit from one fascinating subject to another without providing substantive arguments. It is almost as if the true face is the Marxist who spent 35 years on the fringes of his party, whereas the other three are simply masks, put on to fool the voters. ■



**Disaster relief**

## Defrauding the do-gooders

JUCHITÁN

To stop donations being stolen, governments and aid agencies need to admit how much goes astray

**I**N A shelter in Juchitán, in southern Mexico, in September, two sisters sat at a table nursing their children. Mexico had suffered its strongest earthquake in a century, followed two weeks later by one closer to Mexico City, which proved the country's deadliest since the great quake of 1985. In Juchitán, where 37 people died and the town hall collapsed, talk turned to rumours that a politician with an eye to next year's elections was grabbing donated supplies. "We don't know what he's planning to do with the goods," said Maritza Ortiz, a resident. "Guard them? Save them? Hide them? 2018 is approaching."

Such gossip finds a ready hearing in a country where corruption is rampant. And more solid accusations of fraud have since come to light. Newspapers have reported on people unaffected by the earthquakes posing as victims in order to claim assistance meant for those who lost their homes. In Oaxaca a man claiming to be a government official demanded advance payment for fuel for an aid delivery. He vanished, and the aid never arrived. Residents of Morelos have accused the state governor of trying to confiscate private donations, either to hoard them or relabel them as aid from a state agency. (He has denied wrongdoing.)

So far, though, the cases have been iso-

lated. The president, Enrique Peña Nieto, is desperate to avoid unflattering comparisons to 1985, when the government of the day was excoriated for allowing aid to be funnelled to cronies. He does not want to hand political ammunition to Andrés Manuel López Obrador, a left-wing populist who is the front-runner in next year's presidential race. To reduce the risk that aid is diverted, the government has decreed that only the army and Mexican Red Cross may distribute it. In a village in rural Oaxaca, a volunteer points to the Red Cross stickers slapped on food supplies, which are supposed to make them harder to resell. "Everyone is alert," says Alejandro Pérez Díaz Felguérez, the president of a local branch of the Red Cross.

### Rich pickings

Disasters are often followed by a wave of opportunistic crimes. The rush to help people rebuild offers fraudsters opportunities all along the line from donor to recipient. But those involved in gathering and distributing aid often look the other way. Charities do not want to deter donors, whether governments or individuals. Aid workers on short-term contracts who witness fraud or theft fear that if they report it they may be sacked and perhaps blacklisted. And no politician wants to admit to taxpayers that

their money has gone astray.

The conspiracy of silence means the scale of the problem is hard to gauge. But judging by the occasional audit of overseas aid, it is considerable. A report in 2010 for the UN Security Council estimated that approaching half of food aid to Somalia ended up in the hands of corrupt contractors, armed groups and even some local UN staff. It took aim at some of the country's richest men—including one whose wife worked for an aid agency, for which his company made deliveries. It accused him of staging the hijacking of his own trucks, in order to steal and sell their contents.

The longer the chain between donor and recipient, the more opportunities there are for money to be siphoned off. In a report last year the Special Inspector General for Afghanistan Reconstruction, an American official, said that contracts had been given to large contractors who subcontracted to smaller ones, who subcontracted to Afghan NGOs, who subcontracted to local firms. By the time the local firms got the money and paid off corrupt officials, too little was left to build a proper road or school.

The sums involved in reconstruction are huge, making it a magnet for all manner of fraudsters. In 2014 the Louis Berger Group, an engineering firm, along with its chairman and its president, pleaded guilty to charges of defrauding USAID, America's main aid agency, of billions of dollars by padding reconstruction contracts in Afghanistan, Iraq and other countries over a period of 20 years. Mexico's federal government has already allocated 48bn pesos (\$2.6bn) to post-earthquake reconstruction. The eventual cost of rebuilding in Syria is expected to be around \$200bn. "There ➤

► are going to be billionaires made," says an experienced aid worker. Replacing the homes, businesses and infrastructure lost to Hurricanes Harvey and Irma in America will cost something similar.

Foreign aid has come in for a bashing in recent months. President Donald Trump is keen to slash America's, and tabloids in Britain are leading a campaign to get the government to abandon an overseas-aid target of 0.7% of GDP. But critics mostly focus on systemic waste and corruption in development aid, rather than the leakage of emergency humanitarian spending. And a good share of the money spent on recovering and rebuilding after disasters in the developed world also leaks—although through different channels.

Rich countries do not have warlords who must be bribed to allow aid deliveries to pass. But more of their cars, homes and businesses are insured—and even in a normal year, around a tenth of all claims are thought to be fraudulent. After disasters, rich countries have more money swirling around, too. Charitable individuals may be more ready to open their purses for their compatriots, and governments spend more freely on their own taxpayers than on foreigners. An audit by America's Government Accountability Office, an independent congressional body, found that as much as \$1.4bn of the \$6bn in federal emergency relief for victims of Hurricanes Katrina and Rita in 2005 went on improper or fraudulent payments.

One legacy of that investigation is that America has become more active than most other countries in seeking to uncover and punish opportunistic crimes after disasters. In late 2005 the Department of Justice set up an agency to investigate hurricane-related charity scams, fake insurance claims and contract and procurement fraud. Now renamed the National Centre for Disaster Fraud, its remit covers all natural and man-made disasters. The charges it has brought suggest the inventiveness of fraudsters, for example against a couple it accuses of claiming \$750,000 to rebuild a house after Hurricane Sandy that they had abandoned months before, and a woman it says used 62 fake identities to collect more than \$150,000 in aid after last year's flooding in Louisiana. In the month following this year's hurricanes it received 400 tip-offs, a number officials expect to soar in the coming months.

A statement by Eric Schneiderman, New York's attorney-general, about charitable giving following Hurricane Harvey illustrates how adept criminals have become at exploiting ordinary people's generosity, especially online. He warned Americans to be wary of fake charity websites, spam e-mails and texts soliciting donations and appeals on crowdfunding sites. In the three months following the flooding in Louisiana, at least 6,400 cam-

paigns appeared on GoFundMe, one such site. Fraudsters were quick to realise that such "drive-by philanthropy" appeals to people who want an easy way to feel they have done something, says Adrienne Gonzalez, whose website, GoFraudMe, tracks questionable crowdfunding campaigns. After a natural disaster her site's standard fare of fake cases of cancer and stories of sick children copied from other people's Facebook pages is spiced up with displaced families and flooded homes. (A spokesman for GoFundMe said measures are in place to protect users.)

Those seeking to stop fraudsters are also turning to technology. Online bidding for reconstruction projects, for example, can help avoid the kickbacks and inflated prices that often afflict post-disaster procurement. And insurers have started to use forensic meteorologists, who can verify conditions for exact locations and times, to help spot false weather-related claims. In Mexico, after the first emergency deliveries of food, clothing and toiletries, the government switched to handing out electronic cash-cards. To ward off corruption and misuse, these can only be used to buy construction materials. All payments are tracked via GPS. Alas, distribution has been slower than expected. And the cards some recipients were given turned out to have been cloned and drained of cash.

Humanitarian groups working in conflict zones such as Afghanistan, Sudan and Somalia say that, compared with trucking supplies to remote areas, distributing cash cards allows them to bypass bribe-seeking militias and price-gouging by suppliers of goods and transport. But in an indication of how hard it is to stop emergency aid leaking, when Transparency International, an anti-corruption advocacy group, studied their use by Syrian refugees in Lebanon, it found that price-gouging had simply moved closer to the victims, as merchants recognised a captive market

and upped their prices.

A more profound benefit from the spread of technology could be to make it easier to track flows of aid. When victims of disasters have smartphones and access to the internet, they can report suspected frauds straight away. Techfugees, a network of people in the technology industry set up by Mike Butcher of TechCrunch, an industry website, runs conferences and hackathons to solve common difficulties experienced by refugees, such as proving their identities and getting health care. At the group's conference in Paris last month, a representative of the World Food Programme talked about issuing refugees with biometric identity cards. Though the aim is to make it easier for them to buy supplies, the idea should also reduce fraud.

### Efficiency drive

Governments and other donors might be persuaded to do more to cut post-disaster fraud if it is framed as part of making aid more effective. It should be seen as part of efficient disaster recovery, says Dan Laufer, a crisis-management specialist based in New Zealand. Christos Stylianides, the European Union's commissioner for humanitarian aid and crisis management, says efficiency is one of his priorities. His department is reviewing humanitarian aid in that light.

In 2016, 51 large donors and aid providers signed up to a "grand bargain" on development aid that included the promise to publish transparent, timely and comparable data. The intention was to provide citizens in both donor and recipient countries with the information they need to hold their governments to account. Yet cutting corruption should be a welcome side-effect. If the approach is extended to humanitarian aid, it will make it easier to spot fraud and theft. Only if it becomes clearer where disaster relief is going will more of it end up where it is supposed to. ■



In the right hands



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## 21st Century Fox

## Rupert stops the presses

NEW YORK

In signalling that he may sell a lot of 21st Century Fox, is Rupert Murdoch rolling over or regrouping?

THE only media mogul still bestriding his industry in old-fashioned style is used to being a predator rather than prey, a builder of empires, not a dismantler of them. So Rupert Murdoch's reported willingness to sell off much of 21st Century Fox, whether to a rival such as Disney or to a distribution firm like Comcast or Verizon, has come as a shock to many. It should not.

If Fox does follow through with selling the assets—its film and tv studio, its stake in Sky, a European satellite broadcaster, and many of its cable networks—it may well be remembered as one of his cleverest moves. Mr Murdoch would have correctly judged a shifting media and regulatory landscape and sold high (perhaps for \$50bn or more; see chart). He would retain lucrative assets in news and sports broadcasting, notably Fox News Channel, which could serve as the base for a new fief of a different sort. Mr Murdoch would also retain plenty of political sway through his newspaper businesses, housed at separately listed News Corp.

Three powerful trends explain why it makes sense for him to contemplate retreat. First, the entertainment businesses the family would be exiting are in secular decline (Mr Murdoch admits that the newspaper business is similarly afflicted). In America viewership of traditional pay-TV has been falling since 2010. Providers saw combined subscription losses of

more than half a million customers per quarter in five of the past nine quarters. Younger viewers especially are “cutting the cord”: about six in ten of those aged 18 to 29 say the primary way they watch television is via streaming services delivered over the internet. Nor are they going to the movies much: this summer's box office was the weakest in 25 years for tickets sold. Viewing habits are not just changing fast, they are doing so in unexpected ways: according to new data from Netflix, 12% of Americans who watch television shows or films outside the home admit to having done so in a public lavatory.

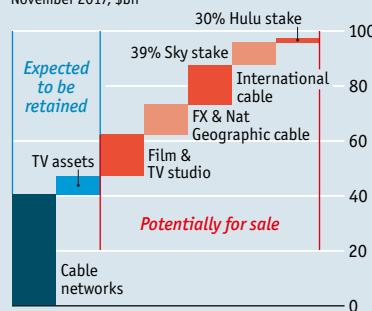
To have any hope of competing, scale is vital. This is the second big feature of the media landscape. Companies such as Facebook, Amazon, Netflix and Google (with YouTube) are investing heavily to seize consumers' attention and money. Disney, which has a market capitalisation of \$155bn, has lots of clout because of its premium film franchises: “Star Wars”, Marvel and its animated blockbusters. Last year it had all of the top five films at the global box office. Fox does not measure up: its best entertainment network, FX, is losing viewers, it owns only a few stellar franchises, like X-Men, and its film studio ranks fourth with 12.6% of the American box office this year. Even for those Fox assets that are growing strongly, such as Star India, the writing seems to be on the wall.

Third, it is far simpler to sell than build. On November 20th America's Department of Justice (DoJ) sued to block AT&T's \$109bn acquisition of Time Warner, arguing that the vertical merger would create an anti-competitive behemoth. (Many suspect a reason may be President Donald Trump's dislike of Time Warner's news channel, CNN.) In 2014 Fox had itself made a bid to buy Time Warner, a gambit that was swiftly rebuffed by the larger company but that would have attracted intense regulatory scrutiny had it gone further. Selling off Fox in pieces—the studio and cable-network assets to Disney, for example, and Sky to Comcast or Verizon—would be relatively easy.

Regulators of various sorts might have much to do with Fox's precise timing in considering a sale. If Time Warner ends up back in play because of the DoJ's decision, the Fox assets might appear less unique and could fetch a lower price later on. As for Sky, Fox had hoped to finalise a years' long effort to buy the 61% of the pay-TV firm ►

## What would the Fox fetch?

21st Century Fox, estimated enterprise value\*  
November 2017, \$bn



Source:  
MoffettNathanson

\*Excluding a negative EV of  
\$4.1bn relating to internal  
company transactions

► that it does not own by the end of this year. Instead the transaction has been mired in concerns about media plurality and the firm's governance. On November 20th Britain's Competition and Markets Authority, which is reviewing the bid, heard testimony on accusations of racial and sex discrimination at the Fox News cable network. (A firm like Disney would face fewer obstacles, although it is not immune to the sexual-harassment accusations sweeping the media business; this week John Lasseter, the co-founder of its animation unit, Pixar, took a leave of absence after unspecified "missteps".)

If this shifting media landscape warrants a sale of Fox assets, however, it would also be an admission of defeat. Things could have been very different. At the same time as Mr Murdoch was busy buying and integrating MySpace, a once-promising social network that he bought for \$580m in 2005, and then pursuing an acquisition of the *Wall Street Journal*, which he purchased for \$5bn in 2007, Bob Iger at Disney was buying Pixar (in 2006) and Marvel (in 2009). Mr Murdoch could have bought Netflix for a relatively cheap price, in around 2011; instead both Fox and Disney began supplying content to Netflix that year. Now both companies are pulling content off the platform. A streaming rival, Hulu, in which Fox owns a 30% stake, lags far behind Netflix and Amazon.

### Vulpine cunning

If a sale goes ahead, Mr Murdoch would be left with a rump business worth around \$45bn, and one not so easily disrupted by streaming services. Live news and sports account for more than half of Fox's advertising revenue, according to Moffett-Nathanson, a research firm. Fox News is the largest cash-generator in the company, with an estimated \$2.2bn in earnings before interest, taxes, depreciation and amortisation in the current fiscal year, according to Wells Fargo, a bank. Analysts question the value of the Fox broadcast network without its studio to make shows, but the plan is probably to become even more sports-focused, which makes sense.

Even so, this is not the scale of business that Mr Murdoch's sons, James and Lachlan, expected to be running. That is especially true of James, who was made chief executive of Fox in 2015 and who is chairman of Sky; he also did a stint at Star India. (Lachlan is executive chairman of Fox and co-chairman of News Corp.) James has made no secret of his discomfort with Fox News; in the wake of the sale reports, some speculate that the elder Mr Murdoch is in effect pushing James out of the family business, unlikely though that seems. There is even talk that James might want to work for one of the suitors in a Fox sale.

One certainty is that after such a disposal, Mr Murdoch would have a replenished

war chest of billions of dollars to expand again if he chose to. He could, for example, take advantage of newly loosened media-ownership rules from the Federal Communications Commission and buy up local TV stations, to contend with another conservative media empire, Sinclair Broadcast Group, which this year agreed to buy Tribune Media, another station group. His attachment to Fox News, in spite of its recent travails, may be a sign that, even at the age of 86, he has ambitions left. A media observer who knows both Fox and News Corp well cautions against any temptation to see the family as a diminished force. "It is safe to assume that they are not over having a Murdoch empire." ■

### Battery minerals

## The whizz of Oz

PERTH

**The battery revolution has produced a new frenzy in the Australian outback**

**F**ORGET the "resource curse". Australia is blessed with the stuff. For more than a quarter of a century it has not had a recession, thanks largely to Chinese demand for its raw materials. It is only a few years since the end of one such China-led boom, in base metals such as iron ore. A new speculative flurry has started in minerals such as lithium, cobalt and nickel to feed another China-related craze—making batteries for electric vehicles (EVs).

Ken Brinsden, an Australian mining engineer, says he pinches himself over these remarkable turns of fortune. Until 2015 he was a boss at Atlas Iron, which shipped low-grade iron ore to China. In 2011, at the height of the China-led supercycle, it had a valuation of A\$3.5bn (\$3.8bn). This has now shrunk to A\$167m. But he now heads

Pilbara Minerals, whose Pilgangoora lithium mine in the outback of Western Australia lies so close to two of Atlas's former iron-ore mines that he can see them from the top of the dusty-red escarpment.

Since 2015 Pilbara Minerals' market capitalisation has jumped from A\$25m to A\$1.5bn, as the soaring price of battery-grade lithium has made the economics of producing it from Australia's spodumene, or "hard rock" reserves, more attractive. Great Wall Motor, a Chinese carmaker, recently bought a small stake in the firm and agreed to take a large share of its spodumene concentrate. Altura Mining, another favourite of speculative investors, is also developing a lithium mine in Pilgangoora, with much of its production already earmarked for China.

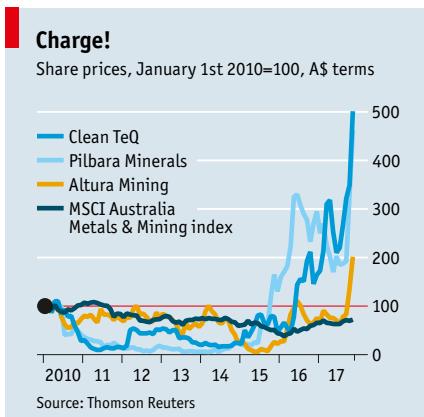
Clean TeQ, whose big shareholders are Robert Friedland, an American-Canadian billionaire, and Pengxin International Mining, a Chinese firm, is also on a battery-powered roll (see chart on next page). Its value has soared by 240% this year to A\$838m, based on its plans to produce nickel and cobalt sulphates, both key raw materials (along with lithium) for lithium-ion battery cathodes.

In most of the world cobalt is extracted as a by-product of copper and nickel, but it has recently become more valuable than nickel because of its scarcity. Such is the anticipated demand for it in the lithium-ion battery industry that shortages are expected within a few years. Clean TeQ says that at today's prices of \$27 a pound (compared with \$10 a pound in 2016) cobalt would be a bigger source of revenue from its mine in New South Wales than nickel.

In each case, the companies argue that they offer a more secure source of raw materials for Chinese battery manufacturers than foreign competitors. First, consider lithium. Although the raw material can be produced more cheaply from brine in South America, political, business and legal risks are lower in Australia. Moreover, ►



Recession proofer



► Mr Brinsden argues that spodumene can be processed directly into lithium hydroxide, which is preferred by battery-makers to the lithium carbonate that comes from lithium chloride in brine.

Phil Thick, boss of Tianqi Lithium Australia, the majority-owner of Greenbushes, a lithium mine in Western Australia that is the world's largest, foresees no shortage of lithium itself—especially metal that is lower grade than that mined from Greenbushes. But he says there is a lack of processing capacity, so Tianqi, which is Chinese-owned, and its American partner, Albermarle, have plans to lift production of lithium hydroxide in Western Australia for export to China.

As for cobalt, Clean TeQ says that its production will have none of the ethical issues associated with the Democratic Republic of Congo (DRC), from where 60% of today's supply comes. DRC cobalt is partly produced by "artisanal" miners that often use children with pickaxes to produce the metal. (This week it emerged that the London Metal Exchange has launched an inquiry into whether cobalt mined with child labour is trading on its exchange.) Ben Stockdale, the mining firm's chief financial officer, quips that the biggest risk with Clean TeQ is that its miners "die of boredom"—the mine is on flat, featureless land.

In fact, the biggest risk for all these projects is price, which in turn hinges on whether car firms make good on their plans for a big increase in investment in electric vehicles. That is still an open question. Though Mr Brinsden is convinced China will "surprise the world" with its role in the battery revolution, he also says Chinese carmakers such as Great Wall and Geely see hybrid vehicles as a stepping stone towards EVs, implying that full electrification will still take time to develop.

Another risk is that mining giants such as Rio Tinto will muscle in. Rio was recently rumoured to be contemplating a bid for SQM, Chile's biggest lithium producer, which the rest of the lithium brigade is uneasy about. Mr Thick, though, is confident: "It's a tough business. Even Rio with its huge chequebook won't find it easy." ■

## French business

# Dealmaker on hold

PARIS

**Patrick Drahi's eventful career suggests that corporate France is changing**

**W**HAT does France's corporate establishment make of the change in fortunes of Patrick Drahi, a telecoms billionaire who achieved brief greatness before crashing to earth? In August he was reported to be planning a \$185bn bid for Charter Communications, America's second-largest cable operator, which is part-owned by John Malone, a famous cable investor. This month the market value of his indebted firm, Altice, collapsed by half, removing much of his personal wealth.

Mr Drahi's empire is centred on his control, since 2014, of SFR, France's second-largest telecoms operator and a big cable firm. It was not his only acquisition; in recent years the Franco-Israeli dealmaker went on a shopping spree, buying dozens of firms and building a transatlantic telecom-and-media empire. He typically sacked 30% of the acquired firms' employees and squeezed salaries and other costs. Customer service often tended to worsen. In doing so Altice amassed a debt burden of over €50bn (\$59bn), far bigger than the value of the firm itself. That made it vulnerable: investors dumped its shares after poor third-quarter figures at SFR.

Mr Drahi is not entirely untypical in France, even if the extent of his activity is. Other swashbuckling dealmakers exist: Vincent Bolloré, a media investor with wide interests, for example, or Xavier Niel, owner of Iliad, another mobile-phone operator. Just as Mr Niel won political influence as an owner of *Le Monde* newspaper, Mr Drahi bought *Libération*, a daily, and other titles. Both men bid for telecom operators in America, though only Mr Drahi succeeded, buying two cable firms for a total of \$26.8bn, in 2015 (see timeline).

One prominent businessman who is

close to Mr Drahi notes that his difficulties elicit mixed views. Suppliers, partners and rivals to SFR relish them. Some conservative figures are happy to see a foreign-born upstart get his comeuppance. But others grudgingly admire his boldness. A decade ago regulators and investors would have stopped him by now, "but now they watch and wait," says the businessman.

Mr Drahi's mistake was not knowing when to stop. Whereas Mr Niel showed social acumen by investing in education and tech startups, Mr Drahi chased the next big deal. What comes next for him? Altice's debts were raised on generous terms and need not be repaid for years. SFR, though badly run, will generate cash. That, and perhaps sales of assets, such as its mobile-phone towers, should satisfy creditors.

"I imagine two or three years of his struggling, but surviving," says François Godard of Enders Analysis, a research firm. He might bounce back. A politician draws a broader lesson. Referring to prejudice in France against financiers, he asks whether now, "doesn't he incarnate the new kind of financial and cosmopolitan capitalism that France wants?" ■

## Ofo and Mobike

# Escape velocipede

BEIJING

**The bicycle-sharing business model in China needs a gear shift**

STEVE JOBS liked to describe computers as "bicycles for the mind"—tools that let humans do things faster and more efficiently than their bodies would allow. The internet-connected bikes flooding the streets of urban China could be called "computers for the road". Networked, trackable and data-generating, they are ones and zeros in aluminium form.

The cycles belong to Ofo and Mobike, two startups that, taken together, have raised \$2.2bn of capital and are valued at more than \$4bn. Each has between 7m and 10m bikes in China, averages 30m-35m rides a day and, having entered more than 100 Chinese cities, is expanding abroad. At the start of 2016 neither firm had a single bike on a public road. Ofo's canary-yellow cycles and Mobike's silver-and-orange ones can now be found in cities from Adelaide to London and Singapore to Seattle.

Most city bike-sharing systems, such as the Vélib scheme in Paris, depend on fixed docks in which cycles must be parked. Ofo and Mobike instead pioneered a "dockless" bike secured with a smart lock that can be released with a smartphone app. They charge much less than public programmes. In London it costs £2 (\$2.66), and ►

## French exceptionalism

Altice share price, €



Shades of cycling joy

▶ typically lots of poking at an unresponsive kiosk-mounted screen, just to unlock a city-run shared bike. The equivalent with an Ofo, after an initial deposit, is 50 pence every half an hour and a few seconds to get going. In China rides cost between 0.50 and 1 yuan (\$0.08-0.15) for 30 minutes.

It helps that the firms save on physical infrastructure such as docks. But the main reason they can afford such low fees is because they have abundant funding: in June Mobike raised \$600m, much of it from Tencent, a messaging, gaming and payments giant. (Qualcomm, an American chipmaker, made a smaller investment this month.) In July Ofo raised \$700m in a funding round led by Alibaba, an e-commerce and payments company.

Many smaller, copycat bike-share start-ups have gone under. Last week it emerged that Bluegogo, a distant third in China's bike-sharing wars, had gone bust. Its puny \$90m in funding and 700,000 bikes were no match for the market leaders. Another operator shut down after 90% of its 1,200 bikes were stolen six months after launch. Many schemes have been funded with scant financial analysis by investors.

Nor are Ofo and Mobike profitable, though not for want of growth. China's bike-sharing market grew from 33m yuan in the third quarter of 2016 to 3.9bn yuan in the second quarter of 2017, says iResearch, a market-research firm. Zhang Yanqi, an Ofo co-founder, thinks China could support 300m rides a day, up from 50m-60m today. Both firms believe rental fees alone could make them profitable businesses if they stopped spending on expansion at home and abroad.

Analysts reckon the real money may be in other sources of revenue. The firms hold hundreds of millions worth of yuan in deposits collected from users. For now this money lies unutilised—Chinese law is un-

clear about how, if at all, it can be used. But firms hope that will change. Lending it would be one possibility. Another idea is a sort of crowdsourced logistics, asking riders to carry along packages in exchange for free rides or a small payment. Mobike already incentivises users to move its bikes around to high-demand areas by offering "red envelopes" worth a few yuan. Advertising on "billboards" within wheels is also a promising avenue. And the firms can agree with brands to offer digital coupons for shops on a rider's route. Mobike works with McDonald's and JD.com, an e-commerce company, to do just that.

But most value could come from data, especially used in partnership with Alibaba and Tencent. The bike-sharing firms are already becoming part of their strategic investors' business models. Ofo uses Alibaba's credit-rating system to allow users to rent bikes with no deposit, for example. More data could be shared. As Mr Zhang puts it, the firm's main investor, Alibaba, "already knows how much [users] spend, where they spend it and what they spend it on. But with us they have a very strong idea of people's total activity." Mobike says it does not share data on a commercial basis with any firm.

The bike wars recall the one between ride-hailing firms in China, which ended with mergers that left one player, Didi Chuxing. Rumours of a possible merger between Ofo and Mobike have been swirling for weeks. Allen Zhu, an early investor in Ofo who is pushing for a merger, says making money is terrifically hard with so much competition. But neither Ofo nor Mobike is willing publicly to admit it. "In my entire career at Ofo I have spent less than five minutes talking about a merger with Mobike," says Mr Zhang. "I don't see any point or meaning in merging," maintains Mobike's president, Hu Weiwei. ■

## Robonurses

# Machine caring

TOKYO

**Thousands of Japanese nursing homes are testing robots on residents**

AT SHINTOMI nursing home in Tokyo, men and women sit in a circle following exercise instructions before singing along to a famous children's song, "Yuyake Koyake" ("The Glowing Sunset"). They shout out and clap enthusiastically even though the activities are being led, not by a human fitness guru, but by Pepper, a big-eyed humanoid robot made by SoftBank, a telecoms and internet giant.

Japan leads the world in advanced robotics. Many of its firms see great potential in "carerobos" that look after the elderly. Over a quarter of the population is over 65, the highest proportion of any country in the OECD. Care workers are in desperately short supply, and many Japanese have a cultural affinity with robots.

For now the market is small. Although the government expects it will more than triple between 2015 and 2020, to ¥54.3bn (\$480m), that is a long way below the revenues from industrial and service robots. One big reason for that is expense; few individuals can afford their own robots. Private firms partly rely on government subsidies to develop them; the main customers are nursing homes, which also receive subsidies. Some 5,000 nursing-care institutions are now testing robots.

Yoshiyuki Sankai, founder of Cyberdyne, a robotics firm that makes some of the most expensive gear, is undeterred. "When Steve Jobs invented the personal computer there wasn't a market for it," he says. He has managed to persuade private health-insurance firms such as AIG to help cover the cost of some of his products.

At Shintomi and elsewhere, much of the equipment helps workers lift, move and monitor residents. A bed from Panasonic, a maker of appliances, splits in two, with one half turning into a wheelchair. Cyberdyne's lumbar-support suit responds to bioelectric signals from the wearer's body and helps care-home staff as they bend and lift. Sensors above beds alert workers when a patient moves near the edge and is in danger of falling out. At some homes, excretion sensors on the body monitor intestinal movements to predict when someone needs the lavatory.

Robots that communicate and provide companionship are among the most popular at the Shintomi home. Paro, a baby harp seal made by Intelligent System, a Japanese manufacturer, responds to touch and sound, turning to and nuzzling patients who stroke or talk to it. Sony's Aibo, a robo-►

► dog originally invented as a gizmo for those who had it all during Japan's bubble years, has become another pet for the old.

Multi-purpose robots such as Pepper seem especially promising. In other businesses, Pepper specialises in customer service. But in nursing homes it talks to patients and monitors corridors at night (as well as running exercise classes).

Robot technology has much further to go if the machines are to replace human carers. "That will not happen until they have *sontaku*," says Yukari Sekiguchi, Shintomi's manager, referring to the Japanese concept of understanding by implication. "It cannot tell from a glance that someone fancies a cup of tea. I can." Human social interaction is still much easier to solve using robots than manual tasks are, says Kenichi Yoshida, who runs SoftBank's robotics division. For now, only humans can do tasks such as brushing a patient's teeth or shaving them.

Even so, many residents at Shintomi are keener on the robots than they are on some of the care workers, notes Mr Sekiguchi. A recent nationwide study found that using robots encouraged over a third of residents to become more active and autonomous. The earliest adopters of robotics may well be people in the later stages of life. ■

### Regulating Google in America

## Tectonic shifts

SAN FRANCISCO

**The search firm can no longer count on political goodwill at home**

“WE USED to be so dismissed,” says Jeremy Stoppelman, the boss of Yelp, an online-review site which has waged a six-year-long battle against Google over how the online giant ranks its search results. Now American regulators are taking concerns about Google more seriously. On November 13th, Josh Hawley, Missouri’s attorney-general, launched an investigation into the search giant to determine whether it had violated the state’s antitrust and consumer-protection laws. Other entrepreneurs, too, congratulate Mr Stoppelman for speaking out about Google; they would not have done so before.

Until then it had been chiefly in Europe where Google had trouble. In June the European Commission announced a record-breaking €2.4bn (\$2.7bn) fine against it for anticompetitive behaviour, concluding it had suppressed online-shopping results from rivals in its search results. Other investigations into Google’s behaviour in European countries are ongoing. America has taken a more benign view of its home-grown giant. One of its competition watch-

dogs, the Federal Trade Commission (FTC), spent a few years investigating Google for anticompetitive behaviour, but its five commissioners voted in early 2013 to close the inquiry after Google agreed to tweak some of its practices.

Will America go the way of Europe and abandon its Googlephilia? There are reasons to think that attitudes have already changed. One is that more states are starting to scrutinise Google over its policies about collecting consumer data and its allegedly anticompetitive behaviour toward smaller firms such as Yelp. Google has 60 days to respond with the information that Mr Hawley has requested or go to court.

As a Republican candidate for the Senate in 2018, Mr Hawley is probably motivated in part by a quest for national attention—lashing out at big business can play well in campaigns. Politicians are also gearing up for mid-term elections next November. Many believe that Google and Facebook, a social-media giant, failed Americans by doing too little to screen out Russian ads and content during the 2016 presidential election campaign.

Nor is Mr Hawley alone in feeling that Google needs closer attention. Last year, Karl Racine, Washington’s attorney-general, and Sean Reyes, Utah’s attorney-general, asked the FTC to reopen its Google investigation. Some other state attorneys-general are also believed to be considering launching inquiries.

States’ investigations could eventually put pressure on the federal government to take action of its own. There is precedent: state attorneys-general hastened the federal government’s decision to pursue strong antitrust action against Microsoft in the late 1990s, notes Gary Reback, a lawyer who worked with some of them in his work opposing Microsoft.

In Washington, DC, there is a new pack of watchdogs selected by President Donald Trump, who received little support from the tech industry during his presidential campaign. In contrast, Barack Obama had strong ties to tech and to Google in par-

ticular. Eric Schmidt, chairman of Google’s parent company, Alphabet, was influential as an informal adviser to Mr Obama. Some think this helped Google get off too easily in the past. “I worry that the FTC under the Obama administration, which had many close ties to Google, meant that the investigation was not as independent as it might have been,” says Mr Hawley.

Mr Trump’s nominee to run the FTC, Joe Simons, is a lawyer in private practice who used to run the FTC’s antitrust division and is expected by those who know him to be an aggressive activist. “If the standard narrative is that because the Republicans are in town, Simons is not going to do anything, he will really surprise people,” says William Kovacic, a professor at George Washington University Law School who used to work with Mr Simons at the FTC.

Two other sources of uncertainty for Google and for other tech firms are a newly activist Department of Justice (DoJ), which is tasked with competition issues, and the Federal Communications Commission (FCC). On November 20th the DoJ sued against a merger between AT&T, a telecoms behemoth, and Time Warner, on antitrust grounds. A day later the FCC said it would gut Obama-era rules on “network neutrality” that ensure broadband providers treat all internet traffic equally. Google might worry that YouTube, its video website, could eventually be disadvantaged.

The big question is whether a full overhaul of antitrust law is coming. Google has around 42% of all digital advertising in America and 80% of online search advertising, according to eMarketer, a research firm. In the past watchdogs have based their actions on consumer harm, which is hard to prove in the case of the digital giants as their services are free of charge. The European Commission has taken a view that the suppression of competition is damaging to consumers. Googlers who relied on their popularity with American consumers and politicians to protect them at home can no longer feel so secure. ■



# Schumpeter | Control freaks

**Lessons in the dark arts of corporate control from the tycoons of the new economy**



**T**HIS month Schumpeter visited the Barnes Foundation, a gallery in Philadelphia full of paintings by Picasso, Matisse and Van Gogh. Albert Barnes, born in 1872, is notable for two things. He made a fortune from an antiseptic that cured gonorrhoea. And he stipulated exactly how his art collection should be posthumously displayed. The result is hundreds of paintings jammed together nonsensically, often in poky rooms, and the creepy feeling of a tycoon controlling you from the grave.

Barnes's string-pulling comes to mind when considering today's prominent tycoons, who often hail from technology, e-commerce and media. At the moment they seem omnipotent. But many founders are gradually cashing in shares in their companies. The consequences will vary by firm, with some tycoons gradually ceding control, and others clinging on to it.

A flurry of selling activity has been in evidence of late. On September 13th Jack Ma and Joe Tsai, co-founders of Alibaba, a Chinese e-commerce behemoth, said they planned to sell up to \$4bn of stock by the end of 2018. Nine days later Mark Zuckerberg said he would dispose of Facebook shares worth up to \$13bn by early 2019. Jeff Bezos has cashed in \$2bn of Amazon stock this year. Pony Ma, the boss of Tencent, a Chinese digital giant—and no relation to Jack—intends to sell \$5bn of its stock (although the timetable is unknown). The transactions add up to a tenth of the total value of these founders' holdings in their companies.

More sales can be expected. Mr Tsai has just spent \$1bn buying 49% of the Brooklyn Nets, a basketball team. Mr Bezos needs \$1bn a year for a space-rocket project, and Mr Zuckerberg and Pony Ma harbour philanthropic ambitions. None of the firms pay substantial dividends. They also pay their staff in stock, diluting existing owners (and thus reinforcing the effect of founders' share sales).

To see the effect of stock disposals and dilution, consider eight founder-run firms: Alibaba, Alphabet, Amazon, Facebook, Netflix, Tencent, Tesla and SoftBank. The median economic stake of their founders is 13%. On the current trajectory that will fall to 8% in half a decade; the tech tycoons might cash out even faster.

Each firm has its own structure, reflecting how ruthless its founder was early on and how much share capital it has raised, among other things. But there are two main kinds of company: those run by control freaks, and those run by control fanatics.

At control-freak firms, economic and voting power is aligned. As the founders sell, their legal powers decline, too. Reed Hastings at Netflix is furthest down this path. He has cut his stake from 7% in 2007 to 3% but dominates Netflix by sheer force of personality. That is impressive but he is more vulnerable as a result.

Amazon is also heading in this direction. Mr Bezos's economic and voting stake has fallen from 25% in 2007 to 16%. At the present pace the top three institutional investors will, together, be able to outvote him by late 2018. Elon Musk owns 20% of Tesla's economic and voting rights, but his stake will probably fall, too. His personal finances appear stretched—he has taken out loans secured against some of his shares. And Tesla needs to issue more equity to fund its ambitious plans, which will dilute him. Such leaders are lionised and it is hard to imagine their firms without them, as once it was difficult to imagine Microsoft without Bill Gates. But over a decade they could shift to institutional ownership. Apple and Microsoft have already made the leap.

The destiny of firms run by control fanatics, the second category, is murkier. Their founders use dual classes of shares or other mechanisms to keep voting rights even as they lower their economic exposure. Alphabet has three share classes; Larry Page and Sergey Brin have an 11% economic stake but 51% of voting rights. If they sell slugs of stock, as they have done in the past, they could cut their economic stake to as low as 6% while keeping majority control. Facebook's two share classes allow Mark Zuckerberg to have 51% of the votes with 14% of its economic rights. This year he considered a scheme to concentrate power in his hands still more, but abandoned it in September after shareholders sued.

Asia's control fanatics use different levers. Masayoshi Son owns only 21% of SoftBank's economic and voting rights. But he has set up an associated \$100bn investment vehicle, the "Vision Fund", over which he seems to have near-total control. Pony Ma owns 9% of Tencent's economic and voting rights, down from 13% in 2007. Naspers, a South African media firm, has a stake over three times bigger but has less influence. That is partly because Pony Ma has majority stakes in Tencent's two key subsidiaries in mainland China, which he has agreed to allow Tencent to run.

Alibaba has the most accomplished fanatics. Jack Ma and Mr Tsai have designed a triple-lock system. A pact obliges other strategic shareholders to vote with them. A majority of board seats must be appointed by the "Alibaba Partnership", a club of senior staff whose permanent members are Jack Ma and Mr Tsai. Jack Ma has a majority holding in several key subsidiaries in China, which Alibaba operates. Alibaba's construct resembles the legal equivalent of a surrealist painting (the government is probably the only body that could possibly wrest away control).

## Painting it black

The control fanatics are still relatively young and may hope to go on for as long as Warren Buffett and Rupert Murdoch, who have used dual share classes to keep control into their ninth decade. But today's corporate chieftains are already pushing the limits. The gap between their economic stakes and voting stakes is far larger than for Mr Buffett or Mr Murdoch now. And their firms are among the most important in the world. When growth eventually slows and the aura of genius fades, the tensions created by their concentration of power will build. Albert Barnes's estate became mired in legal disputes and arguments. Today's tycoons should visit his eccentric gallery for a reminder of the pitfalls of seeking to hold on too tight, for too long. ■



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### Sustainable investing

## Generation SRI

In the first of three articles on responsible investing, we look at the impact of the millennial generation

IN 2008, when she was in her mid-20s and sitting on a \$500m inheritance, Liesel Pritzker Simmons asked her bankers about “impact investing”. They fobbed her off. “They didn’t understand what I meant and offered to screen out tobacco,” recalls the Hyatt Hotels descendant, philanthropist and former child film star. So she fired her bankers and advisers and set up her own family office, Blue Haven Initiative. It seeks investments that both offer market-rate returns and have a positive impact on society and the environment. “Financially it’s sensible risk mitigation,” she says. “Our philanthropy becomes far more efficient if we don’t need to undo damage done in our investment management.”

Such ideas are gaining ground, particularly among the young. Fans of “socially responsible investment” (SRI) hope that millennials, the generation born in the 1980s and 1990s, will drag these concepts into the investment mainstream. SRI is a broad-brush term, that can be used to cover everything from divestment from companies seen as doing harm, to limiting investment to companies that do measurable good (impact investing). The US Forum for Sustainable and Responsible Investment, a lobby group, estimates that more than a fifth (\$8.7tn) of the funds under professional management in America is

screened on SRI criteria, broadly defined, up from a ninth in 2012 (see chart).

Growing demand has spurred Wall Street into action. Goldman Sachs now manages \$10.5bn in assets dedicated to “ESG” (ie, meeting environmental, social and governance criteria) and a further \$70bn in “negatively screened” assets that exclude the manifestly unvirtuous. TPG, a private-equity giant, last month raised a record \$2bn impact-investing fund, with the help of Bono, a rock-star do-gooder.

The young are SRI’s big hope. In the coming decades, they will inherit pots of money. Unlike many of their baby-boomer parents, they believe in sustainable investing. There may not be much evidence to support claims that SRI outperforms the market, but there is enough to show it can match it. Having grown up in a digital age, millennials are both more exposed to the world’s woes, and more likely to use elec-

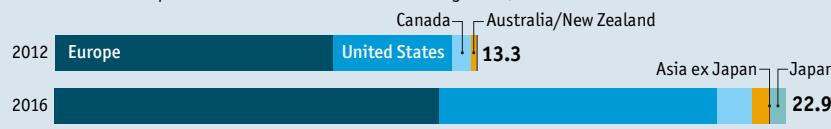
tronic investment tools. Amit Bouri of the Global Impact Investment Network, an industry forum, says more and more banks are contacting it “because clients demand these impact options”. Julia Balandina Jaquier, a family adviser in Zurich, says that “boomers see doing good as separate from investing; whereas millennials don’t see how you could possibly separate the two.”

This generational change is already visible at universities. Under pressure from alumni, several endowments have promised to clean up their investment portfolios. Business schools say classes related to ESG investment are oversubscribed. In the 1990s you might have been seen as “going soft”, says Matt Bannick from Omidyar Network, an impact-investment firm, but today over half of applications to Stanford Graduate School of Business mention the school’s efforts to alleviate poverty in developing countries.

The ultra-rich have been leading the way. A group of millennials, including a Ford, a Rockefeller and Mrs Pritzker Simmons, in 2015 launched “The ImPact”, a network pledging to “create measurable social benefit” through its investments. Presented as their generation’s answer to the “giving pledge” launched in 2010 by Bill Gates and Warren Buffett, it has over 125 signatories (with average wealth of around ►

### Green shoots

Sustainable and responsible investment assets under management, \$trn



Source: Global Sustainable Investment Alliance

► \$700m). Similar initiatives are springing up elsewhere.

But it is not just billionaires who are flexing their muscles. The average millennial is famously worse off than his parents, but the oldest are nearing peak-earning capacity; and in the coming decades boomers will pass on trillions of dollars in the largest intergenerational wealth transfer ever. By 2020 millennials may control up to \$24tn, estimates Deloitte, a consultancy. Few will enjoy the lavish retirement guarantees their parents had. They are expected to be vocal about how their pension contributions are invested.

Having experienced the financial crisis, millennials are suspicious of financial institutions. They also believe they can change the world. According to a survey in America by Morgan Stanley, 75% agreed that their investments could influence climate change, compared with 58% of the overall population. They are also twice as likely as investors in general to check product packaging or invest in companies that espouse social or environmental objectives. And, like children of every generation, they influence their parents. "We see a lot more patriarchs or matriarchs coming in with the kids asking 'what's the impact of this portfolio?'" says Audrey Choi from Morgan Stanley.

Millennials tend to balk at off-the-shelf products. They "want to express individual values," says Josh Levin, a co-founder of OpenInvest, a robo-adviser that lets people "swipe" issues into or out of their portfolio—ditching shares in fossil-fuel producers, say, or buying more in ones with good records on LGBTQ rights. (Politics also comes into play: one option is to dump shares in firms allied to President Donald Trump.)

Such technology can slash costs, helping bring SRI to ordinary investors. Improved computing power also makes it easier to assess a company's harmful—or beneficial—impact, as more company data become available thanks to voluntary and statutory reporting initiatives. Two decades ago even the most basic data on, say, corporate pollution were unobtainable. Today 12 stock exchanges require listed companies to disclose ESG information; EU legislation mandates similar disclosure from pension funds; rating agencies rank companies.

Arabesque, a "quant" asset manager that uses ESG data, examines the sustainability of over 7,000 of the world's largest listed companies. Its technology combines over 200 ESG measures with other data points (such as news stories from 50,000 sources) to rank companies. Early adopters include Deutsche Bank and S&P Global Ratings. Andreas Feiner, Arabesque's head of ESG, thinks recent corporate scandals, such as the "dieselgate" scandal at Volkswagen, boosted responsible investing.

## Sustainable investing in Japan

# Environmental, social and...what?

TOKYO

### Socially responsible investing runs up against boardroom culture

JAPAN is prone to fads—usually in fancy desserts or fashion ripe for Instagram. A less photogenic one has hit finance: investing in assets screened for ESG (environmental, social and governance) factors. In 2014-16 funds invested in ESG assets grew faster in Japan than anywhere else (and not just because of better reporting and a low base).

Today Japan's sustainable-investment balance is \$474bn, or some 3.4% of the country's total managed assets—low compared with Europe or America, but high for Asia. The shift is driven from the top down, rather than, as elsewhere, by ethically minded individual investors.

When he returned to power in 2012 with a plan to revitalise the economy Shinzo Abe, Japan's prime minister, wanted to reform Japan's conservative business culture. A code for institutional investors was introduced in 2014, followed by one on corporate governance a year later. The government's aim is not only to get firms to distribute some of their vast piles of cash, but to shake up boards that tend to see their job as rubber-stamping management decisions.

The big boost for ethical investing in



Volkswagen shares had long been filtered out by its algorithms because of low corporate-governance scores.

Money managers' deepening love affair with sustainable investment stems not from warm, fuzzy ideas about doing good. For most it is a commercial choice. That worries some SRI purists, who fear that "mainstreaming" will lead some fund managers to put an ethical gloss on con-

Japan came from the Government Pension Investment Fund (GPIF), the world's biggest public-sector investor, with \$1.3tn of assets under management. In 2015 GPIF signed the UN's Principles for Responsible Investment. This year it invested 3% of its holdings in socially responsible assets, using three ESG indices. Smaller investors have started to follow suit.

Hiromichi Mizuno, GPIF's chief investment officer, says the decision to invest in three ESG indices is for the long-term future, rather than with an eye on short-term returns or to support government policy: "The more companies pay attention to the sustainability of the environment, society and governance, the more likely investors are to find investment opportunities in them."

Analysts say GPIF is setting a trend for sustainable investing not just in Japan but globally. It has said it wants to increase its allocations in ESG funds to 10% of its assets. Earlier this month it called for proposals for ethical funds to manage its foreign equity investments.

Nick Benes, who heads the Board Director Training Institute of Japan, an educational body, says he is "all for" the enthusiasm for ESG in Japan. But he frets that Japanese companies are focusing on environmental and social aspects at the expense of governance. "That is the real driver of sustainability," says Mr Benes. "But here it's a big, bold E and S, and a small, plain G."

Japanese companies tend to score well on environmental concerns: they are very energy-efficient, for example. Social issues such as empowering women are receiving more attention. (One of GPIF's chosen indices represents companies that are gender-diverse.) But governance is a work in progress; some still see requirements for disclosure and outside directors as undue interference. A series of scandals this year at companies including Kobe Steel and Nissan, a car-maker, suggests there is still work to do.

ventional investments. But most in the field argue that what social investing needs is the momentum that accompanies big infusions of capital. Financial firms can provide both money and the resources to professionalise the field further. And money managers who pay only lip-service to SRI are unlikely to get away with it for long: sooner or later the robots and millennials are bound to call them out. ■



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## Ethical investing and passive funds

# Thin end of the wedge

SCOTTSDALE, ARIZONA

**Ethical investors set their sights on index funds**

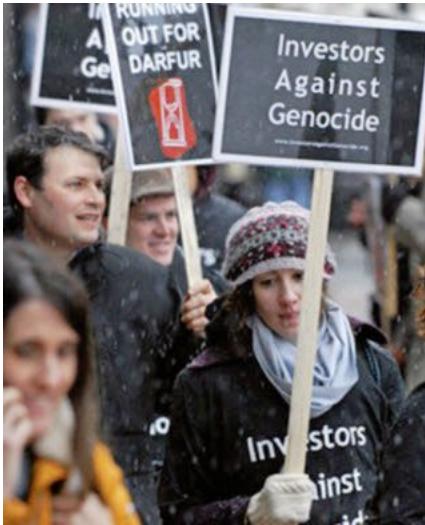
VANGUARD, an American fund-management giant, promises “the highest standards of ethical behaviour”. Its low fees, helpful call centres and lack of scandal give the claim credence. It is by far the largest mutual-fund group, with \$4.8trn under management. It receives more than half of all the new money going into American mutual funds. Most ends up in its passively managed offerings that track indices.

So you might think its shareholder meetings would be pious celebrations. Instead, Vanguard tries to avoid them. On November 15th it held its first since 2009, to satisfy a legal requirement that two-thirds of fund directors are elected rather than appointed. It held the meeting near its Arizona satellite office, far from its Philadelphia-area headquarters. Only 200 of its 20m clients showed up, trudging through metal detectors and tight security.

Vanguard may have been pleased by the small turnout. Among those dogged 200 who attended were representatives of an activist group, Investors Against Genocide. It had submitted a motion asking Vanguard to avoid investing in companies that, “in management’s judgment, substantially contribute to genocide or crimes against humanity”. The motion cited numbers from Vanguard’s financial disclosures in April showing \$1.9bn held in companies that the group said were complicit in genocidal actions by doing business in Syria, Myanmar and Sudan; China Petroleum, Kunlun (an affiliate), PetroChina, Sinopec and Petronas (from Malaysia).

Vanguard’s management opposed the motion, arguing against prescriptive constraints on a fund’s investible universe—especially index funds, which are mandated to purchase shares in every company that makes up an index. In a brief statement, the company’s outgoing chief executive, William McNabb, said there were better avenues than fund companies to pursue the ethical concerns at stake, such as diplomacy. If individuals did not like this, they need not buy a global index that included the controversial companies.

Eric Cohen of Investors Against Genocide was unswayed. He argued that Vanguard could certainly have accepted the motion for its actively managed funds; and that though it is hard to exclude a company from a narrow index, it is feasible and legal to omit a few from those, like most of Vanguard’s, with a broad mandate. Two big American investment managers, TIAA and



The revolutionary vanguard

T. Rowe Price, have begun to implement his group’s ideas, as has American Funds, a vast active manager. His arguments have also made some headway with Vanguard’s shareholders, who voted in higher proportion for the motion than in 2009.

Vanguard’s main concern may be that one shareholder notion will lead to a deluge of them. Ever more interest groups oppose different industries for different moral reasons. Vanguard has created a team to raise issues of concern with companies and to direct its votes on shareholder proposals. But that is a far cry from shunning particular shares. If it were forced to do so, the risk is that so many issues become cause for divestment that ethical concerns pose a threat to Vanguard’s business. ■

## Euro-denominated clearing

# Frankfurters’ foray

## A German bid to loosen London’s grip on clearing euro interest-rate swaps

SEEN from the continent, it just isn’t right. LCH, a firm mostly owned by the London Stock Exchange (LSE), dominates the clearing of interest-rate derivatives. Each day it clears \$3.4trn-worth, counting both sides of a trade. (The simplest variety is a swap of fixed and floating rates, allowing counterparties to reduce or increase their exposure to changes in rates.) In euro-denominated derivatives, the biggest category after dollars, LCH’s market share comfortably exceeds 90%, according to Clarus Financial Technology, a research firm.

Eurex, the derivatives arm of Deutsche Börse, owner of the Frankfurt Stock Exchange, wants to change that. So do European Union politicians and regulators,

once Britain quits the EU. On November 20th Eurex’s clearing division said that so far around 20 banks, including lots of heavyweights, had joined a “partnership programme” to boost its interest-rate business. (The most notable absentees are Goldman Sachs and two big French banks, BNP Paribas and Société Générale.)

Though volumes on Eurex are rising fast, its task looks hard. Central counterparties (CCPs) such as LCH and Eurex allow contracts to be offset against each other, reducing the overall exposure of banks and their clients—and allowing banks to economise on equity. Monopoly is natural: the deeper and more liquid the pool of contracts, the better. Bankers say clearing on LCH tends to be cheaper than elsewhere.

To give banks an incentive to use Eurex, the German house is promising the ten most active a slice of its takings. That echoes the arrangement in London, where the banks that founded LCH share in its revenues, as well as still owning stakes (LSE has 57%). Three other factors, Eurex hopes, will also help lure business to Frankfurt.

One is that banks and their clients want an alternative liquid market, and that they will value choice more highly as regulations require more derivatives to be cleared through CCPs, such as LCH and Eurex. The second is the fear, however remote, of the catastrophic failure of a single, dominant CCP. Because Eurex has a banking licence, it would be able to call on the European Central Bank (ECB) quickly should disaster strike.

The third is Brexit. Long before Britain voted to leave the EU, the ECB attempted to force euro-derivatives clearing into the euro area. EU judges thwarted it in 2015, but it may try again. In June it proposed amending its statutes to give it explicit power to supervise clearing houses, including those outside the EU. The European Commission also suggested that “systemically important” clearers could be obliged to make their home in the EU.

Though forced relocation looks unlikely, no one can yet be sure. It would be more of a blow to jobs in London than to LCH itself, which has an arm in Paris. But it does banks no harm to join Eurex’s programme. They already use Eurex anyway, if on a small scale; if their clients want to use it more, so must they. Eurex, says a banker, is offering a “free option”.

To Frankfurt’s boosters, euro clearing is a big prize—bigger, surely, than the European Banking Authority, a regulator, which EU ministers decided on November 20th would shift from London to Paris after Brexit. And the Frankfurters have upset the odds before. In the 1990s the Deutsche Terminbörsen, Eurex’s ancestor, wrested trade in ten-year German government-bond futures from London’s grasp. Repeating the trick with euro clearing looks a tall order. But with Brexit, who knows? ■

## Investment in Italy

## PIRking up

MILAN

## New savings accounts fuel a boom in stockmarket listings

ITALY seems an unlikely place to be enjoying a boom in new listings on the stockmarket. It is full of family-run small and medium-sized enterprises (SMEs) that mostly rely for their finance on banks; and Italy's banks are notorious for the bad debts still lingering on their balance-sheets. But Borsa Italiana, Milan's stock exchange, has already seen 33 share issues so far this year, of which 24 have been full-fledged initial public offerings (IPOS). The number of listings so far already equals that seen in previous boom years in 2007 or 2015. With more expected before January, the exchange is likely to achieve the highest number of listings since the height of the dotcom bubble in 2000 (see chart).

A big reason for the surge is the Italian government's roll-out in February of new individual savings accounts, known as PIRs, which offer favourable tax treatment. These have done better than expected. Asset managers have amassed €7.5bn (\$8.3bn) in new PIR funds in the first three quarters of the year. Equita SIM, a boutique Italian investment bank, expects total inflows this year to reach €11bn. Of these funds 70% must be invested in Italy-based firms, with at least 30% of that in SMEs. So it has created a big new pool of investment capital. Since last December, the share prices of mid-size firms have risen by 39%, compared with 21% for the overall market.

Many Italian financiers and experts see the listings boom as part of an underlying structural trend rather than as a one-off blip, or accidental benefit of the banking industry's malaise. Stefano Caselli of Bocconi University says that, 20 years ago, entrepreneurs tended to think that listing was too expensive and bothersome. Mr Caselli credits Borsa Italiana's education efforts with changing attitudes, particularly a programme known as ELITE that coaches companies on corporate governance and capital-raising. This programme, founded five years ago, now counts 400 Italian firms as members. It has not spawned as many listings as the exchange had hoped. But it has helped raise awareness of other means of financing, such as private equity.

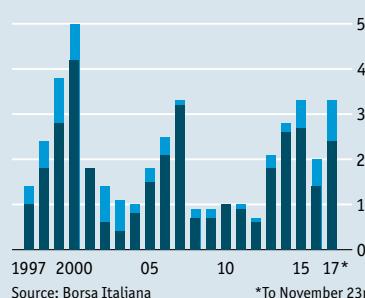
Not coincidentally, private-equity buyout deals have also surged in Italy. The volume trebled from €1.7bn in 2012 to a record of almost €5.8bn in 2016. Private-equity managers see rich pickings in Italy, notably among SMEs (for large deals, prices are as sky-high as elsewhere in Europe).

Stefano Bontempelli of Renaissance

## Third time lucky?

Borsa Italiana, new listings

Total ■— of which: IPOs ■



Source: Borsa Italiana

\*To November 23rd

Partners, an Italian private-equity fund that is part of Neuberger Berman, an American fund manager, says that after the financial crisis astute entrepreneurs realised that, to survive, they needed to expand and internationalise their businesses. Around 85% of all firms, and 60% of listed

ones, are family-owned. Many have ageing bosses; outside investment is often helpful as they prepare for management succession. The boom in listings has made IPOS a much more feasible and attractive exit option for private-equity investors. They can even directly benefit from PIR; recent guidelines clarified that the law allows PIR assets to be invested in their funds.

The PIRs' success has also added impetus to another phenomenon—special-purpose acquisition companies (SPACs), of which seven have listed so far in 2017, compared with ten in all of the previous four years. These vehicles start by raising cash, and then look for privately held companies to acquire; most are around €100m-150m in size, although the smallest of this year's crop is €65m. Many are run by investment-banking and private-equity veterans. Equita's own SPAC is actually a joint venture with a local private-equity firm. Equita's boss, Andrea Vismara, argues that the SPAC structure allows for ➤

## Archaeology

## Capital in the 80th century BC

## Wealth inequality has been increasing for millennia

THE one-percenters are now gobbling up more of the pie in America—that much is well known. This trend, though disconcerting, is not unique to the modern era. A new study, by Timothy Kohler of Washington State University and 17 others, finds that inequality may well have been rising for several thousand years, at least in some parts of the world. The scholars examined 63 archaeological sites and estimated the levels of wealth inequality in the societies whose remains were dug up, by studying the distributions of house sizes.

As a measure they used the Gini coefficient (a perfectly equal society would have a Gini coefficient of zero). It rose from about 0.2 around 8000BC in Jerf el-Ahmar, on the Euphrates in modern-day Syria, to 0.5 in around 79AD in

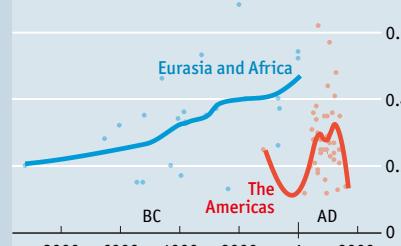
Pompeii. Data on burial goods, though sparse, point to similar trends.

The researchers suggest agriculture is to blame. The nomadic lifestyle is not conducive to wealth accumulation. Only when humans switched to farming did people truly begin to acquire material riches. Inequality rose steadily after the shift to settled agriculture, but tailed off in the Americas after around 2,500 years. In the old world, however, wealth inequality continued climbing for several millennia. That may be because Eurasia was richer in large mammals that could be domesticated. Horses and oxen greatly improved farm productivity—but livestock were mainly owned by the rich (who could also rent them out). The agricultural revolution was good for humanity but awful for egalitarians.

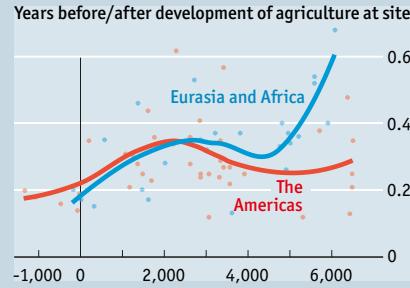
## Nice digs

Gini coefficient of house sizes at archaeological sites (1=perfect inequality, 0=perfect equality)

Site date



Source: "Greater post-Neolithic wealth disparities in Eurasia than in North America and Mesoamerica" by Timothy A. Kohler et al



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## Grit in the oyster

How a bust in the  
pearl market led to a burst  
of creativity

**The Louvre in the desert**

Can you be addicted to sex?

**Convicts taming horses**

The monster under Naples

**Board games 2.0**

► private-equity-style active involvement in the companies acquired. But Mr Bontemelli believes a SPAC's shareholding is often quite passive, and that a conventional private-equity fund is better at navigating a firm through the "right transition" to becoming a public company.

How far SPACs and PIR accounts will transform the Italian corporate landscape is still unknowable. Even if inflows into PIR continue, it may be that the funds shift focus, towards property. Italy's latest proposed budget law, submitted to parliament on October 31st, would allow PIRs to invest in this asset class, which had previously been excluded. Moreover, Italy's election in spring 2018 could slow, or even reverse, the investor-friendly reforms of recent years. But for now, this is an area where policy changes have worked: the capital markets are gaining greater importance in the Italian economy. Equita, for one, is a believer. The latest IPO in Milan, on November 23rd, was its own. ■

#### Russia's banking clean-up

## Sobering up

MOSCOW

#### A purge of Russia's banks is not over yet

**W**HEN Elvira Nabiullina took over the governorship of the Russian Central Bank (CBR) in 2013, she faced a bloated and leaky finance sector with over 900 banks. Since then, more than 340 have lost their licences. Another 35 have been rescued, including, in recent months, Otkritie, once the country's biggest private lender by assets, and B&N Bank, its 12th largest. The costs have been steep. According to Fitch, a ratings agency, over 2.7tn roubles (\$46bn, some 3.2% of GDP in 2016) have been spent on loans to rescued banks and payments to insured depositors. Fitch reckons another few hundred banks could go before the clean-up concludes. More large private banks are whispered to be among them.

The CBR has rightly been praised for preventing a wider crisis and undertaking a clean-up during a punishing recession. Non-performing loans are at a manageable level, of around 10%. Bringing Otkritie and B&N under CBR stewardship calmed panicked markets. Yet nationalisation also raises questions about oversight and competition. Alexei Marei, recently departed chief executive of Alfa-Bank, now Russia's largest private bank, has called the CBR's dual role as regulator and owner an "enormous conflict of interest". The share of the state in the banking industry has climbed to about 65%. Ms Nabiullina herself admits the need to bring it down.

Such concentration in state hands is not new. Russia's banking sector has long had a chaotic private sector and an outsized, though stable, state one. It is anchored by a well-run behemoth, Sberbank, the successor to the Soviet Union's savings banks, which controls about one-third of banking-sector assets. In the wake of the Soviet Union's collapse, more than 2,000 new banks popped up, many engaging in speculation, asset-skimming and money-laundering. Early attempts at reform met fierce resistance—the last central banker to embark on a purge was murdered in central Moscow in 2006. Booming oil-fuelled growth helped cover up problems in the 2000s, but following the financial crisis of 2008, many lenders failed and state banks consolidated their hold on the sector.

Ms Nabiullina has made reshaping the banking system a priority, and secured the backing of President Vladimir Putin. The regulator intensified oversight and tightened standards, including capital adequacy and liquidity requirements. The changes amounted to a "paradigm shift", says Kirill Lukashuk of ACRA, a Russian ratings agency.

Early on, the CBR focused on stemming shady capital outflows and purging "pocket banks" that serviced their owners' businesses. The CBR reckons nearly \$40bn left the country in "dubious operations" in 2012 alone; in 2014-16 just over \$10bn left. Ms Nabiullina has complained to Mr Putin that many rogue bankers also flee the country after transferring funds abroad. (Bankers joke that a situation with no way out has only three ways out: Domodedovo, Sheremetyevo, and Vnukovo—Moscow's three international airports.)

As the oil-price collapse and Western sanctions sent Russia's economy into recession in 2014, many banks began to wobble. To avoid a string of destabilising col-

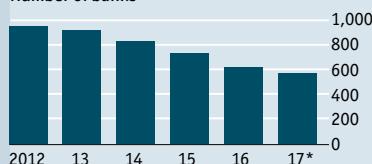


Elvira's mad again

#### Survival of the fittest

Russia

Number of banks



Bank assets, % of total



Sources: Fitch Ratings; CBR

\*To Oct 31st †To Jun 30th

apses, the CBR offered cheap financing to other banks willing to absorb the troubled lenders. Among those who participated in the scheme were Otkritie and B&N. Since 2016, attention has turned to bigger banks, many long considered politically untouchable. Early this year, the CBR created a new rescue mechanism, the Consolidation Fund, to absorb troubled bigger banks. In August Otkritie became the first casualty, following a run on its deposits; in September, B&N followed.

Otkritie and B&N, which together accounted for about 5% of banking assets, were typical: they grew aggressively through acquisitions, indulged in related-party lending and were mismanaged. Fitch's Alexander Danilov says private banks' owners often see them not as stand-alone businesses, but as cash cows for their other interests. The CBR reckons that repairing their balance-sheets will cost around 800bn roubles. It accused Otkritie of overstating the value of government bonds on its books. The two banks will be merged and placed under the stewardship of Mikhail Zadornov, a respected former finance minister. Officials speak of cleaning up and privatising the resulting bank after a few years. Yet many doubt that a healthy private lender will emerge. For Mr Danilov, the challenge is akin to "making a sober man from two alcoholics".

But Mikhail Matovnikov, an analyst at Sberbank, argues that "rumours of the death of private banking are overblown". He notes that despite the state's advance in banking since 2013, the share of deposits and credit taken by the ten biggest private banks has not fallen. Nimble retail banks, such as Tinkoff, Russia's leading online bank, have also found ample opportunities to expand. Oliver Hughes, Tinkoff's British boss, says the right business model can still offer "enormous reward". ■

## Banking in Afghanistan

# Building credit

## The value of a good reputation in a troubled country

ECONOMISTS think of the opportunity cost of money as one reason to hold a bank deposit: rather than skulk under a mattress, cash could earn interest. In volatile, war-torn Afghanistan, neither option appeals. Money has to be kept secure somehow, but a bad bank might make off with its depositors' money. In 2010 Kabul Bank collapsed after a spree of insider loans to shareholders, including a brother of the then president. A central-bank bailout cost nearly 7% of GDP. Much of the nearly \$1bn stolen has not been recovered.

A bank that customers trust, though, is in a strong position. So Afghanistan International Bank (AIB) does not pay any interest on its deposits, says Anthony Barned, its British chief executive. AIB was set up by the Asian Development Bank and private investors in 2004, and is the largest private bank in Afghanistan, holding \$790m in deposits, around one-fifth of the country's deposit base. It is also the most profitable.

As the only private institution with a dollar-clearing facility with big international banks, AIB is the main banker for Afghanistan's commodity importers. Other customers include charities, embassies and the American army. In order to keep their business, AIB must maintain its clearing relationships with two foreign banks, Standard Chartered and Commerzbank, by adhering strictly to international anti-fraud and anti-money-laundering rules. In a country with a thriving opium trade, that means laborious inspections of invoices and spot-checks of premises.

Lending is a small part of the business. Formal financial records are scanty, so it is hard to gauge creditworthiness, let alone to foreclose on a defaulter. The central bank, burnt by the Kabul Bank debacle, insists that borrowers put up collateral worth 120% of a loan. Lending is measly across the country's 15 banks: last December it amounted to a paltry 3% of Afghanistan's GDP (of less than \$20bn), compared with banking-sector assets of 23% of GDP. The balance is held with the central bank, or invested in financial instruments.

But there is a lack of demand for credit too, particularly among large firms, says Mr Barned. They may be waiting for a calmer political climate: both presidential and parliamentary elections loom in the next couple of years; the Taliban insurgency grinds on. Customers may be ready to trust some banks: trusting politicians is a different matter. ■

## Payment cards in Hong Kong

# Octopussy

HONG KONG

## A ubiquitous payment card gets some unfair flak

**I**N 1997, two months after Hong Kong reverted to Chinese sovereignty, it acquired a cutting-edge payment technology. People could rush through turnstiles with a wave of their colourful Octopus cards—stored-value cards pre-loaded with cash. Its latest advance, however, is risibly low-tech. On October 30th Octopus launched an extensible pole with a plastic hand to help drivers pay at toll booths. Critics of Hong Kong's cautious approach to fintech snorted in derision. Meanwhile, a government official was quoted as blaming Octopus for stifling the city's shift to cashlessness. Both criticisms are unfair. Hong Kongers enthusiastically embrace electronic payments and do well from the fierce competition between different platforms.

The Octopus card, designed for journeys on Hong Kong's trains, buses, trams and ferries, soon stretched its tentacles into shops. In 2016 the company generated revenues of HK\$956m (\$122m) for its owners (mostly transport companies).

Local pundits complain that Hong Kong lags behind mainland China, where even beggars accept e-donations. China's love of apps such as Alipay and WeChat Pay means that travellers to the mainland are finding it harder to get by without them. Similarly the 46m mainland tourists who visit Hong Kong every year are demanding ways to spend their e-cash. Francis Fong, an IT expert, reckons this could persuade merchants to accept new forms of payment.

But whereas in mainland China, mobile apps compete almost exclusively

with cash, Hong Kong's consumers have many choices. Already 60% of transactions are made electronically. A year ago the Hong Kong Monetary Authority (HKMA), the central bank, licensed 16 "stored-value facilities" on which consumers deposit money; between them they have 43.5m cards, including Octopus (which has 32.8m) and other pre-paid bank cards. Other options include Alipay, PayPal and WeChat Pay.

Each payment method has different advantages. Octopus is fast and reliable, but can be cumbersome for moving money. Its experiments with apps and a mobile-phone SIM card have not been popular. Credit cards are seen as secure but processing fees can be high. Mobile apps are easy for merchants to install but have a reputation for being less secure.

Outlets and payments firms compete fiercely to lure shoppers with discounts and rewards. Howard Lee of the HKMA argues that it is not government's job to pick technologies and that anyway it has no agenda to try to move Hong Kongers away from cash. Instead it is regulating new products to provide a "level playing field" so consumers can decide winners.

Even Sunny Cheung Yiu-tong, the chief executive of Octopus, expects the transport companies one day to accept new ways to pay, even including his competitors' apps. In a city where tannoyes at stations repeatedly warn commuters to look up from their phones, a scheme which allows more screen time should be popular. The plastic hand could double as a selfie-stick.



Your extensible friend

# Free exchange | Home rules

**Buying local is an appealing slogan, but often makes for misguided and costly policy**



RANDY KULL, a businessman based in Illinois, sells traffic signs. His products have international appeal, with signs for anglophones (STOP), Spanish-speakers (ALTO) and horses (WHOA). But for some customers, he must stay local. When America's Department of Transportation is involved, he must use American-made sign-mounting brackets, and fill in a form confirming their source. Mr Kull's supplier in Arkansas is happy, but he himself is dubious. "We live in a global economy," he scoffs. The weight of the evidence backs his instinctive scepticism.

To many, buying local seems sensible—wholesome, even. Keeping money close to home is supposed to foster thriving communities and generate jobs. To the administration of President Donald Trump, it is a source of national strength. Around the world, such sentiments are gaining ground. Global Trade Alert, a watchdog, has picked up 343 examples of new local-content requirements imposed since November 2008. In America, it estimates that the share of imports potentially snared by localisation restrictions has risen fivefold since 2009. Proposals for a tightening of existing restrictions on government procurement are due on Mr Trump's desk by November 24th.

That may be because a soft approach—encouraging but not mandating buying local—does not work. Offering more information, for example, can backfire. In Britain in 1887, a new legal requirement that goods "Made in Germany" were so labelled was meant to protect local producers. It became a badge of quality. Labels might sway some patriots. But for government agencies, hard-nosed investors and cash-strapped shoppers, information is not enough. "Everyone gravitates towards price," says Mr Kull.

Governments justify intervention in different ways. In Argentina, where 30% of the music broadcast on local radio must be made locally, it is seen as championing local culture. In China data-localisation laws are justified on national-security grounds. Rules on locally produced sources of clean energy, coupled with subsidies, are often defended as environmental protection.

More often, localisation measures are a straightforward grab for jobs and business. In theory, local-content requirements could fix market failures. Companies may not take into account the benefits of being part of a cluster and so may be overly eager to outsource or to use their distant supply chains. By overcoming

a failure of co-ordination, content regulations could force local learning-by-doing and foster innovation.

In practice, these policies are protectionist (and banned by the World Trade Organisation). They lock out foreigners, shelter local providers from competition and prevent them from taking advantage of global value chains. A review by Gary Hufbauer, Jeffrey Schott, Cathleen Cimino, Martin Vieiro and Erika Wada for the Peterson Institute for International Economics (PIIE) in 2013 estimated that they lowered global trade by \$93bn annually.

Rather than nurturing the strong, such policies appear to coddle the weak. Reviews by the PIIE, the OECD and the UN found no evidence that they stimulate innovation. In supposed success stories such as China's solar-cell industry, it is unclear whether local-content requirements drove success, or whether innovation was hampered as foreign firms fled. In Brazil's health-care sector, the PIIE's analysis suggests that local-content requirements make it slow to adopt new devices and drugs. Protectionism has caused America's once proud shipbuilding industry to wither.

Local-content restrictions generate hassle. American government agencies can appeal to a list of exceptions for items that are impossible to source locally (it includes capers, goat- and kid-skins, cobra venom and quinine). Those American companies that want to sell vehicles to their government must wade through an 83-page rule-book. The biggest costs, however, are in cash. Between 2009 and 2011 the PIIE authors estimate that the Obama administration's buy-local requirements for steel cost the government about \$5.7bn. Canadian restrictions on wind turbines meant utilities in Ontario and Quebec spent \$500m more than if they had bought American ones.

Proponents of "buy local" policies tend to think too narrowly. Pricier locally produced inputs mean less cash to spend on other things. A new paper by Peter Dixon, Maureen Rimmer and Robert Waschik of Victoria University puts the short-run benefit to the American economy of ditching its local-content requirements at around 300,000 jobs. They find that the steel sector would not lose out by much—the government represents a tiny fraction of overall demand. But the savings from cheaper inputs would allow the government to cut taxes.

## Unwelcome party

Localisation measures are often considered in isolation. But if they lead to retaliation, everyone loses. To make the point, Mexican trade negotiators have reportedly responded to American threats of limited access for their exporters to public-procurement markets by suggesting Mexico would reciprocate with similar restrictions. Even within an economy local-content requirements create hidden victims. They favour particular sectors, with effects that ripple through the rest of the economy. Surveying a range of restrictions around the world, the OECD finds that they lower exports in sectors not themselves the target of rules by a little over 0.5% in America, and by even more in Brazil and India.

Snappy "buy local" sound bites do not make sensible economic policy. By directing money at one group, another is shut out. By picking a winner in one place, a loser wilts elsewhere—and perhaps closer to home than you might think. They also have a nasty political undercurrent. Calls to buy local inevitably act to exclude outsiders, fostering a sense of "them" and "us". What seems wholesome has a darker side. ■



## Nutrition and genetics in Africa

### No crop left behind

NAIROBI

#### How to improve the plants that Africans eat and breeders neglect

CASSAVA and sweet potatoes. Lablab beans and water berries. Bitter gourds and sickle sennas. Elephant ears and African locusts. Some will be familiar to readers in rich countries. Others, probably not. Elephant ears, for example, are leafy vegetables. African locusts are tree-borne legumes. All, however, are standard fare in various parts of Africa. What they also have in common is that they are, from the point of view of plant breeders, orphans. They are neglected by breeders because they are not cash crops. Conversely, they are not cash crops because they are neglected by breeders.

That neglect matters. The cereals which dominate human diets—rice, wheat and maize—have had their yields and nutritional values boosted over the years by scientific breeding programmes. In the modern era of genomics, they have had their DNA scrutinised down to the level of individual base pairs, the molecular letters in which genetic information is written. They are as far removed, nutritionally, from their ancestors of as little as two centuries ago as those ancestors were from the wild plants which begat them. Orphan crops have yet to undergo such a genetic revolution.

Even for adults, a lack of calories and essential nutrients is harmful. For children it can be devastating. Poor childhood nutrition leads to stunting—inadequate bodily development, including the development of the brain. A report published by the

World Health Organisation on November 16th suggests that almost a third of Africa's children, nearly 60m of them, are stunted. And stunted children grow into adults unable to achieve their potential. Researchers at the World Bank reckon the effects of stunting have reduced Africa's GDP by 9-10% from what it would otherwise be.

One way to reduce stunting would be to improve the crops that Africans, particularly those in the countryside, actually eat—in other words, orphan crops. Such improvement is the purpose of two recent, interrelated projects that are now getting into their strides. Both are based in Nairobi and are conducted under the auspices of the World Agroforestry Centre, an international non-governmental research organisation. One is the African Orphan Crops Consortium (AOCC). The other is the African Plant Breeding Academy. The AOCC's task is to obtain complete sequences of the DNA of 101 neglected food crops. The academy's is to disseminate those (and much else besides that relates to crop breeding) to young scientists from universities and other institutes around the continent, who visit Nairobi for the purpose.

#### The orphanage

The AOCC's founding spirit is Howard-Yana Shapiro. Dr Shapiro's day job is chief agricultural officer of Mars, a big American food and confectionery business. As part of that business, Mars's scientists once se-

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quenced the genome of cacao, the source of chocolate, in order to improve one of the firm's most important raw materials. A chance meeting between Dr Shapiro and Ibrahim Mayaki, the head of an African development agency called NEPAD, planted in Dr Shapiro's mind the idea that what was being done for cacao could equally be done for other tropical crops. The pair then recruited Tony Simons, who runs the World Agroforestry Centre, and Rita Mumm, a plant geneticist at the University of Illinois, and in 2013 this group launched both the consortium and the academy.

So far, the AOCC's researchers have fully sequenced the genomes of ten of their targets. They have partially sequenced those of 27 others. Once full genomes are available, the differences between those of different natural varieties of the same species, known as landraces, can be identified. In particular, detailed sequencing enables maps of DNA markers within a genome to be made. These markers can then be used to chart the movement of blocks of DNA from parent to offspring when different landraces are crossed. This makes it much easier to find out what contributions particular bits of DNA are making to a plant, and thus speeds up the process of breeding new varieties that either have better yields (because of virus-, pest- or drought-resistance, for example) or better nutritional value (enhanced vitamin content, say), or both.

The academy, meanwhile, has, since its foundation, brought in 81 researchers from all parts of Africa for what are, in effect, masterclasses from the world's top plant-breeding specialists. These include lectures on the consortium's latest results, so that the visitors can begin to apply those results to their work.

Breeding and disseminating new crops is a long-winded business, but a DNA-►

► based approach has already shown promise. One scientist who is embracing it is Robert Mwanga of the International Potato Centre. Dr Mwanga (pictured on the previous page, with a farmer) was an early proponent of the scientific improvement of African crops. His own work, for which he was awarded the World Food prize in 2016, is on sweet potatoes. The varieties of these root-tubers that were popular in Uganda, his native land, and other parts of Africa in the mid-1980s, when he began his studies, are deficient in vitamin A. A lack of this vitamin damages children's eyesight and opens them to infection by such things as measles. This is a disease that can kill, and, if it does not, it can cause brain damage.

Starting with Asian varieties that had more vitamin A in them, Dr Mwanga bred a dozen strains that are vitamin-A rich and have more dry matter (and thus more calorific value) than African landraces. He then led a campaign to encourage local farmers to adopt his novelties—which they did.

#### Variety is life itself

Dr Mwanga is now working on virus resistance, for viral infection is a big problem with sweet potatoes. And where he has led, others hope to follow—only faster, because they will have better genetic information. Enoch Achigan-Dako, from the University of Abomey-Calavi, in Benin, has plans for amaranthus, cleome and egusi melons. Egusi seeds are rich in fat and protein, qualities Dr Achigan-Dako hopes to improve. The melons themselves are also disease-resistant, a property he hopes to transfer to watermelons, which are also an important crop in west Africa.

Julia Sibiya of the University of Kwa-Zulu Natal, in Durban, meanwhile, is working on sorghum, another under-studied African crop. She is also working with Dr Achigan-Dako to set up MoBreed, a pan-African collaboration with the self-appointed task of improving ten orphan crops, including Kersting's groundnut, the African custard apple and fonio, a type of millet.

Happiness Oselebe, another participant in MoBreed, is even more ambitious. Dr Oselebe works at Ebonyi State University in Nigeria. Not content with improving existing crops, she wants to create a new one by domesticating serendipity berries. These are wild vines that produce a protein 3,000 times as sweet as table sugar. That, she thinks, could be the starting-point not merely for something grown for local consumption, but of an industrial-scale cash crop. Samson Gwali of Uganda's National Agricultural Research Organisation, yet another alumnus of the academy, plans to use AOCC's data to improve the productivity and shorten the generation time of shea trees. The nuts of these trees are the main source of cooking oil for 80m people in 21 equatorial African countries stretching from Senegal to Ethiopia.

Breeding better crops is, though, only half the battle. Farmers have then to be encouraged to adopt them. And farmers are, for understandable reasons, resistant to change. That they can be induced to do so, though, is shown by Dr Mwanga's experience. Unlike traditional African sweet-potato landraces, which are white, his improved varieties are orange because they contain beta-carotene, a molecule which is a precursor to vitamin A. To start with, many of Uganda's sweet-potato farmers rejected the new cultivars for human consumption, thinking them good only for use as animal fodder. By patient persuasion, Dr Mwanga won them round. Recruiting seed companies is also important. In Uganda, Dr Mwanga is working with two local firms, BioCrops and Senai, to distribute the latest varieties of orange sweet potato.

At the moment, the focus of all this activity is very much on improving subsistence agriculture. But, as Dr Oselebe's work suggests, the potential for something much bigger does exist. Though it is unlikely the imperial cereals will ever be pushed aside, demand in rich countries for new and exciting fruit and vegetables is a different matter. Bananas, mangoes, pineapples and pawpaws are all tropical fruit that have gone global. If some of Africa's orphan crops, suitably improved by genetic knowledge, were to follow suit, the benefits to African farmers would be huge. ■

#### Mate choice

## A healthy glow

#### Birds with poor digestion are literally off colour

THE vibrant hues of beautiful plumage are often borrowed. Flamingos, for example, owe their pinkness to chemicals called carotenoids that are made by bacteria known (confusingly) as blue-green algae. The birds, when feeding, both ingest these bacteria directly and consume small crustaceans that themselves subsist on such bacteria. Blue-footed boobies obtain their eponymous colour similarly, via the fish they eat.

Carotenoids, though, are dual-use molecules. Besides being pigments, they also help to stimulate the immune system. If a bird is troubled by parasites or pathogens its immune system will thus use up some of its carotenoid stock defending against these interlopers, and its colour will suffer. If it is parasite-free, by contrast, most of the carotenoids it consumes will be used to create colour. This is a difference that potential mates notice and act on, as dozens of experiments have proved. But a study



Mr and Mrs House-Finch

just published in *Naturwissenschaften* has gone beyond these observations and shown that bright plumage is also an indicator of a healthy digestive system.

Wild animals live in a world of constant food scarcity. Squeezing every last calorie and nutrient molecule from what they eat is crucial to their survival. Since carotenoids are obtained as part of this digestive process, Tuul Sepp of Arizona State University and her colleagues wondered if plumage brilliance might therefore be a reliable signal of the efficiency with which a bird extracts goodness from its food.

To assess that she turned to a test called the "acid steatocrit". This involves collecting an animal's faeces, mixing them with perchloric acid to liberate the fat molecules within, centrifuging the mixture and then measuring the thickness of the fatty layer which has accumulated at the top. The thinner this layer, the more efficiently the animal in question has been digesting any fats it has eaten. Since most carotenoids are bound to fatty molecules called lipoproteins, Dr Sepp reasoned that those birds which the test suggests are collecting fats efficiently from their food will also be brightly coloured.

To investigate this idea, she and her colleagues collected 36 male house finches—birds known for having brilliant red breasts. They photographed their captives and held them in cages for a short time, in order to collect some faeces from each. They then ran the images of the birds' breasts through a computer to analyse how red they were, and studied a sample of each bird's faeces using the acid steatocrit test.

The result was that there is indeed a correlation between the brilliance of a bird's breast and the efficiency of its fat digestion. If Dr Sepp's computer can see this, it seems likely female house finches can, too—and will thus have yet another reason to pick the mates with the prettiest plumage. ■

## The scientific method

# Nothing to smile about

### Another example of why replication is important in science

**A**N ENDLESS stream of new discoveries makes science thrilling. But, as any seasoned researcher knows, such novelties are worthless unless they can be replicated. Often, though, replication does not get done as thoroughly as it should be—or even at all. For, as any seasoned researcher also knows, replication is rarely the stuff careers are built on; studies conducted with that goal may even struggle to get published in peer-reviewed journals.

In this context, a recent attempted replication is important, for it actually was published last week in a journal called *Psychological Science*. Its author was Michael Dufner of the University of Leipzig, in Germany. In it, he said that he was unable to replicate a fascinating previous finding which had suggested that people who smile more intensely tend to live longer than those who did not.

The original study, published in 2010 by Ernest Abel and Michael Kruger, then of Wayne State University, in Detroit, seemed sound enough. The two researchers had gathered the mugshots of 196 players from the Baseball Register of 1952, which lists the game's professionals in a given year, and asked a team of volunteers who were blind to the purpose of the experiment to study the players' smiles and rate their intensity. Dr Abel and Mr Kruger then delved into files that contained information on when the players in their experiment had died—or if, by rare chance, they were still alive. This analysis revealed that players with full smiles were more likely to have lived to a ripe old age than those who had partial smiles or no smiles at all.

Statistically, this was a strong result. The probability that it was the result of chance was one in 50. It was also an intriguing result. It dovetailed well with ideas then emerging that happiness induces biological effects which lead to improved health. Indeed, Dr Dufner often discussed the research with others and, as questions about whether the work had ever been replicated came with increasing frequency, he decided to roll up his sleeves and do so in his own laboratory.

Together with a team of colleagues, he worked with a sample based on the one used in the original study. All of the players in that were included, along with a larger, non-overlapping set of 527 Baseball-Register images of players who were active slightly before, or after, 1952. Just like the researchers in the first experiment, Dr



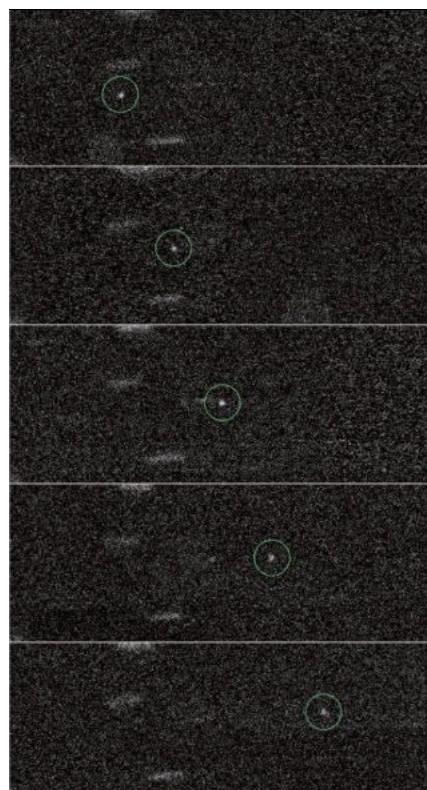
**The class of '52**

Dufner relied on "blind" volunteers to rate the intensity of the smiles in the images. Of the pictures he worked with, 40% showed no smile, 42% showed a partial smile and 18% showed a full smile.

When Dr Dufner compared these numbers with how long each of the players lived, however, he found no correlation between lifespan and smile intensity in either the original or the expanded samples of players. When replications fail in this way, particularly in fields like psychology, critics often argue that "hidden moderators" like differences in time, culture or sample composition between the original study and the replicate are the reason for the failure. What is notable about Dr Dufner's work is that it did not contain any

such factors. The photos were the same. Only the volunteer examiners were different. Somehow, it seemed, the two sets had coded the players' smiles differently and in the earlier study the chance result had come to pass, as one time in 50 it must.

To check in detail what had happened Dr Dufner contacted Dr Abel, the paper's senior author, and asked if he could see the original data. Unfortunately, these were unavailable. As Dr Abel explained to *The Economist*, he has now retired and when he did so he "threw out my data for the past 40 years. Time to move on." A cautionary tale, then, of the importance both of replication and of keeping the data that a study is based on safe and sound, just in case they need to be checked again. ■



**It went back to outer space**

**T**HE INTERNATIONAL Astronomical Union has spoken. The first body known to have visited Earth's solar system from interstellar space, which had been given the provisional name 1I/2017 U1, is to be called 'Oumuamua. The object, 180 metres long and 30 metres wide, was discovered on October 19th by Rob Weryk of the University of Hawaii, using Pan-STARRS 1, a telescope in Haleakala, and was announced to the world on October 26th. Roughly translated from the Hawaiian, the new name means "a messenger from afar arriving first". The picture shows five images of 'Oumuamua, each taken a day apart from Kitt Peak National Observatory, in Arizona. Analysis of these and others shows 'Oumuamua to be dull red. In this it resembles several known asteroids, including members of a group called the Trojans that travel as a cluster in the same orbit as Jupiter. This observation, and the latest estimate of 'Oumuamua's dimensions, have just been published by David Jewitt of the University of California, Los Angeles, and his colleagues in a paper submitted to *Astrophysical Journal Letters*.

## Energy management

# Tripping out

## Revamped fuse boxes could become the hearts of energy-efficient homes

**I**N THE future, homes will use electricity much more sensibly than they do now: turning the lights off automatically when no one is around; adjusting the heating regularly to suit a householder's daily routine; making sure the electric car is charged up using off-peak rates; even drawing power from the car's battery in the event of a grid outage. A variety of plug-in devices can already do some of these things. Yet lurking in every home, usually in a dark cupboard or down in the basement, is a humble piece of equipment that, with a bit of tweaking, could replace them all with a single command centre.

The equipment concerned is often referred to as a fuse box, although nowadays it is unlikely to use actual fuses—strands of wire that cut off the current by melting in the event of a power surge. Instead, such boxes contain a panel of electromechanical switches called circuit breakers. Typically, a breaker contains an electromagnet through which the current flows. If that flow exceeds a set level, the electromagnet becomes sufficiently energised to throw a mechanical switch, which breaks the circuit. A circuit breaker responds faster than a fuse, and can also be reset manually instead of having to be replaced.

Circuit breakers are thus essential to help prevent electrical fires and stop people from being electrocuted. But they also serve as a distribution point for all the wires in a house, with breakers monitoring the lights and power sockets in different rooms, and separate breakers regulating some individual appliances, such as cookers and water heaters. This makes the breaker box an ideal place from which to manage energy use.

To make such management work, though, the breakers need to become "smart". One way to do that is to add electronics to them. This is what Eaton, a multinational, is attempting in a trial taking place in America with a dozen utilities and the Electric Power Research Institute, an industry body. Eaton's modified breakers have been installed in about 80 buildings, where they are monitoring and controlling power supplies remotely. The breakers, which use encrypted internet connections, can also meter each circuit separately. That permits a much broader analysis to be made of a building's power consumption and might in the future allow utilities to offer different tariffs for circuits powering different things, says Ron Thompson, one of

the project's leaders. A second phase of the trial will begin next year, to develop more applications. So far, the most popular ones control heating, air conditioning, water heaters and recharging electric cars.

Manetos Labs, a Swedish firm, is going even further than this, by developing a digital circuit-breaker. That has been made possible by advances in high-power semiconductors, which allow "solid-state" circuit breakers, with no moving parts, to be built. These would act as direct replacements for electromechanical ones.

### Breaker dancing

A digital breaker has several advantages. Its lack of mechanical parts should make it both safer and more reliable. It can cut a circuit in just 250 nanoseconds, which is substantially faster than a mechanical version, says Trued Holmquist, a Swedish information-technology entrepreneur who helped found Manetos. The programs it uses to control, measure and communicate with appliances could be updated over the internet, letting new features be added as they are developed. And, as with most smart-energy services, these could be controlled by a smartphone app.

The level of detail smart breakers look at is impressive. Mr Holmquist says that his can, for example, measure the revolutions-per-minute of the compressor in a refrigerator. Not only would this let an app monitor how hard the appliance is working, it could also give warning if that appliance was about to break down.

A useful innovation, then, but one only likely to be taken up if the price is right. To this end Manetos has teamed up with Flex,

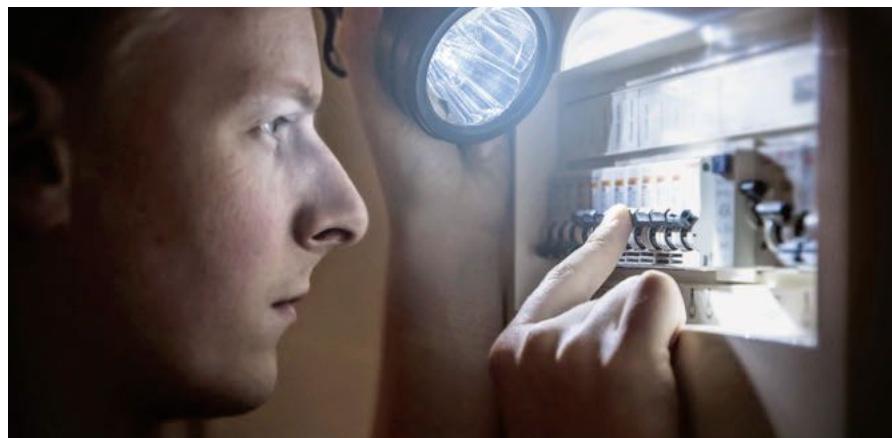
an American firm that is one of the world's largest contract manufacturers, to work out how to make solid-state breakers as cheaply as possible. The plan is to consolidate the electronic circuits into a single chip that can be mass-produced for a few dollars. Breakers using such chips should, Mr Holmquist reckons, be competitive with mechanical ones.

Other firms are taking a different approach to the question of price, by seeking customers willing to pay a premium for a solid-state breaker's virtues. Atom Power, in North Carolina, is aiming the digital breakers it is developing at commercial and industrial buildings, where it thinks their benefits will be higher than in homes.

One of the advantages of a solid-state breaker is that it removes the risk of arc flashes—electrical discharges that can run through the air when a switch is thrown. Such sparks are particularly hazardous if there are combustible materials around, which is more likely in an industrial than a domestic setting.

Siemens, a German electricals giant, reckons digital breakers show "great promise" and has taken a stake in the company. Atom's engineers have not given up on the domestic market, though. They hope residential versions will be practical once production volumes grow. Eaton also thinks that, at some point, the time for digital breakers will come.

There is, however, one other obstacle besides price to the uptake of domestic digital breakers: the regulators. These people, naturally and sensibly conservative, tend to be more in tune with mechanical than digital breaker systems. Their certification is necessary before products can go on sale. To deal with that problem, Manetos has a trick up its sleeve. Its first digital breakers will also incorporate an old-fashioned fuse. With this as a backup, the system should pass existing tests with flying colours. Mr Holmquist is confident, though, that the fuse will never be needed. Manetos will offer a lifetime guarantee it will not blow. ■



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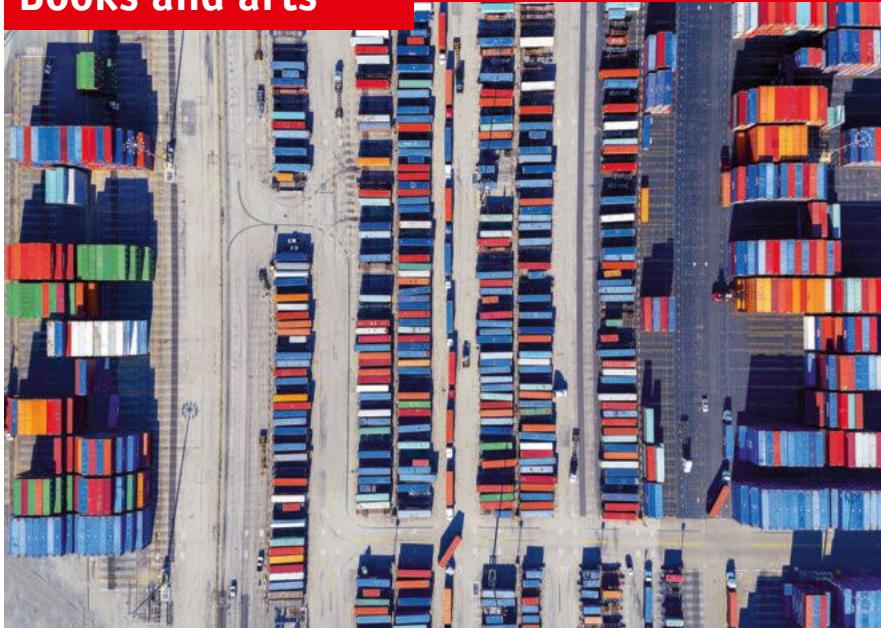
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### A history of trade

## Sticking up for a scapegoat

Douglas Irwin corrects the record of American trade policy over the years

**T**RADE-policy wonks are gluttons for punishment. In good times, their pet topic is dismissed as dull. In bad, they find trade being faulted for everything. As Donald Trump blames America's economic woes on terrible trade deals, one geek is fighting back. In "Clashing over Commerce", Douglas Irwin of Dartmouth College tells the history of American trade policy, showing that trade is neither dull nor deserving of the attacks on it.

Few could accuse America's early trade history of lacking drama. Rules requiring American ships to send most of their cargo via British shores bred resentment against the colonial rulers. In 1773, when the British government tried to put smugglers out of business by slashing the official duty on tea, the Boston Tea Party protests followed, leading to an embargo and, ultimately, a war of independence.

After the American constitution gave authority on trade matters to Congress, the stage was set for centuries of wrangling. On the surface, tariffs did seem boring. Specific duties for items like molasses, salt and nails were motivated by the need for tax revenue; between 1790 and 1860 tariffs accounted for 90% of the federal tax take. But beneath the tangle of bureaucracy, bigger debates raged. Proponents wanted to shelter nascent industries, but opponents worried that they would shelter inefficient producers, push up prices and encourage smuggling. Alexander Hamilton, one of

**Clashing over Commerce: A History of US Trade Policy.** By Douglas Irwin. University of Chicago Press; 832 pages; \$35

America's Founding Fathers, justifiably worried that raising tariffs would provoke trading partners to do the same.

Trade creates winners and losers, and in America, these have often lived far from each other, generating divisions in Congress. Before the civil war, Southern exporters—their cotton competitive in global markets because of their slave labour—despised tariffs, whereas import-competing industries in the North enjoyed the protection. Given America's institutional set-up, the result was stasis: the system has a bias towards the status quo.

Only twice has the broad direction of policy shifted, according to Mr Irwin. Both reconfigurations were triggered by catastrophic events. The civil war led to a new political balance, away from the southerners who favoured free trade. And as federal spending soared after the war, more tax revenue was needed. Special-interest groups organised to cheer their protections, including people like James Swank, founder of the American Iron and Steel Association, who wrote that "protection in this country is only another name for Patriotism." (He was not the last of his kind.)

The second shift came after the Great Depression, and the self-harming Smoot-

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Hawley tariff of 1930, which led to retaliation by trade partners. As the American economy collapsed, so did trade flows, and the world descended into disaster. From the rubble a rare consensus emerged, in favour of lowering tariffs at home in order to persuade other countries to lower theirs. With the rest of the world economy in disarray, foreign producers posed little competitive threat, though that changed over the following decades as Japan and Europe regained strength.

As Mr Irwin spins this grand narrative, he also debunks trade-policy myths. During recessions, tariffs have often been assigned more of a role than they really had, low ones for inflicting American producers with excessive competition (as in 1818) and high ones for stimulating domestic production (as in 1893). But tariff changes were often too small or too late to have these purported results; monetary policy and other factors are more often to blame.

Political dynamics would lead people to see a link between tariffs and the economic cycle that was not there. A boom would generate enough revenue for tariffs to fall, and when the bust came pressure would build to raise them again. By the time that happened, the economy would be recovering, giving the impression that tariff cuts caused the crash and the reverse generated the recovery.

Mr Irwin also methodically debunks the idea that protectionism made America a great industrial power, a notion believed by some to offer lessons for developing countries today. As its share of global manufacturing powered from 23% in 1870 to 36% in 1913, the admittedly high tariffs of the time came with a cost, estimated at around 0.5% of GDP in the mid-1870s. In some industries, they might have sped up development by a few years. But American growth during its protectionist period was ➤

► more to do with its abundant resources and openness to people and ideas.

Even the Smoot-Hawley tariff bears less responsibility for worsening the Depression than people often think. The Depression was well under way before it came into force. The tariff changes themselves played less of a role than deflation; because the tariffs were set in dollar terms, they loomed larger as prices and wages fell. And the collapse of global trade had more to do with widespread capital controls than a tit-for-tat tariff race.

Readers may wonder whether 700 pages of debunking—some of them a slog—are worth it. But Mr Irwin does think that trade policies have consequences, just not the ones usually trumpeted. Such policies transfer wealth, sometimes by sizeable

amounts. In 1885 an average tariff of 30% reshuffled around 9% of America's GDP from foreign exporters and domestic importers to domestic producers and the government. Trade policies also generate costs. In 1984, economists found that consumers were forking out more than \$100,000 in the form of higher prices for each job protected in the clothing industry, where the average wage was around \$12,000 per year.

The other reason to persist with Mr Irwin's tome is for protection against the foes of trade who have populated America's history and are in their pomp again. In 1824, Henry Clay, one of America's great senators, proposed an "American system" of tariffs, a national bank and "internal improvements" like roads and canals to strengthen the economy of the young

country. He saw tariffs as a no-lose deal: raising money from foreigners, promoting American industry and creating a balanced, self-sufficient economy. The tariffs passed, but Clay failed to deliver on infrastructure, or on a plan for American industry. It is hard to see his rather less illustrious successors pulling off this tempting but difficult trick.

Of all the clashes Mr Irwin describes, the most important today is not between political parties, or between friends and foes of trade. It is between policymakers and the forces such as technology reshaping the global economy, in the process destroying many manufacturing jobs. At most, protectionism could shelter some of those jobs temporarily. But those jobs already lost are unlikely to come back. ■

#### Finnish fiction

## Hair today, gone tomorrow

**Norma.** By Sofi Oksanen. Translated by Owen Witesman. Knopf; 306 pages; \$26.95. Atlantic Books; £12.99

LOOK at a female celebrity's head and you will often see a product of the world's fastest-growing yet least-regulated businesses. The traffic in human hair for use as extensions had its traditional headquarters in India and China. Its spread to South-East Asia and, above all, Ukraine fuels the latest novel by Sofi Oksanen, a Finnish author. In previous novels, notably the award-winning "Purge", Ms Oksanen linked the oppression of her mother's Estonian homeland by both Soviet and Nazi occupiers to the cross-border exploitation of women today. In "Norma", the commerce in hair shorn from poor women to beautify their wealthier sisters propels a many-stranded thriller. It also threads the surrogate-pregnancy industry and "rent-a-womb tourism" into its dense weave.

Norma, a lonesome heroine with locks that lengthen at a supernatural speed, has just lost her mother—the "born hairdresser" Anita—after she supposedly jumped in front of a metro train in Helsinki. To Norma, this looks more like murder than suicide. Anita had fallen under the sway of a shadowy entrepreneur, Max Lambert. His unsavoury but above-board harvesting of Asian and Ukrainian hair conceals a booming adoption and surrogacy racket. Under cover of the hair-extension trade, Lambert aspires to be "king of an embryo empire".

Norma not only suffers from the "hereditary hypertrichosis" that makes her cascading locks top-grade material

for Lambert's brutal clan to plunder. She has a paranormal ability to "read death, cancer, and disease from people's hair". As Norma probes the mystery's roots, Ms Oksanen piles twist upon twist: the mental illness of Lambert's first wife Helena; the double-dealing of their daughter Marion; the renowned golden tresses of Norma's great-grandmother Eva, first a postcard model then a Finnish immigrant in 1920s America. The plot thickens, and tangles. As a thriller, "Norma" is more an unruly bird's-nest than a sleek, neat bob. It gels in Ms Oksanen's clear-eyed concern with the injustice that drives underprivileged women to surrender body-parts. Every enterprise Lambert runs depends on "women's sweat and tears". Our heroine's occult gifts become a spooky sideshow. The grubby reality of the business she unmasks is quite enough to curl the reader's hair.



#### Liberal self-criticism

## Struggling for answers

**WTF.** By Robert Peston. Hodder & Stoughton; 277 pages; £20

ROBERT PESTON is a quintessential member of the British liberal establishment. The son of a leading economist, he glided from Balliol College, Oxford, to the Financial Times to the BBC to ITV, where he presents his own show, "Peston on Sunday". "In my closest circle of perhaps a hundred family members and friends", he writes, "no one voted to leave the EU."

All this prepares the reader for a highly predictable book: a fulmination against David Cameron's decision to hold the referendum; a condemnation of the ignorance and bigotry of the 52% who voted to leave; a few crocodile tears about how "we" should have done more for the left-behind; and then a clever wheeze to overturn the referendum. Happily, and despite its dismal title, "WTF" is far more interesting than this. It is a lament over the failed policies that led 52% of the British public to vote against the instructions of their elites, and a plea to use Brexit to address Britain's profound social divisions.

Mr Peston has no doubt that the Brexit vote was an economic mistake, which will make the country poorer, but he puts the blame for the mistake on liberal leaders—that is, people like himself—rather than on the benighted masses. The masses were no longer willing to tolerate the country that they loved being run "against their values and economic interests by a self-renewing elite". The liberals in question adopted policies that benefited themselves far more than the mass of the population. Financial liberalisation poured money into the south-east but left the rest of the coun-

try bereft. The government never had enough money to help industrial companies when they were in trouble, but somehow found billions to bail out the banking industry. High immigration had a skewed impact. The rich got cheaper servants, while taking advantage of private health-care and schools for themselves and their children. The poor got more intense competition for jobs, but also more competition for public services. Mr Peston says that although the public fretted intensely that the sudden increase in immigration was overburdening public services and bringing rapid cultural change, his former employer, the BBC, imposed an “almost total news blackout about it”.

The very elites that have devoted so much energy to rigging the system for their own advantage did little to address Britain’s fundamental problems, and have frequently compounded them. A disproportionate share of Britain’s wealth goes into feeding the housing industry rather than into starting businesses. A third of British firms have seen no growth in productivity since 2000. The north-east and Wales are some of the poorest regions in northern Europe. No wonder 52% of the British population took the chance offered by the referendum to give the finger to their betters.

Mr Peston believes that people like him have a duty to make up for their past sins by delivering a Brexit that works for everyone, one that simultaneously addresses Britain’s economic weaknesses and brings the country back together. They need to get out of their gilded ghettos and visit Brexit Britain. They also need to get out of their mental ghetto and start rethinking public policy. Mr Peston presents a long list of potential reforms: reducing the power of the Treasury, an organisation that is both “too big for its boots and too powerful for the country’s needs”; establishing regional banks that can adapt their interest rates for local circumstances; putting the *joi de vivre* back into an educational system that has been immiserated by rote learning and academic targets.

Clearly Mr Peston is far less convincing as a policy wonk than as a scourge of his erring colleagues. His policies veer from shopworn banalities (lifelong learning) to flights of fancy (regionally set interest rates). And his conviction that “out of the current swamp, a new generation of politicians with credible new ideas will emerge primped and pristine on the shoreline of our ageing democracies” looks delusional. There is little evidence that Britain’s elites are prepared to use Brexit as a spur to thinking up bright new policies. There is ample evidence, by contrast, that Brexit is being handled in the worst possible manner: dividing the country still further and distracting attention from what ails us. It is nice to think that pain brings catharsis. But sometimes it just brings more pain. ■



**Jonas Kaufmann**

## A voice for the gods

**In Conversation with Jonas Kaufmann.** By Thomas Voigt. Weidenfeld & Nicolson; 255 pages; £20

**W**HY the Three Tenors but not the Three Sopranos? Why is Caruso seen as pioneering the gramophone record and not Nellie Melba, who instead gave her name to a dish of peaches and cream? Why are tenors regarded almost mystically as a class apart? Opening his book with questions like these, Thomas Voigt, a journalist, film-maker and voice coach, seeks to explain the cult of Jonas Kaufmann, before asking what makes him tick.

Born and brought up in Munich, this German tenor has made a smooth ascent. Inducted into the mysteries of Wagner by his music-loving grandfather, he gravitated to music via school choir and work as a teenage extra in staged operettas. Operatic bit parts and training with first-class tutors in music college led to a grindingly tough spell in the state theatre of Saarbrücken, where he was called on to sing all tenor roles while also studying ballet and fencing. When his voice suddenly dried up in the middle of “Parsifal” he thought of giving it all up. Now he knows why that happened: trying to produce the “German sound”, he had not let his voice flow freely.

Much of this book is about that voice, and what makes it so special. It has a dark, burnished, almost baritonal timbre and, when required, a “heroic gleam” on its top notes. Mr Kaufmann’s breath-control is phenomenal, and his pianissimo singing is so beautifully focused that it carries effortlessly to the gods. Add to this a probing intelligence and a magnetic stage presence, and it is easy to see why the New York Met, La Scala and Covent Garden could not get enough of him after he moved into the

world’s top-tenor slot, when that was vacated by a seemingly burnt-out Rolando Villazón. Mr Kaufmann goes into detail on the physical demands of his art, which he describes as a competitive sport; he speaks eloquently of the fear to which all singers are prone when illness strikes.

Mr Voigt invites directors, conductors and other singers to join in this conversation, sometimes with piquant results. Sitting beside Mr Kaufmann, Anja Harteros, a German soprano, gleefully holds forth on the onstage erotic charge which their duet in “Don Giovanni” generates, prompting him to reply that “singing requires a certain exhibitionism, because experiences like these are normally enjoyed by couples in the privacy of their own homes.”

But this book comes with a caveat. It is promoted as “revealing”, and Mr Voigt’s journalistic credentials are impeccable. But after the first edition appeared in 2010, Mr Voigt became Mr Kaufmann’s press officer. The updated German edition of 2015, of which this is a translation, omits anything remotely uncomfortable. Regarding the reasons the singer separated from his wife (and in effect his devoted manager) in 2014, Mr Voigt writes approvingly that “with few exceptions their desire for privacy has been respected.” Mr Voigt’s questions get softer and more fanzine-ish as the book proceeds, with the worst that anyone says about Mr Kaufmann being that he is too keen to collude with the PR industry. An army of fans will ensure that this book becomes a bestseller, but the real biography is yet to be written. ■

### The Mayflower

## Laden with legend

**The Mayflower.** By Rebecca Fraser. St Martin’s Press; 384 pages; \$29.99. Published in Britain as “The Mayflower Generation”; Chatto & Windus; £25

**T**HE story of the Mayflower and its passengers has been told so many times that one cannot help wondering whether the ship’s importance has been overstated. It is not that her journey from Southampton to New England in 1620, carrying dozens of English religious separatists from the Dutch city of Leiden (whither they had fled to escape an England they considered to be under a papist cloud), was not an important event. But it is scarcely possible to exaggerate how large a weight that one small, dilapidated cargo ship, sold for scrap less than five years after her historic voyage, has been asked to bear in America’s imagination. So famous is she that one needs to remind oneself that she was certainly not ►

► the first to make the voyage, that the colony at Jamestown in Virginia had existed for more than a decade when she arrived, and that once in New England, migrants from the *Mayflower* were swamped by a much larger number of Puritans sailing to Massachusetts during the 1630s.

Rebecca Fraser, a British historian, deals with this overabundance of history by focusing upon one leading family—that of Edward Winslow, a printer, diplomat and author—but also by widening the time-frame, following some of the passengers until July 20th 1704. On that day the last living one, Peregrine White (“Peregrine” means “pilgrim”), who had been born on the *Mayflower*, died, and the “*Mayflower* generation” passed into history.

The *Mayflower*'s story—that of radical Protestant separatists seeking somewhere in which to practise their faith, along with their tolerant attitude to different cultures, symbolised in the first “thanksgiving”, shared with local “Indians”—has become central to the American psyche. Broadly speaking this wholesome story, favourable to the Americans, is true. But it is scarcely the whole truth.

This is why, not surprisingly, the longer view taken by Ms Fraser has its rewards (as well as its drawbacks). At times the lives and hardships of multifarious descendants in the new world fail to sustain the book's early momentum. But it is engagingly written and often compelling. There is an eye for memorable detail: for the fact, for instance, that *Mayflower* pilgrims came to the new world loaded down with Dutch cheese, but no seed. The later account of “King Philip's war” is both graphic and gripping. When various local Indian groups united against the English threat, having up until that point fought among themselves as much as offering concerted resistance to the European outsiders, the colonists' nightmare came to pass. Ms Fraser ably explains the fears and emotions on both sides.

The author is a careful researcher, fair and level-headed. She is also an excellent painter of characters; in judging them, she looks at their deeds with contemporary mores in mind. When the pilgrims killed women and children in King Philip's war she cites their belief that they were in God's favour, rather than focusing on the revulsion this inspires today. The long view offers a clear sense of how the ideals driving many on the *Mayflower* became diluted as the decades passed. But it does show how they lived on in Plymouth's more tolerant attitude during the infamous witch frenzy which gripped much of the rest of New England late in the century. Only one person, as she points out, was ever charged with witchcraft in Plymouth.

Even if the *Mayflower* shelf is a crowded one, this is a book that deserves its place on it. ■

## Indian history

# Southern exposure

**Coromandel: A Personal History of South India.** By Charles Allen. Little, Brown; 432 pages; £25

**W**ITH all of the gods in the Himalayas celebrating Shiva's wedding, goes the Tamil myth, the Earth started to tilt perilously towards the north. The sage Agathya journeyed south to restore balance, bringing with him water for the land, and the Tamil language for the people.

“Coromandel”, too, seeks to redress imbalance. British colonial officers saw the south as a “sloth belt”, offering scant career advancement. Popular history has tended to ignore it, preferring the goings-on of the Mughals or the British Raj up north. In his book, Charles Allen, an Indian-born British historian, tilts his gaze to the south. He begins with the earliest waves of migrants from the north. They brought early Hinduism, Jainism and Buddhism. Few Jains and Buddhists remain today. But both groups contributed to a vibrant cultural scene from the 3rd century BC to the 2nd century AD, from the great assemblies of poets and scholars, associated with the Jains and the birth of classical Tamil literature, to the rock-cut cave shrines, first associated with Buddhists, that still dot the landscape.

Hinduism gained dominance as it transformed from its abstract priest-led form into a more accessible one, with gods depicted as humans. The imperial Chola dynasty's 1,500-year reign, *Cholamandalam*, provided the name Coromandel for the south-east coast. Under the Cholas, stunning images were carved in stone and cast in bronze. One of the earliest southern representations is now one of the most rec-

ognisable: Shiva as Nataraja, lord of the cosmic dance, one leg raised and “hair streaming across the firmament”.

Far from being a backwater, the south had plenty of visitors. Trade with Rome flourished nearly 2,000 years ago; the Chinese Buddhist monk Xuanzang visited on pilgrimage. Arab and European merchants came, centuries later, for the spices; in return, the Portuguese brought the chili peppers Europeans had discovered in America, transforming curry.

Religion and trade were accompanied by the struggle for, and abuse of, power. The Portuguese showed little mercy to the heathen in their quest for riches. But one of the book's most shocking stories is a home-grown injustice. Nangeli, a lower-caste woman in 19th-century Kerala, purportedly hacked off her breasts to protest punitive taxes levied by the landowning Brahmins, including on women who dressed above their station by covering their breasts. Caste discrimination, while less systemic today, continues to blight society.

Mr Allen, a prolific writer on India, ends with an urgent plea for balance. Hindu nationalists are rejecting facts in a “sectarian repackaging of the past”. Dissenting writers are bullied on the pretext that they have outraged religious sentiment; since 2013, some “rationalist” writers have even been murdered. (Since “Coromandel” was finished, another, Gauri Lankesh, was killed in the southern city of Bangalore.)

“Coromandel” is lively and its stories well chosen. But Mr Allen's fascination with how scholars, both colonial British and Indian, pieced together the history of the region sometimes crowds out the history itself. The reader might have wished instead for more on the Vijayanagara empire, which united much of the south for over 200 years, and its marvellous temples in Hampi. By whetting readers' appetites, though, “Coromandel” has no doubt tipped the scales a little. ■



Shiva down south



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The Esfahan Regional Electric Company (EREC) has received financing from the Islamic Development Bank toward the cost of the Esfahan Power Transmission Project, and it intends to apply part of the proceeds toward payments under the EPC contract for Construction of Transmission Lines connected to Five High Voltage substations (Harand, Faradonbeh, Hosnijeh, Semiromand Lenjan). EREC now invites sealed bids from eligible bidders for Detail Design, Procurement, Construction, Test and Commissioning of Transmission Lines including: 400 kV OHTL totally about 33 km, 230 kV OHTL totally about 79 km and 63 kV OHTL totally about 153 km. The construction period is about 11 months.

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No.Admin.1(29)/2017

Dated: 25.11.2017

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- 12. Proforma for application for the post of Director, JIPMER, Puducherry may also be downloaded from the websites of Government of India, Ministry of Health & Family Welfare: [www.mohfw.nic.in](http://www.mohfw.nic.in), the Department of Personnel & Training: [www.persmin.nic.in](http://www.persmin.nic.in) and JIPMER, Puducherry: [www.jipmer.puducherry.gov.in](http://www.jipmer.puducherry.gov.in)

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The Economist November 25th 2017

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## Economic data

% change on year ago

	Gross domestic product			Industrial production latest	Consumer prices latest	Unemployment rate, %	Current-account balance		Budget balance % of GDP 2017†	Interest rates, % 10-year gov't bonds, latest	Currency units, per \$ Nov 22nd	Currency units, per \$ year ago
	latest	qtr*	2017†				latest	2017†				
United States	+2.3 03	+3.0	+2.2	+2.9 Oct	+2.0 Oct	+2.0	4.1 Oct	-460.9 Q2	-2.5	-3.5	2.36	-
China	+6.8 03	+7.0	+6.8	+6.2 Oct	+1.9 Oct	+1.6	4.0 Q3§	+118.2 Q3	+1.4	-4.3	3.92§§	6.62
Japan	+1.7 03	+1.4	+1.5	+2.6 Sep	+0.7 Sep	+0.5	2.8 Sep	+194.4 Sep	+3.6	-4.5	0.03	112
Britain	+1.5 03	+1.6	+1.5	+2.6 Sep	+3.0 Oct	+2.7	4.3 Aug††	-128.9 Q2	-3.8	-3.3	1.33	0.75
Canada	+3.7 02	+4.5	+2.9	+5.6 Aug	+1.4 Oct	+1.6	6.3 Oct	-45.0 Q2	-2.9	-1.7	1.90	1.27
Euro area	+2.5 03	+2.5	+2.2	+3.3 Sep	+1.4 Oct	+1.5	8.9 Sep	+386.9 Sep	+3.1	-1.3	0.35	0.85
Austria	+2.6 02	+0.4	+2.5	+4.0 Aug	+2.2 Oct	+2.0	5.6 Sep	+6.1 Q2	+2.2	-1.0	0.48	0.85
Belgium	+1.7 03	+1.2	+1.7	+5.0 Aug	+2.0 Oct	+2.2	7.1 Sep	-5.3 Jun	-0.4	-2.0	0.61	0.85
France	+2.2 03	+1.9	+1.7	+3.2 Sep	+1.1 Oct	+1.1	9.7 Sep	-26.0 Sep	-1.2	-2.9	0.66	0.85
Germany	+2.8 03	+3.3	+2.2	+3.5 Sep	+1.6 Oct	+1.7	3.6 Sep‡	+278.1 Sep	+7.1	+0.6	0.35	0.85
Greece	+0.7 02	+2.2	+1.0	+2.4 Sep	+0.7 Oct	+1.1	20.6 Aug	-0.8 Sep	-0.6	-0.8	5.36	0.85
Italy	+1.8 03	+1.9	+1.5	+2.4 Sep	+1.0 Oct	+1.3	11.1 Sep	+52.1 Sep	+2.3	-2.3	1.77	0.85
Netherlands	+3.0 03	+1.8	+2.9	+5.2 Sep	+1.3 Oct	+1.3	5.4 Oct	+76.0 Q2	+9.6	+0.6	0.44	0.85
Spain	+3.1 03	+3.2	+3.1	+0.3 Sep	+1.6 Oct	+2.0	16.7 Sep	+23.1 Aug	+1.3	-3.3	1.48	0.85
Czech Republic	+3.4 02	+2.0	+4.5	+4.4 Sep	+2.9 Oct	+2.4	2.7 Sep‡	+1.7 Q2	+0.9	-0.1	1.78	21.6
Denmark	+1.9 02	-1.2	+2.4	+1.2 Sep	+1.5 Oct	+1.2	4.4 Sep	+27.0 Sep	+8.1	-0.6	0.43	6.31
Norway	+3.2 03	+3.0	+2.1	+10.5 Sep	+1.2 Oct	+2.0	4.0 Sep††	+16.6 Q2	+5.3	+5.2	1.57	8.19
Poland	+4.6 02	+4.5	+4.3	+12.3 Oct	+2.1 Oct	+1.9	6.6 Oct§	-0.4 Sep	-0.4	-2.0	3.39	3.57
Russia	+1.8 03	na	+1.8	-0.1 Oct	+2.7 Oct	+3.9	5.1 Oct§	+36.9 Q3	+2.4	-2.1	8.13	58.7
Sweden	+3.0 02	+5.2	+3.1	+4.5 Sep	+1.7 Oct	+1.8	6.3 Oct§	+22.5 Q2	+4.6	+0.9	0.72	8.39
Switzerland	+0.3 02	+1.1	+0.8	+2.9 Q2	+0.7 Oct	+0.5	3.1 Oct	+68.9 Q2	+9.9	+0.7	-0.09	0.98
Turkey	+5.1 02	na	+5.0	+13.4 Sep	+11.9 Oct	+10.8	10.6 Aug§	-39.3 Sep	-4.7	-2.1	13.16	3.94
Australia	+1.8 02	+3.3	+2.4	+0.8 Q2	+1.8 Q3	+2.0	5.4 Oct	-21.8 Q2	-1.3	-1.7	2.53	1.32
Hong Kong	+3.6 03	+2.0	+3.1	+0.4 Q2	+1.5 Oct	+1.6	3.0 Oct‡‡	+15.2 Q2	+5.6	+1.7	1.75	7.81
India	+5.7 02	+4.1	+6.6	+3.8 Sep	+3.6 Oct	+3.5	5.0 2015	-29.2 Q2	-1.4	-3.1	6.96	64.9
Indonesia	+5.1 03	na	+5.1	+7.8 Sep	+3.6 Oct	+3.9	5.5 Q3§	-13.3 Q3	-1.6	-2.8	6.57	13,526
Malaysia	+6.2 03	na	+5.5	+4.7 Sep	+4.3 Sep	+3.9	3.4 Sep‡	+9.2 Q3	+2.5	-3.0	3.95	4.11
Pakistan	+5.7 2017**	na	+5.7	+2.6 Sep	+3.8 Oct	+3.9	5.9 2015	-14.1 Q3	-4.5	-5.9	7.93††	105
Philippines	+6.9 03	+5.3	+6.6	-3.8 Sep	+3.5 Oct	+3.2	5.6 Q3§	-0.8 Jun	-0.2	-2.7	5.54	50.6
Singapore	+5.2 03	+8.8	+2.9	+14.6 Sep	+0.4 Sep	+0.6	2.1 Q3	+57.4 Q3	+19.6	-1.0	2.08	1.35
South Korea	+3.6 03	+5.8	+2.9	+8.4 Sep	+1.8 Oct	+2.0	3.2 Oct§	+87.3 Sep	+4.3	+0.8	2.54	1,089
Taiwan	+3.1 03	+7.4	+2.5	+4.8 Sep	-0.3 Oct	+0.6	3.7 Oct	+74.1 Q3	+13.5	-0.1	1.01	30.0
Thailand	+4.3 03	+4.0	+3.5	+4.2 Sep	+0.9 Oct	+0.5	1.2 Sep§	+46.9 Q3	+11.3	-2.5	2.38	32.7
Argentina	+2.7 02	+2.8	+2.7	-2.5 Oct	+22.9 Oct	+25.1	8.7 Q2§	-19.7 Q2	-3.7	-6.3	4.75	17.4
Brazil	+0.3 02	+1.0	+0.7	+2.5 Sep	+2.7 Oct	+3.4	12.4 Sep‡	-12.6 Sep	-1.0	-8.0	9.08	3.25
Chile	+2.2 03	+6.0	+1.4	+1.0 Sep	+1.9 Oct	+2.1	6.7 Sep††	-4.6 Q3	-1.7	-2.8	4.54	635
Colombia	+2.0 03	+3.2	+1.7	-1.9 Sep	+4.0 Oct	+4.3	9.2 Sep‡	-12.4 Q2	-3.8	-3.3	6.59	2,985
Mexico	+1.6 03	-0.8	+2.1	-1.2 Sep	+6.4 Oct	+5.9	3.3 Sep	-16.1 Q2	-1.9	-1.9	7.20	18.8
Venezuela	-8.8 04~	-6.2	-9.5	+0.8 Sep	na	+886	7.3 Apr§	-17.8 Q3~	-0.8	-19.4	8.24	9.99
Egypt	+4.9 02	na	+4.2	+15.6 Sep	+30.8 Oct	+26.8	11.9 Q3§	-15.6 Q2	-6.4	-10.8	na	17.7
Israel	+2.1 03	+4.1	+3.4	-0.7 Aug	+0.2 Oct	+0.4	4.1 Sep	+10.7 Q2	+3.5	-1.9	1.77	3.52
Saudi Arabia	+1.7 2016	na	-0.7	na	-0.2 Oct	-0.3	5.6 2016	+7.6 Q2	+2.5	-7.2	3.68	3.75
South Africa	+1.1 02	+2.5	+1.1	-0.6 Sep	+4.8 Oct	+4.7	27.7 Q3§	-7.9 Q2	-0.5	-3.9	9.41	13.9
												14.2

Source: Haver Analytics. \*% change on previous quarter, annual rate. †The Economist poll or Economist Intelligence Unit estimate/forecast. §Not seasonally adjusted. ‡New series. ~2014. \*\*Year ending June. ††Latest 3 months. #3-month moving average. §§5-year yield. ¶Dollar-denominated bonds.

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**Markets**

	Index Nov 22nd	% change on		
		one week	Dec 30th 2016 in local currency terms	in \$
United States (DJIA)	23,526.2	+1.1	+19.0	+19.0
China (SSEA)	3,592.9	+0.8	+10.6	+16.1
Japan (Nikkei 225)	22,523.2	+2.2	+17.8	+23.1
Britain (FTSE 100)	7,419.0	+0.6	+3.9	+11.7
Canada (S&P TSX)	16,073.6	+1.2	+5.1	+10.8
Euro area (FTSE Euro 100)	1,222.2	+0.5	+9.9	+22.8
Euro area (EURO STOXX 50)	3,562.7	+0.5	+8.3	+21.0
Austria (ATX)	3,316.1	-0.7	+26.6	+41.5
Belgium (Bel 20)	3,969.2	+0.1	+10.1	+23.0
France (CAC 40)	5,352.8	+1.0	+10.1	+23.0
Germany (DAX)*	13,015.0	+0.3	+13.4	+26.7
Greece (Athex Comp)	720.1	+0.2	+11.9	+25.0
Italy (FTSE/MIB)	22,315.2	+0.7	+16.0	+29.6
Netherlands (AEX)	540.0	+0.3	+11.8	+24.9
Spain (Madrid SE)	1,013.5	+0.1	+7.4	+20.0
Czech Republic (PX)	1,046.6	-0.6	+13.6	+34.6
Denmark (OMXCB)	910.9	+1.4	+14.1	+27.3
Hungary (BUX)	40,131.4	+3.9	+25.4	+38.1
Norway (OSEAX)	894.4	+1.5	+17.0	+22.9
Poland (WIG)	63,993.3	+2.6	+23.6	+44.5
Russia (RTS, \$ terms)	1,159.1	+3.8	+0.6	+0.6
Sweden (OMX30)	1,617.5	-0.6	+6.6	+15.5
Switzerland (SMI)	9,291.8	+2.2	+13.0	+16.8
Turkey (BIST)	105,963.6	-1.6	+35.6	+21.1
Australia (All Ord.)	6,067.6	+0.9	+6.1	+12.0
Hong Kong (Hang Seng)	30,003.5	+4.0	+36.4	+35.4
India (BSE)	33,561.6	+2.4	+26.0	+31.7
Indonesia (JSX)	6,069.8	+1.6	+14.6	+14.1
Malaysia (KLCSE)	1,723.5	nil	+5.0	+14.6
Pakistan (KSE)	40,591.9	-0.2	-15.1	-15.9
Singapore (STI)	3,430.0	+1.8	+19.1	+27.4
South Korea (KOSPI)	2,540.5	+0.9	+25.4	+39.0
Taiwan (TWI)	10,822.6	+1.8	+17.0	+25.7
Thailand (SET)	1,713.1	+1.4	+11.0	+21.5
Argentina (MERV)	27,328.0	+3.9	+61.5	+46.5
Brazil (BVSP)	74,518.8	+5.2	+23.7	+24.1
Chile (IGPA)	25,811.7	-2.9	+24.5	+31.4
Colombia (IGBC)	10,878.1	+1.7	+7.6	+8.3
Mexico (IPC)	48,196.9	+1.1	+5.6	+15.9
Venezuela (IBC)	696.6	+5.4	-97.8	na
Egypt (EGX 30)	13,839.4	-1.3	+12.1	+14.7
Israel (TA-125)	1,301.9	+1.4	+2.0	+11.6
Saudi Arabia (Tadawul)	6,822.5	-1.3	-5.7	-5.7
South Africa (JSE AS)	60,751.2	+2.6	+19.9	+18.1

**Life insurance**

Global life-insurance premiums came to \$2.6trn last year and are set to rise by 3% in 2017, more than double the average annual growth rate of the previous five years. Countries with booming middle-class populations account for most of this: premiums in China will rise by 23% this year. In America, the world's largest market, premiums will fall by 2%. A fall in annuity sales helps explain the drop, owing to uncertainty about the impact of a new fiduciary rule that requires financial advisers to put clients' interests first. Profits in the life-insurance industry have been dragged down by low interest rates. At the end of 2016 the industry's return on equity was 8.1%, well below the pre-crisis level of 14.4%.

**Premiums**

Source: Swiss Re Institute

**Other markets**

	Index Nov 22nd	% change on		
		one week	Dec 30th 2016 in local currency terms	in \$
United States (S&P 500)	2,597.1	+1.3	+16.0	+16.0
United States (NAScomp)	6,867.4	+2.4	+27.6	+27.6
China (SSEB, \$ terms)	344.2	-1.7	+0.7	+0.7
Japan (Topix)	1,777.1	+1.9	+17.0	+22.3
Europe (FTSEurofirst 300)	1,521.8	+1.2	+6.5	+19.0
World, dev'd (MSCI)	2,050.1	+1.4	+17.1	+17.1
Emerging markets (MSCI)	1,156.7	+4.1	+34.1	+34.1
World, all (MSCI)	501.4	+1.7	+18.9	+18.9
World bonds (Citigroup)	946.5	+0.6	+7.1	+7.1
EMBI+ (JP Morgan)	830.7	+0.7	+7.6	+7.6
Hedge funds (HFRX)	1,264.7 <sup>§</sup>	+0.9	+5.1	+5.1
Volatility, US (VIX)	9.9	+13.1	+14.0	(levels)
CDSs, Eur (iTRAXX) <sup>†</sup>	49.0	-8.2	-32.1	-24.2
CDSs, N Am (CDX) <sup>†</sup>	52.5	-8.4	-22.5	-22.5
Carbon trading (EU ETS) €	7.4	-1.9	+12.0	+25.2

Sources: IHS Markit; Thomson Reuters. \*Total return index.

†Credit-default-swap spreads, basis points. <sup>§</sup>Nov 21st.

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**The Economist commodity-price index**

	Nov 14th	Nov 21st*	% change on	
			one month	one year
Dollar Index				
All Items	147.5	147.1	-1.1	+2.6
Food	150.1	150.6	+0.1	-4.3
Industrials				
All	144.8	143.5	-2.3	+11.2
Nfa <sup>†</sup>	133.2	131.4	+0.2	-1.4
Metals	149.7	148.7	-3.2	+16.9
Sterling Index				
All items	204.5	202.3	-1.9	-3.7
Euro Index				
All items	156.0	156.0	-0.8	-7.4
Gold				
\$ per oz	1,279.3	1,282.5	+0.6	+6.0
West Texas Intermediate				
\$ per barrel	55.7	56.8	+8.3	+21.6

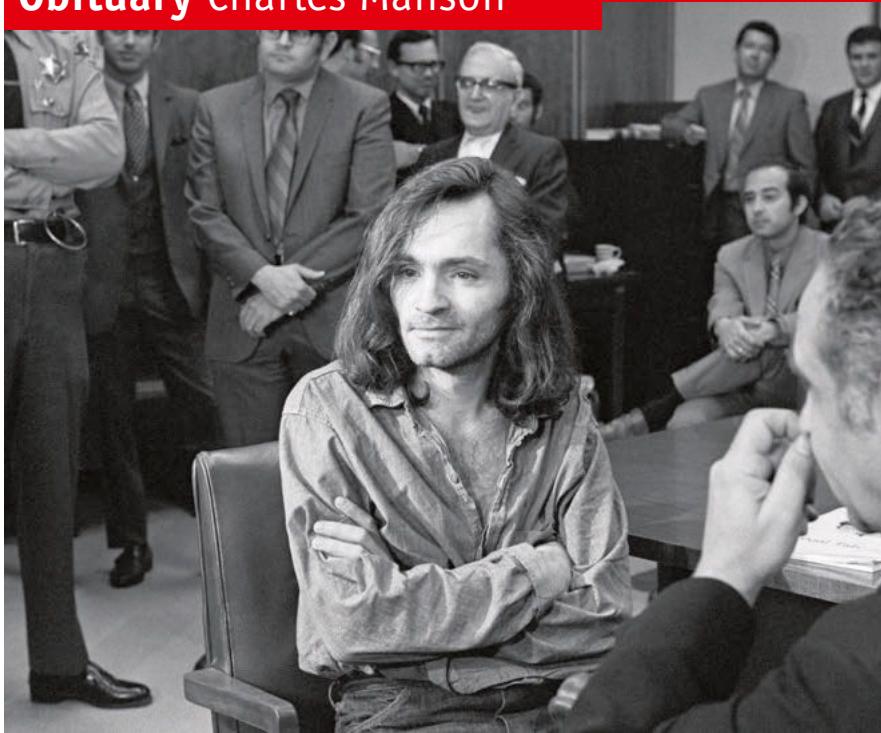
Sources: Bloomberg; CME Group; Cottlook; Darmenn & Curl; FT; ICO; ISO; Live Rice Index; LME; NZ Wool Services; Thompson Lloyd & Ewart; Thomson Reuters; Urner Barry; WSJ. \*Provisional  
<sup>†</sup>Non-food agriculturals.

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We are living in unpredictable times. Progress in countries traditionally leading LGBT equality and inclusion can no longer be taken for granted.



## Everyone and nobody

**Charles Manson, serial killer, died on November 19th, aged 83**

**I**F THERE was any code Charles Manson claimed to live by, it was that he didn't lie. Everyone else might think that the craziest lying, but that was their problem in their minds. He put on no airs. Lived by his own truth. And since his truth told him that he was God, and love, and lived in everything, then so he was, and so he did.

All that made him sound like a hippie, a word he hated, and in the late 1960s he might have been dismissed as just one more long-haired wild-eyed weirdo with a band of groupie women drifting round the deserts of southern California, living on weed and free love. That was before, on the night of August 9th 1969, five people and an almost-at-term baby were killed at Benedict Canyon in Los Angeles. One of them was Sharon Tate, a famous actress. On the next night a grocery-chain owner, Leno La-Bianca, and his wife were butchered to death in the same way. The killings terrified Hollywood, horrified America, and the trail eventually led to him.

He denied it. At his trial in 1970, along with three dizzy followers, he went on living by his own code. He came in barefoot, lunged at the judge, carved an "X" into his forehead, punched his lawyer. He did a lot of staring at the jury and the spectators, until they looked away. The cosseted rich world of the murder victims was not his

circle. He had nothing to do with them, no responsibility for them. So why should he care? What the hell did "care" mean?

He had made himself scarce while the killings were done. Sometimes he denied he had even suggested them. If his followers thought it was right to shoot, stab and hang these people, then it was right. He walked the line with them. They got their hands dirty. He approved of the way they had scrawled "PIGS" in blood on the walls. Pigs as in that Beatles song he liked,

Everywhere there's lots of piggies  
Living piggy lives.

He had told them, if you're going to do something, then leave something witchy. Just a sign to let the world know you were there. Have a good day.

This was war, anyway. The killings were meant to be blamed on Black Panthers, the first strikes in a clash of races that would engulf America. He called this "Helter Skelter", as in another Beatles song,

When I get to the bottom,  
I go back to the top of the slide.

All the whites would be killed, except for him and his followers. Then, when the blacks found they couldn't govern, they would call on him. He would send them back to picking cotton and become the

king of the world. That was why he went to the desert, to dig that bottomless pit from Revelation Chapter 9, to hide out while the war went on. And also because he was spiritually allied with the scorpion and the wolf. In San Quentin later he made scorpions out of thread pulled from his socks.

### Hobo, bum, king

He knew no real home but the penitentiary. His mother was an unwed little runaway from the hills of Kentucky, who didn't want him. Childhood was poverty, baloney for Sunday dinner, petty thieving and reform schools. He set them on fire and ran away. Forging a \$43 cheque go him a prison sentence of ten years in 1960. But jail was school as well as home. Give him a dark solitary cell and there was a universe in there, where he was free. He learned steel guitar and looked at Scientology; he read Dale Carnegie's "How to Win Friends and Influence People". Positive thinking impressed the drifter middle-class girls he met in Haight-Ashbury when he got released, in 1967. And the girls were bait to draw in men.

Soon he had a family of a shifting dozen or so. He didn't call it one himself, but it was the closest thing he'd known, and he was in control of it. His followers' minds were wiped clean of society's corruption to see the world his way. Often he'd put his palms to theirs and make them move as he did. Then he'd jump about, grimace, laugh wildly, and they would do the same. These were survival techniques he had also picked up in jail, in a hundred life-death situations. Be whatever it suits you to be at the time. Be brand new, disconcert people. Be zero, a nobody, be a god. Hobo, bum, tramp, king. And a straight razor, if anyone got too close.

The world had to notice him. He hoped to bend it to his will through music. Secret messages about the Apocalypse came through rock songs, and he had plenty to send. He had useful contacts with the Beach Boys, sent fan-telegrams to the Beatles. One producer who didn't give him a recording contract was killed, the first death. He thought of the Tate house because another producer who had failed him lived there, but he had moved away. So his message got out in different blood. The album he finally cut in 1970 was called "LIE". Then, on seven counts of murder, he was back in his usual home. For life. Fine.

He cared nothing for what people thought of him. They had their truth, he had his. If they made him a monster, or idolised him on t-shirts, that was their problem. If they saw him as evil incarnate, that was just a reflection of the evil in their own minds. In his own world he never made a bad move, was never beaten, always changing. He was life, and he was there, ready to lunge, inside everyone. ■

# The World in 2018

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