The Economist

How high can markets go?

A plan for Russia's frozen assets

Fentanyl: why the epidemic will worsen

China's diaspora: no escape

MARCH 2ND–8TH 2024

INDIA'S NORTH–SOUTH DIVIDE

The world this week

The world this week

Politics

Feb 29th 2024

Donald Trump's march towards the **Republican presidential nomination** reached Michigan, where he won the party's primary with 68% of the vote. Mr Trump had earlier beaten Nikki Haley in her home state of South Carolina. She has vowed to continue her campaign. Meanwhile the Supreme Court said it would hear arguments about whether Mr Trump is immune from prosecution in the week beginning April 22nd. Prosecutors seeking to try the former president had hoped for an earlier hearing. The court will rule soon on a separate case about whether Mr Trump can be kicked off the ballot. That matter has gained a sense of urgency after a judge in Illinois decided to remove him from the state's primary ballot.

Around 13% of voters in Michigan's Democratic primary voted for "uncommitted", a protest against **Joe Biden's** support for Israel from left-wing Democrats. Nearly 3% of the vital swing-state's electorate is Muslim.

Into the sunset

Mitch McConnell announced that he would step down as the Republicans' leader in the Senate after the election in November. He has held the role since 2007, but had a few health scares recently. Mr McConnell has had a poor relationship with Mr Trump.

Talks continued on a potential temporary **ceasefire** between Israel and Hamas in Gaza that would be based on the release of Israeli hostages and Palestinian prisoners during Ramadan, a month of fasting for Muslims. Mr Biden said a deal could be announced within days. Qatar, which is hosting the talks, said it was "hopeful, not necessarily optimistic". Gaza's health ministry said 30,000 people, mostly women and children, had died in the conflict. It didn't say how many were Hamas militants.

Ghana's parliament passed a law under which people can be jailed for three years if they say they are lesbian, gay, bisexual or transgender. It also criminalises forming or funding LGBT+ groups or calling for gay rights. The bill will only come into force when signed by the president.

Heavy gunfire was reported in **Chad's** capital, N'Djamena, after an attack on the headquarters of the country's security agency. The government blamed an opposition party.

ECOWAS lifted economic sanctions and border closures imposed on **Niger** after a coup last year. The change in policy seems to be aimed at dissuading Niger, Burkina Faso and Mali, which all have military governments, from leaving the 15-member west African bloc. ECOWAS had imposed sanctions to try to force them to restore democratic rule.

Documents and chat-logs from a private Chinese security firm, I-Soon, were leaked onto a public website. They showed its extensive involvement in government spying on a wide range of targets, including dissidents, foreign governments, businesses and charities. It is unclear how the leak occurred. Meanwhile **China** passed amendments to its state-secrets law. It includes a new vaguely defined category called "work secrets", the leaking of which could be deemed as a threat to national security.

New Zealand's new centre-right government rescinded a **ban on tobacco sales** for future generations that would have taken effect in July. The ban would have been the first in the world to phase out smoking by prohibiting people born after January 1st 2009 from buying tobacco products, even as they grow older. The government thinks this would have created a black market for cigarettes. Instead it will use the revenue it receives from tobacco sales to fund tax cuts.

Narendra Modi, the prime minister of **India**, visited Kerala and Tamil Nadu. The trip was part of a push on behalf of the ruling Bharatiya Janata Party to capture more votes in the south ahead of the forthcoming general election.

Hun Sen, who was prime minister of **Cambodia** from 1985 to 2023, returned to an official government position as president of the Senate, who acts as head of state in the king's absence. Hun Sen's son, Hun Manet, took over as prime minister when his father relinquished the office.

Hungary for change, at last

Hungary's parliament approved **Sweden's** application to join **NATO**. Hungary and Turkey were the last members of the military alliance to ratify the bid; Turkey gave its formal approval in late January. "Sweden is leaving 200 years of neutrality and military non-alignment behind," said the Swedish prime minister, Ulf Kristersson, a shift in security policy that Vladimir Putin never anticipated when he invaded Ukraine.

Speaking during the weekend of the second anniversary of Russia's invasion of **Ukraine**, Volodymyr Zelensky said that 31,000 Ukrainian troops had been killed in the conflict as well as "tens of thousands" of civilians (American estimates of Ukraine's military deaths are far higher). The Ukrainian president urged America to pass a big military aid package that Republicans in Congress are blocking within a month. "If we lose, there will be no us," he warned.

The suggestion by Emmanuel Macron that **troops from Western countries** could be sent to Ukraine was firmly rebuffed by other European leaders. The French president said that all options should be considered to ensure Russia's defeat. The Kremlin warned that deploying European soldiers would spark a conflict with NATO.

Supporters of **Alexei Navalny** were expected to try to attend his burial in Moscow on March 1st. The body of the former Russian opposition leader was handed over to his mother, nine days after his death in an Arctic penal colony. The authorities are worried that the funeral could turn into a protest. Meanwhile a court sent Oleg Orlov, a prominent human-rights campaigner, to prison for "repeatedly discrediting" the Russian army.

The European Parliament passed a controversial **nature-restoration law** that requires EU countries to rehabilitate at least 20% of their land and sea ecosystems by 2030, rising to 100% by 2050. The bill was opposed by the European People's Party, the grouping for centre-right MEPs. Green tape is one of the issues flaming the farmers protests across the European Union. Ahead of the vote they again clashed with police in Brussels. One farmer said she was fed up with having to detail everything about her "horse poops" to bureaucrats.

A left-wing candidate won the election for governor of Sardinia, handing Giorgia Meloni her first big defeat since becoming **Italy's** prime minister at the head of a right-wing coalition in 2022. Ms Meloni had handpicked her Brothers of Italy party's candidate for the election.

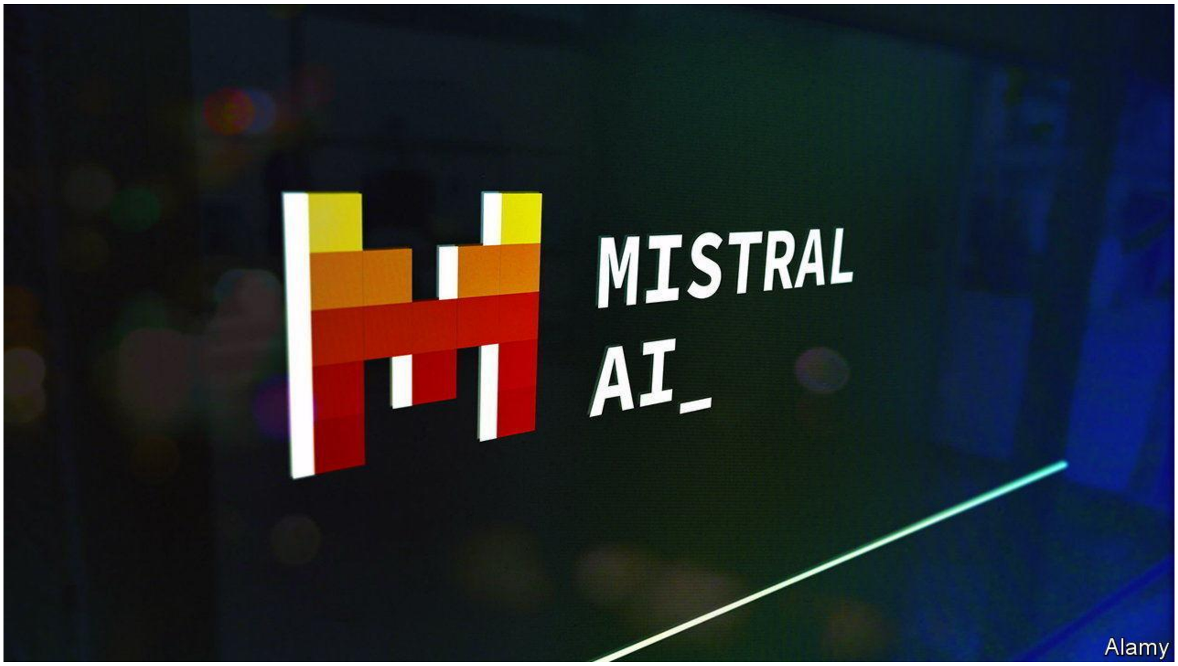
The EU received 1.1m applications for **asylum** last year, an increase of 18% compared with 2022 and the highest number since the migrant crisis of 2015-16. Syrians continued to lodge the most applications; up by 38% over 2022. Afghans were the second-largest group to apply, though their numbers fell from 2022. Applications from Turkish nationals surged by 82%. Germany was the main destination country, receiving 29% of all applications. France was second on 15% and Spain third on 14%.

The *Odysseus* **Moon** lander, the first commercial spacecraft to touch down successfully on the lunar surface, relayed its first images. Operated by Intuitive Machines, the *Odysseus* is conducting the first of three missions with NASA. It is America's first return to the Moon since 1972.

The world this week

Business

Feb 29th 2024



Microsoft struck a partnership with **Mistral**, a French startup working in artificial intelligence, that will help expand its services in cloud computing. Mistral was founded just a year ago by former researchers at Google and Meta. Its large language model is seen as rivalling GPT-4 in terms of reasoning. GPT-4 has been developed by OpenAI, in which Microsoft owns a 49% stake.

The Economist

Nvidia's share price retained most of the gains it made after its quarterly earnings smashed expectations. Its market value surged by $277bn in a day, the most ever for a company. With a market capitalisation nearing $2trn the maker of high-end chips for AI has become the third-most-valuable American company, after Microsoft and Apple. Nvidia is a rising tide lifting all boats. The S&P 500 hit a new record, as did the Nikkei 225 in Japan and Stoxx Europe 600.

By contrast Alphabet, Google's parent company, lost $80bn in market value in a day amid the controversy over **Google's Gemini**. In overcompensating for diversity the AI model has depicted erroneous woke images of historic figures and at times refused to show images of white people. Examples include black Vikings, an Asian Founding Father of America, a female pope and a Native-American British king. Google has withdrawn the tool to make improvements. Sundar Pichai, Google's boss, told staff that Gemini had "shown bias" which was "wrong".

Underlining the shift in market priorities, **Apple** has reportedly ditched its project to develop an electric car in order to redirect funding towards AI. And heralding a potential shift in the priorities of investors, two big groups of Apple shareholders supported a resolution at its annual general meeting asking the company to disclose its ethical guidelines on AI. The proposal was defeated but was supported by 38% of all shareholders.

Government involvement

America's Justice Department hired its first **chief AI officer**. Jonathan Mayer, a computer scientist and lawyer, will advise the department on law enforcement, regulatory and legal issues and help develop an in-house team of experts in the technology.

Japan promised to provide funding for a second factory in the country to be built by **TSMC**, the world's biggest chipmaker. TSMC, based in Taiwan, has just opened its first plant in Japan. The Japanese want to bolster their supply chains against possible disruption from China.

The obituaries came thick and fast for **Vice Media**, after a leaked memo showed that it plans to stop publishing on its website and cut hundreds of jobs. Founded in the 1990s as a hip journalistic brand, Vice's digital platform was one of the pioneers challenging established media. But digital sales never lived up to their promise. Vice is now looking to distribute its content through those traditional channels.

Disney continued to restructure its business in the face of its proxy battle with Nelson Peltz, an activist investor. The company is merging its division in India into a joint venture with Reliance Industries, which will hold a 63% stake in the new entity. Disney took control of the Star TV network, India's biggest, in 2019, but it is losing money, increasing its operating loss in Disney's latest quarter.

Berkshire Hathaway, the holding company for Warren Buffett's investments, reported an annual operating profit of $37.4bn, up by 21% from 2022 and boosted in part by the performance of its insurance business. But the Sage of Omaha warned that there were only a few companies left to invest in that offered the big gains that Berkshire has enjoyed in the past.

America's Federal Trade Commission sued to block the $25bn proposed merger of the **Kroger** and **Albertsons** supermarket chains, saying the deal would harm workers and lead to higher food prices. Kroger said both it and Albertsons “look forward to litigating this action in court”.

Macy’s announced the closure of 150 stores, about a third of its total, and will renovate its remaining properties, creating smaller shops located away from malls. Tony Spring took over as the retailer’s chief executive in February.

Timed for lunch?

Wendy’s, a fast-food chain, denied reports that it would introduce surge pricing for its menu. Surge pricing is used by Uber and other businesses to raise prices when demand increases at any given time, so customers at Wendy’s would pay more if there was a surge in demand for its Pretzel Baconators. The company said that instead its new digital menu boards would bring in “dynamic pricing”, which is not surge pricing, it insisted, but allows it to display discounts “particularly in the slower times of day”. New technology is increasingly allowing many businesses to adjust their prices in real time to changes in demand.

The world this week

KAL's cartoon

Feb 29th 2024

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

Vladimir Putin hardly needs to interfere in American democracy
France uncovers a vast Russian disinformation campaign in Europe
Europe is caught between Putin and Trump

KAL's cartoon appears weekly in The Economist. You can see last week's here.

This week’s covers

How we saw the world

Feb 29th 2024

THIS WEEK we had three covers. In Britain, we considered the country’s new electorate. The Labour party is on the cusp of a remarkable victory. Our new model—based on the views of nearly 100,000 Britons—shows what is driving people away from the Conservatives.

Leader: How to build a British voter
Britain: A changing British electorate is propelling Labour toward victory
Interactive: Can you build a British voter?

In America and Europe, we looked at soaring stockmarkets. American stocks are up by 21% since the end of October; on February 22nd European equities set a new record for the first time in two years. But their golden age is drawing to a close: even AI is unlikely to drive a repeat of the past decade’s performance.

Leader: Stocks are booming. But their golden age is drawing to a close
Finance and economics: The good times for stockmarkets are unlikely to last

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Political and economic divisions could ruin India. Our cover in Asia considers the country's north-south divide. The wealthy south is where you will find the slick new India, with its startups and gleaming iPhone-assembly plants. The party of India's prime minister, Narendra Modi, gets a low share of its votes from there and relies on the poorer, Hindi-speaking north. The divide will be a defining issue in this year's election. And how it is managed in the long run is of critical importance to India's prospects.

Leader: India's north-south divide
Asia: Inside Narendra Modi's battle to win over the south

Leaders

Voting intentions

How to build a British voter

Labour is assembling an electoral coalition that is young and broad, but volatile too

Feb 28th 2024

LATER THIS year Britain's voters will choose their next government. The polls suggest that the ruling Conservatives will suffer a humbling defeat, and that Sir Keir Starmer, the Labour leader, will enter Downing Street. Much can still happen, obviously, but normality seems to beckon after years of political turmoil. A boring, managerial prime minister in charge of a centrist party would be welcome relief from the psychodrama of Tory factionalism. Brexit would fade still further into the political background. The union would be safer from nationalists in Scotland. And the electoral pendulum would have performed another of its slow and decisive swings. Britain has had two changes in governing party since 1979. This would be the next; instead of 1997 and Sir Tony Blair, think of 2024 and Sir Keir.

Think again. *The Economist* has dug beneath the surface of the polls and compared voting behaviour at the 2019 election with voting intentions in 2024, drawing on data from 95,000 Britons surveyed by WeThink, a polling company. Our model calculates the probability that a voter will pick a political party based on eight characteristics, from their age and educational attainment to their ethnicity and what kind of property they live in. (You can see how people like you vote by playing with the model.) It shows that the electoral coalition propelling Labour towards power sweeps up most young voters, but is also broad and volatile. What it does not augur is a return to politics as usual.

Class was once the engine of British politics; increasingly it is your date of birth. At the last election, the age at which voters became more likely to support the Conservatives than Labour was 45. Our data show that at the next one this crossover age will be almost 70. That makes Britain unusual: in Canada and America conservative parties still win around 40% of young voters. It is also historically exceptional. In 1997, the year Sir Tony won his first landslide victory, 27% of 18- to 24-year-olds voted Tory; our data suggest that the share of this cohort backing the Conservatives is now just 8%. The young Tory of today is as endangered as the natterjack toad or the European water vole.

Even as younger people skew overwhelmingly towards Labour, other voters are also moving in its direction. Our model confirms that the tide is going out on the Tories everywhere. The probability that a voter would choose the Tories if the election were held tomorrow has dropped for 96% of British adults since 2019. The electoral coalition that Labour is stitching together is consequently very broad. Its core vote is the urban young, but our model shows that the type of person who has swung most violently against the Conservatives is an older white man with a mortgage living in the north-west of England. In 2019 this sort of voter helped Boris Johnson break through Labour's "red wall" of northern seats; that year, according to our model, such a man had an 81% chance of voting Conservative. The probability now is just 18%.

Swings of this sort add up to a volatile electorate. At the last election Mr Johnson won the biggest share of the vote since 1979; Labour recorded its lowest post-war total of seats. The remarkable change in Labour's fortunes can be traced partly to events and elites: Partygate, Liz Truss's mini-budget, the cost-of-living crisis, the funding scandals of the Scottish National Party, Sir Keir's tack to the centre. But it also belongs to a much older trend. In the

1960s around an eighth of British voters switched their choice between elections. By the early 1980s the figure was closer to a fifth. Next time, our data suggest, the share of voters who intend to change parties will reach two-fifths.

Things can change between now and the election. Sir Keir might screw up; some grumpy Tories may return to the fold. But what does this picture mean for Britain? A volatile electorate is much better than a tribal one. If people are locked into parties, politicians compete within their party over who wins the backing of their own side's radical true believers. The marketplace for centrist voters does not function; the incentives to govern well are blunted. That is how politics works in America.

Victory for a young electoral coalition also has the potential to change policy for the better. Britain's biggest problem is economic stagnation, and one cause is an inability to build. England has fewer homes per person than any other big rich European country. The Conservatives do worst among people in social housing, renters and mortgage-holders. The Adam Smith Institute, a free-market think-tank, finds that Labour voters are more likely than Tories to agree that their area has a housing crisis by a net of 29 points—and are more supportive of large-scale house-building by a net of 16 points. Labour voters are also concentrated in urban areas, so they are unaffected by sorely needed new infrastructure, like pylons, that passes through rural ones.

It is not obvious what the Tories can do to turn things around before the election. But it is clear what they should not do. The Conservatives have tried to shore up support by focusing on their core voters. If they keep lurching rightwards, they may protect seats by fending off Reform UK, an insurgent party that is fiercely critical of mass immigration. It will not help them win.

From pendulum to metronome?

There is a lesson here for Labour, too. It is about to be elected by people who hold wildly varying views: socially conservative, white, working-class northerners and young, liberal, non-white southerners; nationalists and unionists in Scotland. For Labour, a future vulnerability might be cultural issues, where the progressivism of the young could turn off other voters.

Bitter rows over the war in Gaza show how such pressures might tug apart this electoral coalition: Sir Keir must be careful not to pander to his base at the cost of alienating swing voters.

The volatility of British voters also suggests that Labour cannot assume it would have much time to get things done. Sir Keir does not inspire any great enthusiasm. His room for fiscal manoeuvre will be cramped. The potential for disaffection is high. Since 1979 one party has taken up residence in Downing Street for well over a decade at a time. In future the electorate may be much swifter to evict them. ■

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How high can markets go?

A golden age for stockmarkets is drawing to a close

Share prices may be surging, but even AI is unlikely to drive a repeat of the past decade's performance

Feb 29th 2024

STOCKMARKETS TEND to rise gradually; recently they have soared. American stocks are up by 21% since the end of October and stand roughly 5% above their vertiginous peak in January 2022. On February 22nd Europe's equities set a new record for the first time in two years. India has been enjoying a multi-year boom as optimism about its economy abounds. Even Japanese stocks—a byword for stagnation—have at last exceeded the level they reached in 1989 before a decades-long slump. It has been an extraordinary run. Since 2010, the S&P 500 index of American stocks has returned 11% a year in real terms.

These profits are all the more striking given what markets have had to contend with. The age of free money has been followed by two years of interest-rate rises—and even now bond investors are betting against imminent cuts. A trade war is raging between America and China; actual wars are raging in Ukraine, the Middle East and parts of Africa. Around the world, governments are turning away from free markets and globalisation in favour of industrial policy and protectionism. If all that has not extinguished this rally, whatever will?

One conclusion might be that a bubble is waiting to pop, especially in America. On Wall Street, valuations—the multiple by which profits are scaled up—are on average 80% as high as they were during the dotcom mania of the late-1990s and 90% as high as they climbed during 2021, before rock-bottom interest rates rose. Similar extremes are also to be seen in other measures, including concentration (the share of the stockmarket that is made up by the top firms) or value spreads (the valuation of the most expensive companies compared with the cheapest). The value of the top 10% of American firms as a proportion of the whole market has not been as high since the crash that was one cause of the Depression in the 1930s. And don't forget the frothiest corner of the financial markets: bitcoin is trading around $60,000 again, just shy of its peak in 2021.

Yet there are also reasons to see markets' exuberance as rational. As central banks all over the world tightened monetary policy at a pace not seen for a generation, many analysts warned about the danger of recessions and falling corporate profits. At the start of 2023 Wall Street savants predicted that in the year to come America's economy would grow by just 0.7%. In the event it achieved more than three times that amount. A broad range of firms are publishing strong results, including retailers, such as Walmart, and Japanese carmakers, such as Toyota.

The economy continues to defy gravity. A popular regular forecast of annualised American economic growth, published by the Federal Reserve Bank of Atlanta, stands at 3.2% for the first quarter of this year. Despite a slowdown in China—whose sagging markets are an exception to the global trend—the IMF has been nudging up its global growth forecasts, too.

Adding to investors' bullishness is their optimism about artificial intelligence (AI). This is not a ChatGPT-like hallucination. The event that propelled stocks into the stratosphere was the publication on February 22nd of earnings by Nvidia, which has an iron grip on the market for chips that are critical for training AI models. In October 2022, just before OpenAI released its now-celebrated chatbot, Nvidia earned around $3bn in gross profits each quarter, mostly from selling graphics cards to gamers. In the three months to the end of January 2024 Nvidia earned $17bn in gross profits while enjoying a margin of 76%. The company's share price has climbed five-fold over that time, but its earnings have grown even faster. In other words the enthusiasm that has lifted Nvidia close to a stockmarket value of $2trn is not built on dotcom-like hype, but cold, hard profit.

Judging the boom to be justified, though, does not make it wise to rush out and buy stocks. What happens next is unlikely to fill investors with glee. That is partly because the extreme excitement about AI extends beyond Nvidia to other members of the "Magnificent 7" group of tech stocks, such as Microsoft, whose eventual commercial strategies in the AI era are still far from clear. These firms are hoarding Nvidia's chips in the belief that, one way or another, their AI businesses will boom. However, it remains to be seen how they will resolve basic issues with their large language models. Plenty of startups want to eat the Big 7's lunch, and competition will keep profits in check—even, eventually, at Nvidia.

Techno-optimism is also the basis, in some quarters, for bullishness about economy-wide productivity growth. The lesson from other fundamental technologies is that it takes time to work out how to exploit them. Businesses talk non-stop about generative AI but it remains at the experimental stage. As a result, even if AI is destined to transform societies utterly, today's investors may struggle to pick which companies will make money. Believers in the dotcom boom were not wrong about the transformative power of the internet—but they still lost their shirts.

If things stay sane this time, valuations will not climb much further. The trend of rising profits, as a share of the economy, also looks spent. Their outsize growth in recent decades was a one-off, caused by the falling cost of borrowing and taxes. As inflation lingers and government finances remain stretched, that fall cannot be repeated; it may even be reversed.

Under realistic assumptions about what will happen to valuations, interest and taxes, to generate even modest real equity returns of 4% a year over the next decade, America's firms would need to increase their underlying profits by around 6% a year, close to their best ever post-war performance. No wonder Warren Buffett, a veteran investor, sees “no possibility” of super returns for his fund.

The long and grinding road

Equities could underwhelm in many ways. Perhaps AI-exhilaration will cause a dotcom-style bubble that pops. Another war or crisis could lead to a crash. Or prices may stagnate in a gentle bear market that takes years to reverse. Whatever the path to disappointment, in ten years’ time nobody will be repeating the obvious conclusion of today: that investors in equities—especially American ones—have enjoyed a golden age. ■

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A losing battle

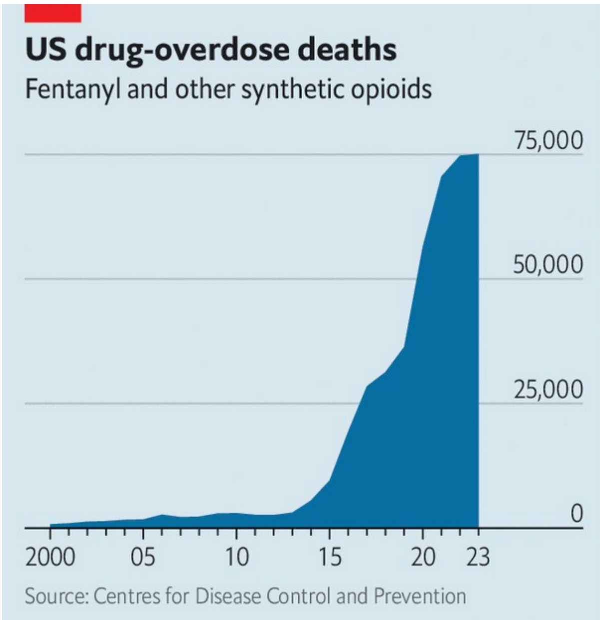
Fentanyl cannot be defeated without new tactics

Suppression works even less well than with other narcotics

Feb 29th 2024

Jordan Gale/New York Times/Redux/Eyevine

IT IS OVER 50 years since Richard Nixon initiated America's war on drugs, yet victory seems further away than ever. In the 12 months to September 2023 more than 105,000 Americans died from overdoses—almost double the number killed in combat in Vietnam, Afghanistan and Iraq. No matter how zealously the government patrols the border and how ferociously it pursues traffickers, the problem only seems to get worse.



The Economist

The deterioration in the past decade is largely owing to fentanyl, a synthetic opioid that is 50 times more potent than heroin and is involved in about 70% of drug-related deaths in America. It started as a substitute for opioids supplied under prescription, but its continuing spread is the logical outcome of the war on drugs. Peddling narcotics is so lucrative that traffickers have an incentive to innovate, the better to evade controls. Fentanyl and its analogues are a near-perfect product: so cheap to make that even sold for 50 cents a pill, it is still hugely profitable; so powerful and addictive that a captive market is almost guaranteed; so easy to make, with such a variety of common chemicals, that it can be produced more or less anywhere; so concentrated that it is easy to hide and smuggle.

No wonder America is struggling to control fentanyl. A crackdown on the Sinaloa gang in Mexico, said by American authorities to be the biggest source of it, has simply caused production to atomise. Attempts to stop Chinese exports of ingredients are hampered by ever-evolving recipes for the drug and ever-adapting supply chains, with India, for instance, becoming the latest source of chemical precursors. A focus by America's border patrol on crossings near San Diego, which was once the main conduit into America, has caused smuggling to shift eastwards, into Arizona.

Predictably, many politicians think the best response is extreme tactics that are themselves also the logical culmination of the war on drugs. Senior Republicans have called for an invasion of Mexico, to eradicate the gangs (although Republicans in Congress have turned down Joe Biden's request for more funds to patrol the border). Donald Trump is said to have contemplated missile strikes on traffickers' hideouts when he was president.

To its credit, Mr Biden's administration is already taking a broader approach. For the first time, the federal government is spending more to deter use and treat addicts than it is on trying to disrupt the flow of drugs. It has patched up relations with China well enough to resume efforts to curb the trade in precursors across the Pacific. Mindful of how mutable supply chains are, it is trying to build a global coalition to keep better track of chemicals.

These are welcome steps, but they should go further. If it is impossible to stop fentanyl getting to consumers, more must be done to help them cope with it. American authorities should distribute simple tests to let users check whether their drugs have, as is often the case, been mixed with cheap, addictive fentanyl; they should increase access to treatment schemes involving substitutes such as methadone; they should ensure that the antidote for overdoses is widely available; they should revamp drug education, which is woeful. And they should decriminalise less lethal drugs, such as cocaine, so as to free time and scarce funds to focus on the one that is killing Americans in droves.

Politicians of all stripes dislike such ideas, since they appear to condone taking drugs. America's are unlikely to try anything so radical. But fentanyl is already a problem in Canada and is spreading in Mexico, too. Even more potent synthetic opioids called nitazenes have arrived in Britain. If the world is to cope it will, like the traffickers, have to innovate. ■

French politics

The perils of a Le Pen presidency

Even three years out, the prospect is alarming

Feb 26th 2024

FOR OVER half a century the name Le Pen has sent a tremor through liberal France. Le Pen senior, Jean-Marie, prowled for decades around the political fringes, trading in xenophobic outrage and antisemitic provocation. He was as adept at stirring fear and offending the establishment as he was at securing convictions for incitement to racial hatred. Twice Mr Le Pen sat in parliament, and in 2002 he made it into the presidential run-off. Even then nobody took seriously the possibility that the blustering former paratrooper would win the highest office—or wish to.

The same cannot be said for his daughter, Marine. Since taking over the National Front in 2011, rebranding it the National Rally (RN), she has converted a pariah into a party preparing to govern. Her protégé, the 28-year-old Jordan Bardella—now party president—is the only politician to feature in the top 50 favourite French personalities, alongside football stars and ageing rock legends. Over 60% of the French now see the RN as a political party like any other. Nearly two-thirds of voters think it can win office, up from 40% in 2018. A plurality of the French no longer fear that it is a “danger for democracy”.

The next French presidential election is not until 2027. Much could yet thwart a Le Pen victory, not least a credible successor to Emmanuel Macron, who is barred by the constitution from running for a third consecutive term. He has begun to promote a new generation, among them the 34-year-old prime minister, Gabriel Attal. One of his former prime ministers, Edouard Philippe, is among those readying themselves for a bid. Yet Ms Le Pen will be a formidable opponent. In 2022 she won the backing of nearly 42% of voters; next time she will do better.

It is, therefore, past time to consider how much a Le Pen presidency would change France and Europe. France is a country unlike any other. It is nuclear-armed, highly centralised and concentrates unusual powers in the hands of a single person—including the ability to dissolve parliament, name and fire the prime minister, and appoint the head of the armed forces, state-owned firms, institutions and the broadcasting authority. In neighbouring Italy, where Giorgia Meloni’s relatively moderate stewardship tempers some observers’ worries about a President Le Pen, the prime minister is appointed by the country’s president, who acts as a check on executive power.

Although the RN has been disciplined in parliament, if Ms Le Pen is in the Elysée it may set less store by good behaviour. Her closest political allies in Europe are authoritarian strongmen, including Hungary’s Viktor Orban. State capture is a long game; Poland’s new government shows how difficult it is to undo.

Outside France, a Le Pen presidency would imperil the foundations of the European Union, and question France’s commitment to the Western alliance. The RN leader may have dropped her calls for Frexit or for France to leave the euro. But her plans to hold a referendum to entrench in the constitution the superiority of French law over EU law would put it on a collision course with the union. Unlike the Atlanticist Ms Meloni, Ms Le Pen wants to pull France out of NATO’s integrated military command, and is against Ukraine joining either the alliance or the EU.

At best, a Le Pen presidency would choke the Franco-German engine that drives the union. At worst, an alliance between nationalist-populist leaders of France, Hungary, Slovakia and, possibly, the Netherlands might embolden Ms Meloni to shift their way. Voting together, those countries would be able to muster the 35% needed to block decisions in the council of the European Union. A paralysed, divided EU would be very different from the club that exists today.

Even three years out, France and its friends should take a long, hard look at Ms Le Pen and her project for power. A Le Pen presidency is not inevitable. But it is no longer unthinkable. Nothing would be more unwise than to assume that, if it came about, France, Europe or NATO would just carry on as before. ■

Correction (February 27th 2024)*: The text has been change to clarify that the article refers to the Council of the European Union.*

Don’t seize: capitalise

How to put Russia’s frozen assets to work for Ukraine

Exploit them to the full, but legally

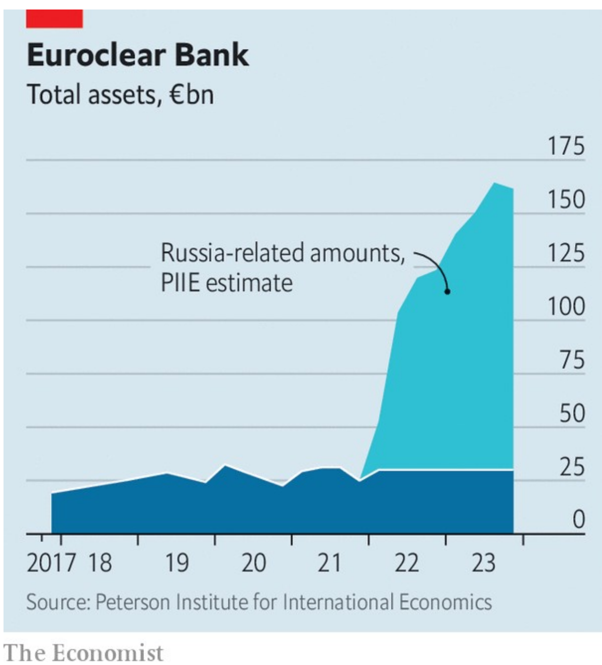
Feb 28th 2024

WITH AMERICA’S House of Representatives denying aid for Ukraine, other Western politicians are hunting for an alternative source of funds. Their eyes have settled on assets worth €260bn ($282bn) belonging to Russia that have been frozen since its full-scale invasion two years ago. There is a growing clamour in support of the moral and practical case for using this money to help pay for Ukraine’s defence. On February 27th Janet Yellen, America’s treasury secretary, called for the value of these assets to be unlocked. But most of the portfolio sits in Belgium, and the European Union has been divided about the wisdom—and legality—of putting it to use.

Those who want to do something with the money are right, but how it is done matters greatly. Seizing the assets outright would be a mistake. Sanctions have historically come with the caveat that if an aggressor like Russia changes its behaviour, it can get its money back. Reparations are typically negotiated with a defeated state after hostilities have ceased, not imposed and enforced while bullets are flying. Taking the money would add to the view, already common in the global south, that America and its allies hew to international law only when it suits them. Because the West's case against Russia's invasion is that it is illegal, this smacks of hypocrisy.

Yet the injustice Ukraine has suffered is manifest, its need for cash is urgent and Western governments' finances are stretched. So lawyers are scrambling to find clever mechanisms by which Russia's portfolio might be tapped legally. Their plans involve transferring the claim for reparations from Ukraine to the West, and offsetting it against the Russian assets. Yet even the cleverest are fraught with legal and political risks.

There is a simpler way. About €190bn of the assets are controlled in Belgium by Euroclear, a custodian. The investment returns and principal repayments it would pass on to Russia are instead piling up as a cash balance, which currently amounts to around €132bn and which Euroclear's bank can profitably invest. The argument that Russia has no right to these returns is relatively uncontroversial, not least because Euroclear does not usually pay interest on cash holdings.



The free funding is helping Euroclear make extraordinary profits. The EU has already ordered the firm to hive them off and not to distribute them to shareholders; on February 28th Ursula von der Leyen, the president of the European Commission, said it was time to talk about taking the money and sending it to Ukraine. That would provide a drip of funding: Euroclear earned €4.4bn from the assets in 2023.

The EU could go one better. The flow of income from Russia's assets will continue. The EU could therefore launch and guarantee a vehicle whose debts are serviced using the income from Russia's funds. By issuing bonds, this vehicle could raise a large upfront amount to be sent straight to Ukraine. Investing the €132bn cash balance in five-year German debt would yield about €3.2bn per year, enough to service almost €114bn of joint EU debt at the same maturity. The figures would rise as more of Russia's portfolio vests into cash. Such large amounts would both pay for ammunition now and signal to Russia that Ukraine has the economic staying-power to carry on the war.

If Russia never made peace on satisfactory terms, the EU would never have to spend a penny of its own money servicing the debt. If it did, the EU might end up on the hook—but in such circumstances it would also get a growth boost and a peace dividend from the end of the war. Most important, Ukraine would get the large infusion of cash it desperately needs now, without undermining any of the principles for which it is fighting. ■

One nation under Modi

To see India’s future, go south

The country’s regional division could make it—or break it

Feb 29th 2024

MOST PEOPLE know that India is a rising economic power. It is already the world’s fifth-largest economy and is growing faster than any big rival, with a turbocharged stockmarket that is the fourth-largest of any country’s. It is also common knowledge that India’s prime minister, Narendra Modi, is its most powerful in decades and that, as well as economic development, his agenda includes a Hindu-first populism that can veer into chauvinism and authoritarianism. Less well known is that these competing trends of development and identity politics are together fuelling a striking third trend: a growing north-south split.

The wealthy south is where you will find the slick new India, with its startups, IT campuses and gleaming iPhone-assembly plants. Yet Mr Modi’s party gets a low share of its votes from there and relies on the poorer, more populous, rural, Hindi-speaking north. This north-south divide will be a defining issue in the election in April and May, in which Mr Modi is expected to win a third term. How the split is managed in the long run is of critical importance to India's prospects. In one alarming scenario, it could create a constitutional crisis and fracture India's single market. In a more benign future, resolving this divide could moderate India's harsh identity politics.

Geographical divides often influence how countries develop. America's politics and economy still reflect the legacy of the civil war. When Deng Xiaoping sought to open up China's economy in 1992, he took a "southern tour" to Guangdong province. His endorsement of its entrepreneurial culture and history of openness thwarted Communist Party conservatives and led to the boom that fuelled China's rise as an economic superpower.

Understanding India's divide begins with economics. The south has long been richer and more urban. The southern five of India's 28 states (Andhra Pradesh, Karnataka, Kerala, Tamil Nadu and Telangana) contain 20% of the population, but account for 30% of its loans and for 35% of the flow of foreign investment in the past three years. Better government, education and property rights help explain this outperformance and have fostered enterprise and a more sophisticated financial system. A gap that has existed since independence in 1947 has widened over the decades. In 1993 the south contributed 24% of India's GDP. The latest figure is 31%.

When foreign bosses visit India they still pay tribute to the national government in Delhi, but many of the most exciting business opportunities require a flight to the south. Consider the shift in global supply chains from China to India: 46% of India's electronics exports are from the south. In India's famous startup scene, 46% of tech "unicorns" are southerners, coming especially from Bangalore. The five southern states provide 66% of the IT-services industry's exports. The latest craze is for "global capability centres", where multinationals assemble their global auditors, lawyers, designers, architects and other professionals: 79% of these hubs are in the south.

Even as the south acts as India's economic engine, its politics are on a separate planet from those of the north. There the emphasis is on the Hindi language, macho Hindu identity politics and, often, the demonisation of Muslims. Mr Modi's Bharatiya Janata Party (BJP) promotes all that alongside its mantra of national development, partly out of ideological fervour and partly because it wins elections.

In the south that BJP formula works less well. Since the 1960s voters have backed regional parties that promote English, Tamil and other local languages, and advocate less strident Hindu values. In 2019 only 11% of the BJP's voters and a mere 10% of its parliamentary seats were from the south. In the party's one southern bastion, Karnataka, the BJP lost control of the state legislature in elections in 2023. Mr Modi dreams of running a modern, tech-enabled central government that reaches across the whole country. Yet for all his electoral triumphs, he still lacks a truly national mandate.

How will these geographical tensions be resolved? A thriving national single market is crucial to India's growth because it allows firms to achieve economies of scale for the first time and permits a more efficient allocation of national resources, from energy to labour. Inter-state trade rose from 23% of GDP in 2017 to 35% in 2021, underpinning growth. Mr Modi has done an impressive job of creating nationwide infrastructure, from a unitary tax system to transport and digital-payments schemes.

Yet under India's constitution most of these reforms required co-operation between the central government and the states. So will the next lot. Education, which needs deeper reform, is a joint responsibility. More young Indians in the jobs-scarce north must be able to move to find work in the south. To power its economy and cut emissions India needs a truly national energy market.

Pessimists fear a re-elected Mr Modi will upset the constitutional balance. Southern leaders already accuse him of targeting them with bogus corruption probes, withholding central-government funds and extracting an unfair level of tax to subsidise the north. The south could also lose out after 2026 when parliamentary-constituency boundaries are due to be redrawn. Against the south's wishes, the BJP could impose Hindi as the national language.

Over the next decade this kind of confrontation could get in the way of essential economic reforms. In the very worst scenario it could even lead to calls to break up India. Talk of secession last surfaced after independence and was suppressed with a ban in 1963 on any politician proposing it.

A different future

Fortunately, India and Mr Modi have a far better alternative. Another way for the BJP to be competitive in the south is for it to moderate its Hindutva message, restrain its promotion of Hindi, put more weight on economic development and advance more moderate successors to Mr Modi than his coterie of headbangers. It is early days, but our reporting from alongside the BJP's southern leadership this week suggests that some of these shifts may be taking place. South India already offers a vision of the future for India's economy. If Mr Modi and his party choose wisely, the south may be an augury for its politics, too.■

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How tyranny travels

Autocracies are exporting autocracy to their diasporas

The new danger from transnational repression

Feb 29th 2024

FOR MILLENNIA exile has been a way for critics to escape the iron fist of tyrants and for regimes to silence naysayers. Yet the way authoritarian regimes interact with dissenting opinions abroad is changing dramatically for the worse.

Over the past 30 years open borders have created vastly larger diasporas in foreign lands. Technology has amplified individuals' voices and their connection to their homeland, but also enabled monitoring, intimidation and censorship by distant governments. The result is that the world's autocracies can now plausibly aspire to control ideas and large numbers of people abroad as well as at home.

Exhibit A is China. Eleven million of its citizens or ex-citizens now live outside its borders. As we report its programme of monitoring, censorship and coercion is more elaborate and extensive than ever before. And China is not alone. Under Vladimir Putin, Russia maintains an extensive apparatus to spy on and manipulate ethnic Russians abroad, which includes agents who poisoned former members of his regime in Britain. In January America and Britain accused an Iranian network of "numerous acts of transnational repression including assassinations and kidnappings…in an attempt to silence the Iranian regime's perceived critics". And under its leader, Recep Tayyip Erdogan, Turkey has been accused of trying to manipulate and police the Turkish diaspora in Europe.

Autocrats are trying to export autocracy. Targeted action against particular people helps create a broad climate of fear. Tyrannical regimes know that self-censorship—the pre-emptive quashing of dissent—is their most powerful tool. Today you often find it in diasporas. Cases of manipulation often seem small and go unreported, but the effect can be large and severe. Many Chinese students are wary of expressing their true views on university campuses that are thousands of miles from Beijing.

How can countries protect the people they host? The most obvious step is to crack down on malign state-backed spies and proxies. Autocratic state-affiliated organisations should be prevented from conducting influence and intimidation campaigns on university campuses. The definition of espionage is expanding to include transnational repression, which should be punished harshly. Last summer America named and imposed sanctions on a group of Iranians involved in their country's overseas anti-dissident operation.

Another focus should be tech platforms. Banning apps like WeChat, which although privately owned is headquartered in Singapore and used by the state to monitor Chinese abroad, would be an extreme move. In any case, doing so would not help the many recent emigrants who are users of Weixin, the Chinese version of WeChat, with accounts still registered to Chinese phone numbers. But it is reasonable to demand that foreign apps, particularly those based in autocratic states without human-rights protections, show that they protect personal data and that their operations abroad are separate from their parent company. America has imposed these kinds of safeguards on TikTok, another Chinese app.

Stop tyranny from travelling

Dealing with the threat from oppressive regimes and their tentacular reach inevitably involves monitoring what diasporas do and screening individuals who could pose a threat. To a diaspora, however, this risks seeming like scaremongering or discrimination. An essential part of protecting them, therefore, is to make their members feel welcome in their host societies. If they belong, they are more likely to feel safe enough to stand up to the bullies. That means upholding the values of openness which led people to make them their new home in the first place. ■

Letters

On Britain's armed forces, cousins, business in Italy, private-equity backed insurance, age, Terry Pratchett

Letters to the editor

A selection of correspondence

Feb 29th 2024

Letters are welcome via email to letters@economist.com

Challenges for Britain's army

Your analysis of the state of the British armed forces rightly highlighted structural underfunding, short-termism, mismanagement and poor employment conditions ("Losing muscle", February 3rd). Another consistent failing has been the lack of a coherent mission since the end of the cold war. Many people praised the integrated reviews and associated defence command papers of 2021 and 2023. Yet, reflecting the long-term over-ambition of each of the services, these reviews were conveniently ambiguous about whether Britain's armed forces should commit to the defence of NATO or to global, Indo-Pacific operations (with little consideration of the actual resourcing available).

Reform of the armed services cannot even start until Britain develops a coherent, sustainable military strategy, which unites the efforts of all of its now very limited forces on a specific mission. It is up to the service chiefs to define that mission and to concentrate every activity and all their resources to its achievement.

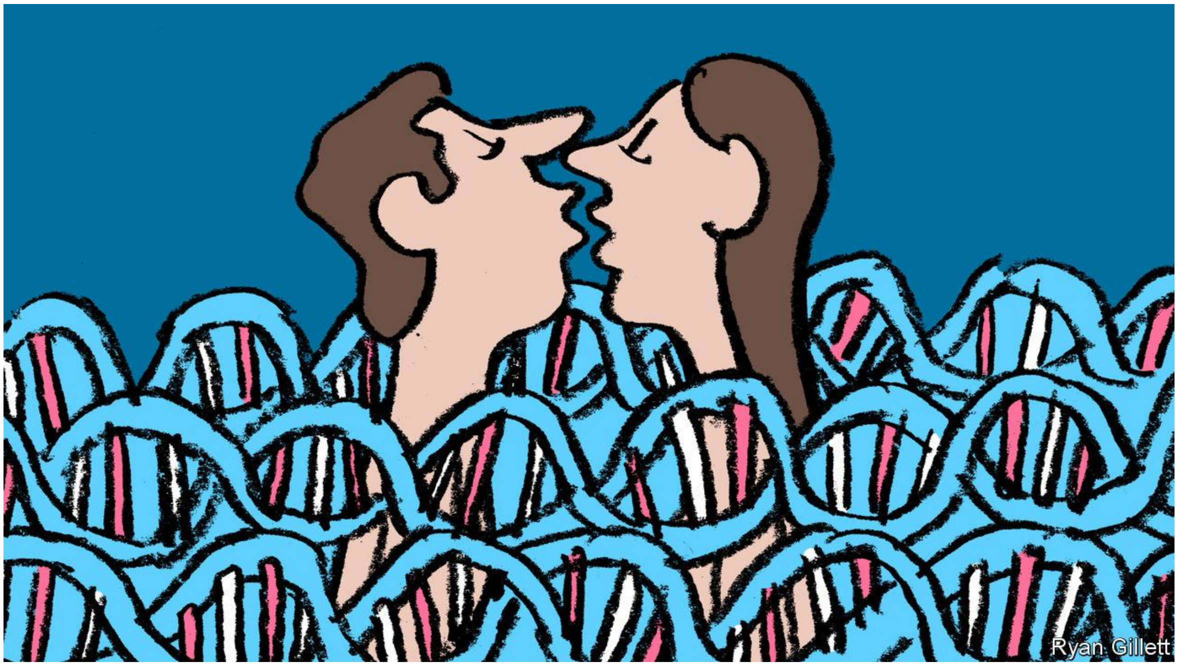
ANTHONY KING
Professor of defence and security studies
University of Exeter

The British and the Europeans are now in an arms race with Russia, which is spending 7% of its GDP on defence. Some of this expenditure is directly related to the war in Ukraine but, tested in the crucible of that war, Russia is rearming and restructuring its armed forces. Within three years, Vladimir Putin will have a modernised, and puissant, army at his disposal.

To counter this, Britain needs a radical uplift in defence spending. Rishi Sunak's feeble 2.5% of GDP when "the fiscal and economic circumstances" allow is clearly inadequate. Many defence economists have suggested that 3% of GDP, sustained over a number of years, is a reasonable starting point. At the least, this would enable Britain to tackle issues quickly, such as poor housing and inadequate pay, that are contributing to poor recruiting and the haemorrhaging of trained personnel.

Any increase must also be focused on current warfighting-capability gaps. Britain may need to upgrade its nuclear deterrent, but that should not come at the expense of spending on weapons that are more probably going to be needed now. It cannot be said loudly enough. Britain does not have until the mid-2030s, which is when the Ministry of Defence's "modernisation plans" are due to bear fruit. In strategic terms, we face a "clear and present danger" today.

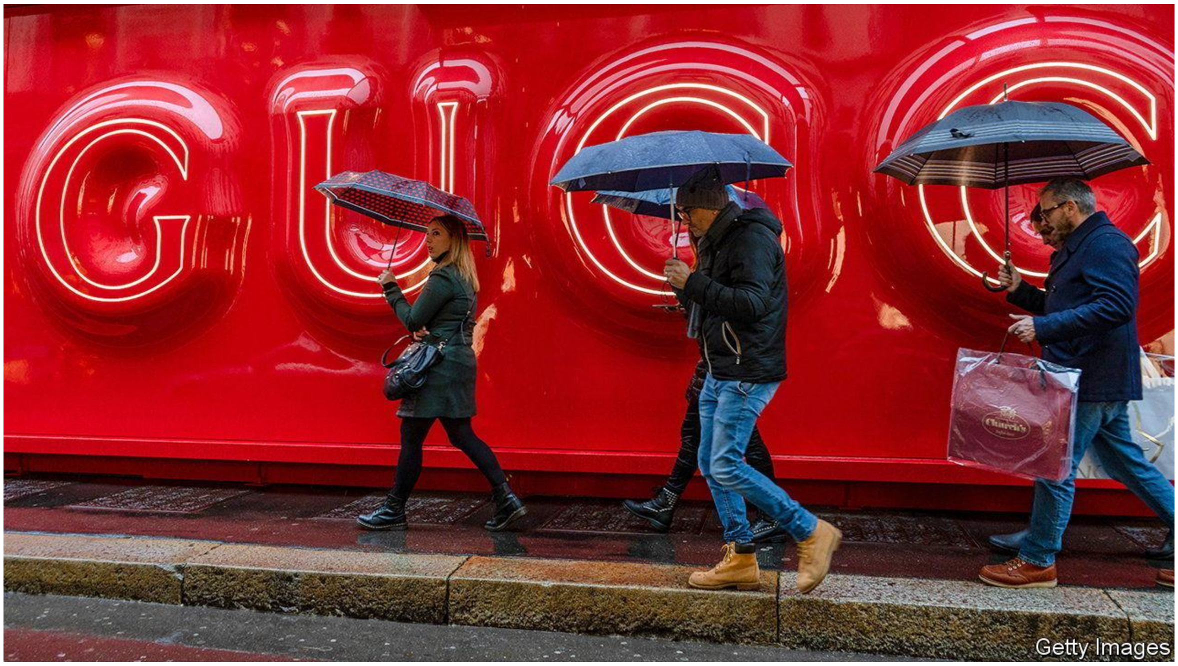
SIMON DIGGINS
Colonel (retired)
Rickmansworth, Hertfordshire



Breaking the familial ties

The dispute about the legitimacy of marriage between first cousins ("All in the family", February 17th) touches on a crucial historical phenomenon. The church banned marriage between relations who were less than three or four times removed. In "The Weirdest People in the World", Joseph Henrich argued convincingly that this explained why clans and tribes disappeared in Europe during the Middle Ages, making way for the rise of the individual and the state. And it promoted the idea of marriage based on love.

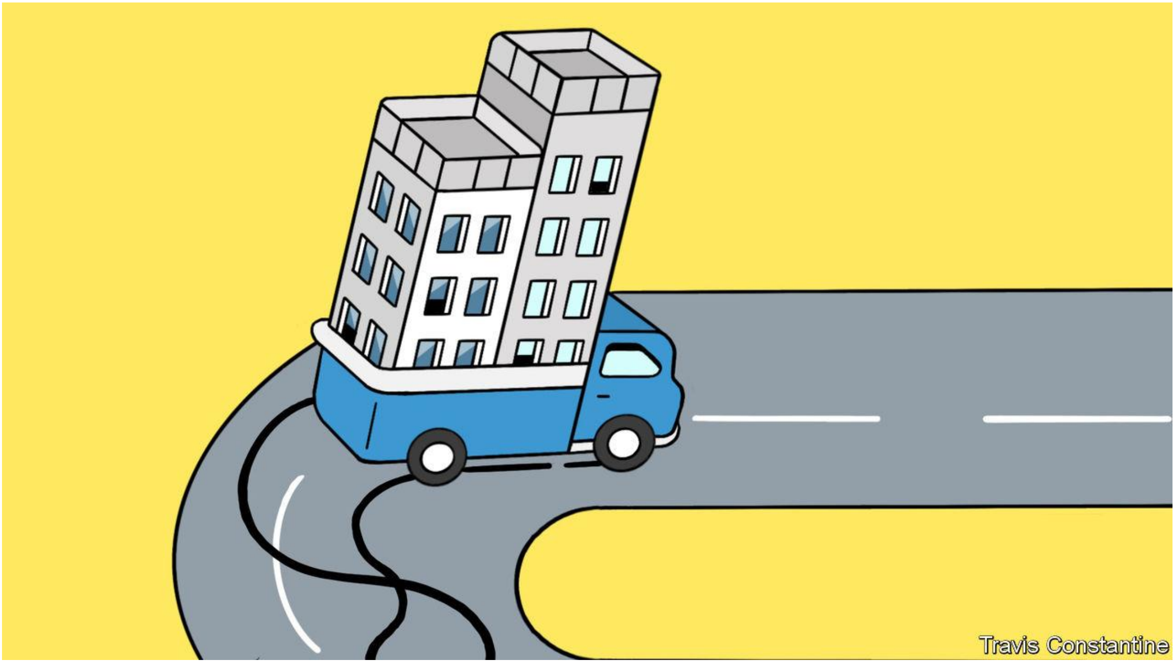
ANTONY BLACK
Dundee



The Italian model

Your article on business in Italy was short on "sweet" and long on "bitter" ("Bittersweet life", February 10th). No mention was made that in the fourth quarter of last year Italy's economy grew, while Germany's shrank and the EU stagnated. Milan's stockmarket, small though it may be, outperformed all the other big euro area markets in 2023. Thanks to small- and medium-sized companies, Italy is the third largest exporter in the EU. So the French own several big-name Italian brands? Sadly, Italy does not have the same number of billionaires as France to buy them. French investors seek premium Italian companies because they are profitable, prestigious and enduring. When it comes to business in Italy small is beautiful, and successful.

VINCENZINA SANTORO
New York



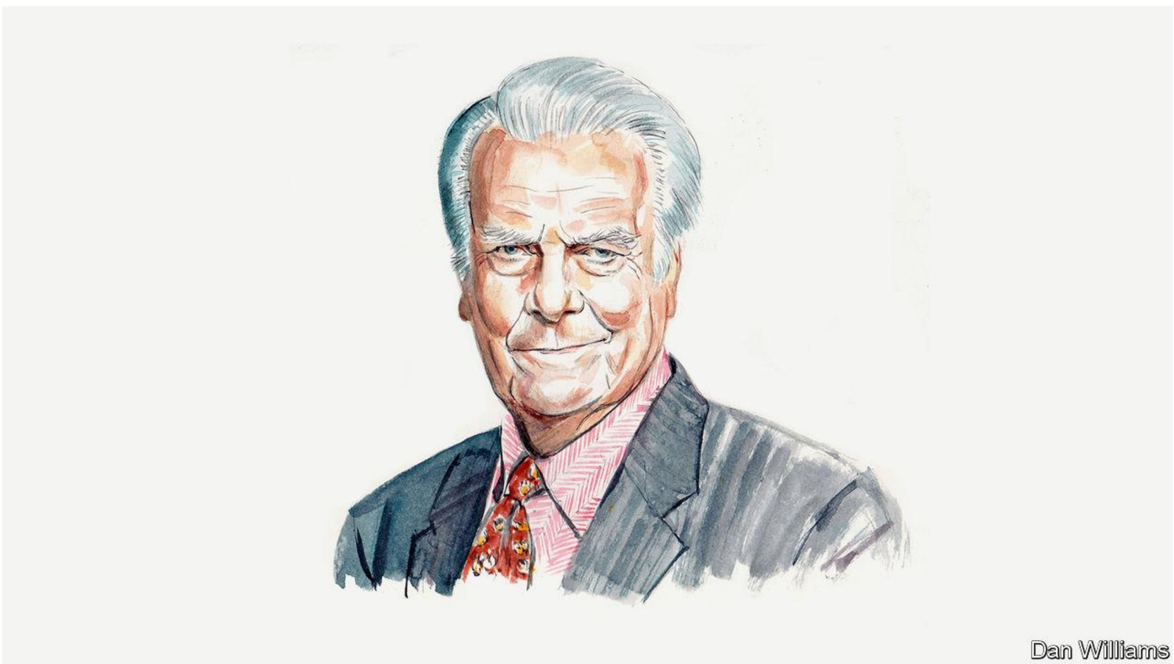
Private equity and insurance

There are indeed many risks associated with private-equity-backed insurers ("Private assets, public interest", January 27th). As you say, "pension promises matter to society" and accordingly, regulators should take notice. Upon instructions from Congress, the Department of Labour has done just that, holding public sessions to discuss the increasingly large role that private-equity-backed insurers are playing in the pension risk transfer (PRT) market.

Financial markets corroborate your concern. Whether because of regulatory arbitrage, riskier or illiquid investments, and other factors, private-equity-backed insurers are deemed riskier than traditional insurers, as measured by the credit spread of their bonds. Conveniently, many insurers issue Funding Agreement-Backed Notes (FABNs) to the institutional bond market. FABNs are on an equal footing with policies issued by the insurance companies, so they represent an observable, market-based measure of the policy-level risk of the insurer.

Our recent study of the largest PRT providers showed that the two-private equity-backed insurers in that group stood out as a higher risk, trading at spreads as much as one percentage point higher than that of the highest quality insurers. These spread levels are comparable to those of companies rated BBB or BBB-. We think an evaluation of credit spreads aligns well with Department of Labour guidance that requires fiduciaries to choose the "safest available annuity", and have recommended as much to the department as part of its review of the PRT market. The power and insight of market forces strongly supports your thesis.

DAVID EICHHORN
Chief executive and head of investment strategies
NISA Investment Advisors
St Louis



Respect the elderly

I find it ironic that an article arguing that both Donald Trump and Joe Biden are too old for the presidency was written by someone several years older than both of them and who still holds a seat in the House of Lords (By Invitation, February 12th). Lord David Owen suggested that Mr Biden should decline the Democratic nomination and ask its national committee to pick another candidate, though he oddly failed to ask the Republican National Committee to do the same for the similarly elderly Mr Trump.

BENGT SYMSTAD
St Paul, Minnesota

A hole in my shoe

A few books written by Terry Pratchett should have made it into your pick of the best comic novels (*The Economist* reads, February 1st). Several deal with topics relevant to the dismal science, including whether private or public services are best ("Going Postal"), economic theory and models of money ("Making Money") and the Sam Vimes boots theory of socioeconomic inequality ("Men at Arms"). This posits that a rich man can spend $50 on one pair of boots that will still keep his feet dry in ten years' time, whereas a poor man who can only afford cheap boots will spend $100 on several pairs over the same time, and still have wet feet.

HENRY BIGGS
Macclesfield, Cheshire

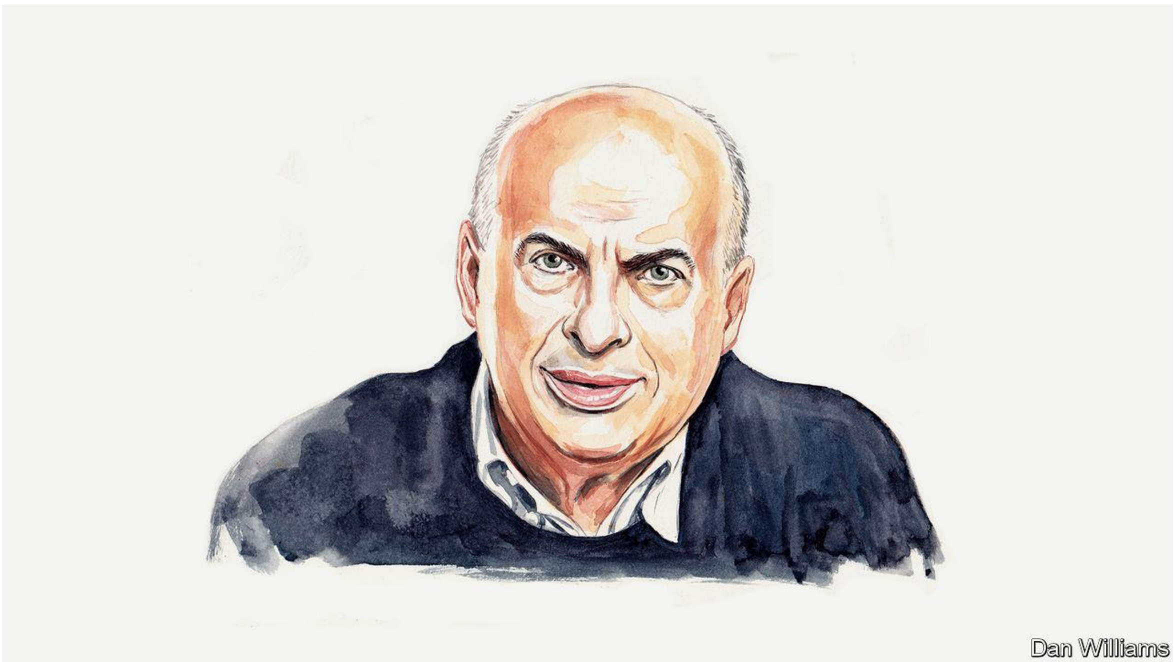
By Invitation

Russia after Navalny

A former political prisoner on how the West should honour Alexei Navalny’s legacy

It needs to rediscover its concern for Russian dissidents, argues Natan Sharansky

Feb 29th 2024



AROUND A YEAR ago I received a letter from my alma mater: the Soviet gulag, where I spent nine years after being convicted of anti-Soviet activity, high treason and espionage, and from which I graduated in 1986. The letter was sent by Alexei Navalny from a *shtrafnoy izolyator*, or “shizo” for short, the most extreme type of punishment cell in the gulag. He told me he was reading my book, “Fear No Evil”, and was surprised by the similarity of our experiences.

In my nine years in prison I spent 405 days in shizo, a kind of torture by cold and hunger. It is a small, dark cellar, three metres by two. You are so cold that you can’t sleep. You get three pieces of bread and three mugs of hot water a day. Nothing to read, nothing to write, nobody to talk to. The punishment is restricted to 15 days at a time, but if the system wants to crush you it puts you there repeatedly. As I wrote to Navalny, “Judging by all of your time in shizo, you will soon beat all of my records. I hope you don't succeed in this."

He did. In his three years in jail, he spent 300 days in shizo—100 days a year, double my rate. And unlike me, he never came out of the gulag.

To keep your spirit in shizo you have to remind yourself why you are there, and that if you show weakness the whole world will collapse. Navalny understood this better than anybody else.

"In your alma mater everything is as it was," he wrote to me. "Traditions are honoured. On Friday evening they let me out of shizo. Today on Monday—I got another 15 days. Everything according to 'Ecclesiastes': what was, will be. But I continue to believe that we will correct it and one day in Russia there will be what was not. And will not be what was."

There was one big difference between my time in prison and Navalny's. In my time Western politicians understood the scale of historic struggle and saw the fate of Soviet political prisoners as part of their own security. Now they don't. And this is a mistake of historic proportions.

Russia controls people mainly by fear. People can be divided into three categories: "true believers"—those who sincerely are loyal to the ideology of the regime; "doublethinkers"—those who don't believe this ideology and don't trust the regime, but are afraid to speak up; and "dissidents"—those who are not afraid to speak truth to power. On the surface there is no difference between doublethinkers and true believers; in truth, for example, we don't know how many people support the war in Ukraine. But under dictatorship, inevitably, over time the number of true believers shrinks and the number of doublethinkers increases.

Big changes occur in society when doublethinkers cross the line of dissent in large numbers. Dissidents, simply by their presence and example, are a huge catalyst of this process. As I wrote to Navalny, "By remaining a free person in prison, you, Alexei, influence the souls of millions of people worldwide." And that is the reason why democratic dissidents under dictatorships are important allies of the free world.

Of course, the West always respected Soviet dissidents as people of moral courage. But it took about 20 years after the death of Stalin in 1953 for people in the West to recognise the connection between their own security and the state of human rights, not least the fate of dissidents, in the Soviet Union. In 1975 this understanding was enshrined in the Helsinki accords, which divided the relationship with the Soviet Union into three baskets: security, trade and human rights. Soviet leaders agreed to the third one reluctantly, hoping that it would require only lip service, but it didn't. In fact, it is the link between the third basket and the other two that spelled the death of the Soviet regime.

Archival documents recently released by the White House show how the administration of Ronald Reagan in the 1980s repeatedly insisted on raising three groups of questions with the Soviets: the arms race and disarmament; co-operation on trade, other economic issues and science; and human rights in the Soviet Union, with an emphasis on the fate of democratic dissidents. The Soviet reaction to the last of these was always "It is an internal affair". America's response was "Yes, but our public opinion is so sensitive to this issue that it doesn't let us move on other parts of the agenda without having progress here."

It is essential that the West adopt a similar approach today. Its confrontation with Vladimir Putin's regime should consist of strengthening military deterrence on the borders with Russia, increasing support for Ukraine and developing a policy towards dissidents within Russia itself.

The experience of the cold war shows that this policy can only work if it is consistent, systematic and supported by Western public opinion. Implementing it is as urgent as supplying the Ukrainian army with artillery shells.

After the murder of Navalny there is no doubt that the lives of other political prisoners are in grave danger, particularly those of Ilya Yashin, an opposition politician, and Vladimir Kara-Murza, whose 25-year sentence for treason was revenge for his advocacy of the West's Magnitsky sanctions (imposed on human-rights abusers in Russia).

The West must understand that political prisoners are its main allies inside Russia. It should treat them as hostages who must be exchanged for accomplices of Putinism held in Western prisons (as Reagan and his predecessor, Jimmy Carter, did). Rather than simply expressing “concern” for their fate, the West must develop much harder tactics to ensure their freedom. Of course, the accomplices Putin wants the West to free are mostly assassins or other dangerous criminals whose release could violate basic tenets of national justice. It could be only justified by the West extracting a very high price in terms of the kind or number of dissidents and innocent citizens exchanged in return.

In his letters to me from prison, Navalny spoke about the spark of freedom which we dissidents of the gulag kept and turned into a “virus of freedom”. “It is no longer tens or hundreds as before, but tens and hundreds of thousands who are not scared to speak out for freedom and against the war, despite the threats,” he wrote.

In killing Navalny, Putin tried to extinguish that spark and prove that dissidents have no chance of survival. The West must show the opposite and fight for its allies in Russia. Even when I was in complete isolation in shizo, I knew that the free world was fighting for me. The best way for the West to honour Navalny’s legacy is to show the same concern for the fate of dissidents today.■

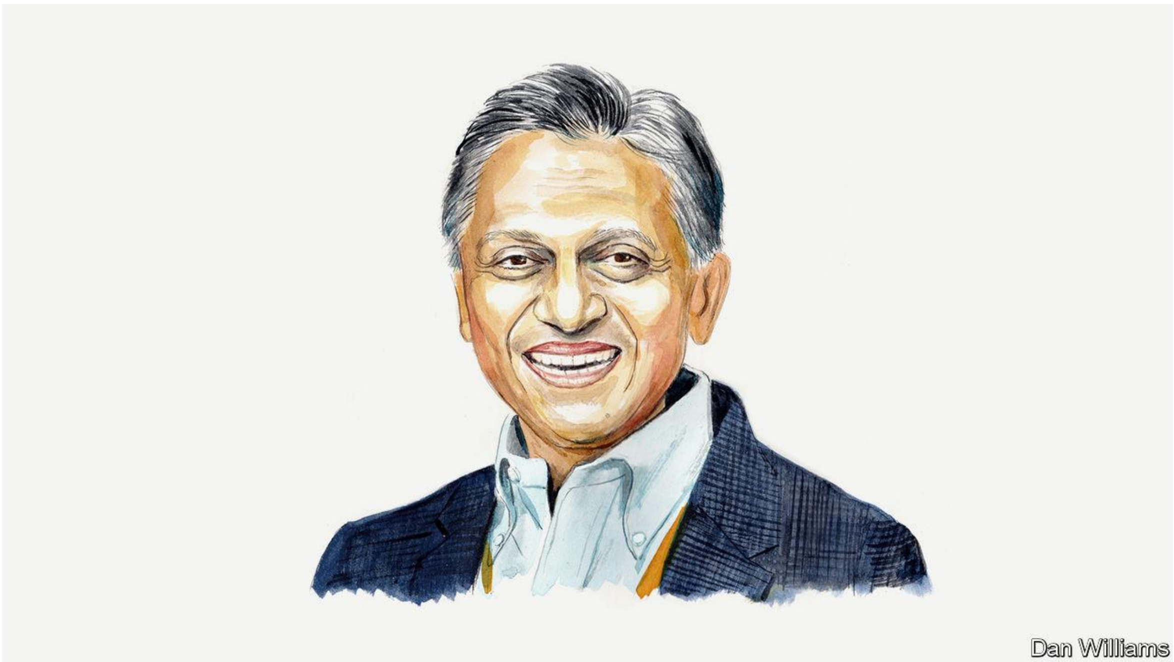
Natan Sharansky is a human-rights activist, author and former Soviet dissident and Israeli politician.

India’s election

Ashoka Mody argues that India is stunted by a lack of moral leadership

It needs better politicians and a more civic culture, says the academic

Feb 28th 2024



LAST DECEMBER French authorities detained 303 Indians at Vatry airport. The passengers were on their way from the United Arab Emirates to Nicaragua, a hotspot for would-be migrants who pay touts to get them into America illegally. According to the Pew Research Centre, between 2017 and 2021 Indians were the fastest-growing nationality of illegal migrants entering America, with border-agency data suggesting a possible acceleration since. As the mirage of urban employment at home recedes, large numbers of Indians are risking their lives to slip into labour markets in North America, Europe and Australia.

In January 200,000 anxious Marathas—a traditionally well-to-do farming community—walked 400km from central Maharashtra to Mumbai’s outskirts. The march was the latest in a series of protests from groups demanding quotas, or “reservations”, in government jobs and college admissions.

Illegal migration and the clamour for reservations are symptoms of India's persistent policy paralysis. Over 75 post-independence years, dignified jobs —those that offer a fair wage, decent working conditions and the opportunity for personal development—have been a rarity for India's working-age aspirants, now over 1bn people. The situation could worsen in the coming decades, as hundreds of millions more seek jobs.

This economic travesty persists because India increasingly devalues human dignity, equity and fairness, while undercutting civic virtues essential for social progress. Invoking such moral issues might appear unusual in an economic analysis, which typically concentrates on regulatory reforms, tax breaks and the like. But the ethical value that societies place on common welfare determines not just the wisdom and application of economic policies; it ensures a sharper focus on foundational public goods, such as education, gender equality, justice and a clean environment. These things make all else possible.

As India's national elections, expected in April and May, approach, the moral failure is evident. Political leaders pay lip service to jobs and public goods fundamental to people's lives. But their actions focus on handouts—cynically dubbed "welfare programmes"—to pacify voters rather than help them stand on their own feet.

Meanwhile, Indian economic development has regressed alarmingly in the past five years, during which 70m workers have piled into an unproductive agricultural sector. This highlights a perennial problem: India's bias towards heavy industry has stymied the creation of dignified manufacturing and urban jobs. Outside agriculture the main options are in financially (and often physically) precarious construction jobs and low-end services like street-vending.

The world's glitterati seemed oblivious to this predicament when they met in Davos in January. Thomas Friedman, a *New York Times* columnist and self-declared "raging Indophile", lauded the roll-out of physical and digital infrastructure implemented under Narendra Modi, the prime minister. America's secretary of state, Antony Blinken, spoke of "remarkable achievements" on Mr Modi's watch that have "materially benefitted so many Indian lives".

These gentlemen are complicit in Indian leaders' moral failures. Are they unaware of the country's jobs crisis? Or its educational crisis? In India, high-quality mass education, vital for equity and growth, remains elusive. According to Stanford University's Eric Hanushek, 85% of Indian students lack the basic literacy and numeracy skills required for today's global economy. In China, just 14% do.

Like education, gender equality is both inherently desirable and a spur to economic advancement. Yet Indian female labour-force participation is 28%, according to the World Bank, compared with over 60% in China. The number has ticked up recently, but mostly because more women report doing "unpaid household work".

Adam Smith stipulated that efficient markets need publicly funded education and a fair and effective judicial system. India's justice system is broken, with a backlog of 50m cases. India has too few judges. And of the ones it has, many are poorly educated.

India's rampant environmental damage is its most profound moral breakdown. Business tycoons mow down pristine forests. The government rolls back forest-conservation laws. Farmers accelerate the loss of groundwater by extracting it for irrigation. Unchecked dumping of waste and obstruction of flows is pushing rivers towards ecological collapse—and when rivers die, civilisations die. Compounded by global-warming-induced extreme weather events, environmental devastation is inflicting huge costs on the vulnerable, and on future generations.

For decades Indian politics has unravelled the country's moral fabric. Politicians and officials, advancing their own interests rather than the public good, have become the antithesis of *les grands commis de l'État*—the dedicated public servants esteemed in French civic culture. An alarming number of Indian legislators have criminal links. The embedding of Hindutva—the century-old ideology of Hindu-centric Indian nationalism—in political life under Mr Modi's ruling Bharatiya Janata Party has promoted intolerance and violence.

India's human and social problems endure also because data gaps obscure them. In the absence of a census since 2011, or a Consumption Expenditure

Survey with more than partial findings in recent years, the government and its acolytes flaunt fabricated statistics on poverty reduction and other matters. They trashed a survey in 2018 that showed that poverty had risen, and last year they forced out the director of another survey, which had found stubbornly high levels of stunting and anaemia. Why, if this data is wrong, does the government supply free food-grain rations to 60% of the population?

There are no magic policy fixes for the moral crisis that has widened India's deficits in jobs, human capital, justice and the environment. The country needs to create a vibrant civic consciousness, bolstered by dedicated local governments. As Alexis de Tocqueville wrote, responsive local governments are the primary schools for greater civic engagement.

Only such a transformation can foster policies that bring solace to Indians desperately seeking foreign shores and to farmers marching in protest. Many millions of Indians would rejoice. That joy—not the vacuous applause from the Davos elite—would signify a truly rising India. ■

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Briefing

Relentless reaper

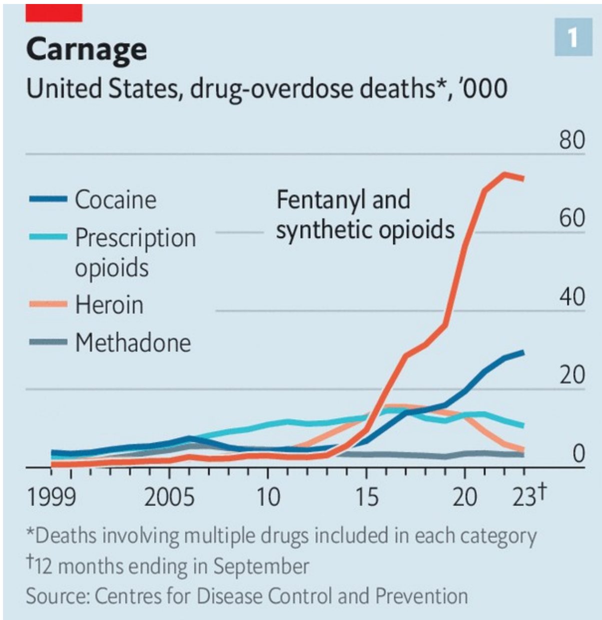
America’s ten-year-old fentanyl epidemic is still getting worse

The government is spending record amounts, just to slow its growth

Feb 29th 2024 | Tuscon, Arizona and Culiacán, Sinaloa


Pablo Delcan

IT IS TESTIMONY to the intractable nature of America’s fentanyl epidemic that officials measure progress not in falling numbers of deaths, but in a slowing rate of growth. After a decade of horrifying ascent, the administration of President Joe Biden points out, the yearly number of fatal overdoses appears at last to be slowing to a gentle climb (see chart 1). The figure for 2022 was just 5% higher than that of 2021. That still leaves fentanyl and other synthetic opioids like it killing some 75,000 people a year—more than double the figure of 2019. But in the fight against the deadliest narcotic in American history, that is what passes for success.



The Economist

The meagre results are not for lack of effort. The federal government has been spending record sums trying to curb the epidemic. It is also trying to be creative in its policies. Alejandro Mayorkas, the secretary of homeland security, explained to *The Economist* this week how his department is using artificial intelligence (AI) to increase seizures of fentanyl at the Mexican border. In another interview Antony Blinken, the secretary of state, described a blizzard of diplomatic initiatives to fight trafficking and regulate international trade in the chemicals needed to make fentanyl. Both also emphasise efforts to reduce demand for the drug within America.

The Economist

Since Mr Biden became president, the federal government has, for the first time, devoted more money to treatment than to interdiction (see chart 2). "We're putting billions of dollars, tens of billions of dollars, into everything from public awareness, to treatment, to recovery, to antidotes," notes Mr Blinken. Mr Mayorkas, for his part, argues the human toll would be much worse, and the profits of the drug traffickers even bigger, were it not for the administration's efforts.

Frontier justice

Yet at the border itself, the scale of the challenge is clear. Fentanyl is highly concentrated and therefore relatively easy to smuggle. As Juan Gonzalez of the National Security Council points out, the agents are hunting not for narcotics shipped by the tonne, as cocaine is, but for caches of tiny pills. Traffickers can conceal them in any nook or cranny of a lorry or car. They hide them in commercial shipments, stuffed into Coca-Cola bottles, coconut shells, lawn ornaments or car batteries. They pack them into tyres and gear shafts. Small quantities are enough: fentanyl is so potent that it is commonly said that three lorry-loads from Mexico could supply all of America's demand for a year.

The Economist

Seizures of fentanyl at the border almost doubled last year (see chart 3). Mr Mayorkas is pleased with this growing haul, but it is hard to know whether it reflects more effective screening or simply higher volumes being trafficked. The AI that he trumpets is used to determine whether there is anything odd about an X-ray of a vehicle that warrants further investigation. At the beginning of 2023, he says, there were 11 such systems operating at border posts. Now the number is 31, with 26 more being installed.

Yet only about 20% of lorries and less than 5% of cars are X-rayed as they enter America. The administration wants to increase that and send more agents to the border to curb both drug-trafficking and illegal immigration. (The two problems are quite distinct, Mr Mayorkas points out: the vast majority of drugs are intercepted at regular border crossings, not carried into America by undocumented migrants.) But last month Republicans in Congress killed a bipartisan bill that would have beefed up policing of the border, at the behest of Donald Trump, the presumptive Republican nominee for president.

Mr Trump seems to have wanted to deprive Mr Biden of any achievements to crow about regarding the border. Attention paid to America's opioid epidemic rises and falls with the political cycle. Expect to hear a lot more about it as November's election draws closer. Mr Trump delights in denouncing “border chaos” under Mr Biden. While migration is his main theme, that also includes fentanyl. He first floated the idea of sending American troops to destroy the drug gangs, with or without Mexico’s co-operation, in 2020. The idea has since become doctrine within the Republican Party, along with officially labelling them terrorist organisations.

As politicians grandstand, the traffickers adapt. As recently as 2022 more than half of all fentanyl seized at the border was intercepted near San Diego, California. But lately the stretch of the border south of Tucson, Arizona, has become the main transit point. “Everything comes through us,” says an officer in Nogales, Arizona, as he leads his sniffer dog, Rex, around yet another car. Some officers protect themselves with shoe covers, gloves and masks in case they come in contact with fentanyl while searching a vehicle. Others carry naloxone, a medication used to treat overdoses, in case of accidental exposure.

Trip up

Their caution is warranted. Fentanyl is 50 times stronger than heroin. Some people die the first time they take it. It has long been prescribed in small doses as a painkiller. It is easy to make, so when American authorities began to crack down on the abuse of prescription opioids sold by pharmaceutical companies in the 2010s, drug gangs began to peddle fentanyl to addicts cut off from their former supply. Its potency is part of the appeal. A.J. Haynes, a former addict in Tucson, recounts her first experience of it: “I tried it, and then lost three days of my life. I was like, ‘Whoa, that was crazy. I want to do that again.’”

It is hard to overstate how much fentanyl has blighted the country and the speed with which it has done so. In 2013-22 it killed more than a third of a million Americans. Deaths shot up during the covid-19 pandemic and have not diminished since. One reason for its rapid spread is how cheap it is. Ms Haynes first tried it because it was cheaper than heroin. A single dose can cost less than a dollar—and “one pill can kill”, as America’s Drug Enforcement Agency (DEA) puts it in a public-awareness campaign it launched three years ago.

Ms Haynes thinks she is alive only because she never took fentanyl by herself. She tended to smoke it as a powder, often mixed with methamphetamine, another powerful, addictive, synthetic drug whose use is on the rise in America. (The meth helped to keep her awake, so she could "do more fentanyl".) She often asked strangers to keep an eye on her when she inhaled these concoctions. They would check her heartbeat and, if she seemed to have overdosed, administer naloxone. She overdosed seven times before she managed to escape what she calls fentanyl's "demonic" grip, with the help of a treatment centre where she now works.

At first most fentanyl came to America directly from China. In 2019, however, China outlawed the sale of finished fentanyl and two of the chemicals most commonly used to make it. At that point Mexico assumed a critical role in the supply chain, importing different precursor chemicals from China, which are then "cooked" and sent north. Ashley, another former addict now in recovery in Tucson, used to be a partner of the Mexican gangsters who run this business. Having become a regular user first of prescription opioids, then of heroin and finally of fentanyl, she decided to cut out the middleman and go straight to the source: the Sinaloa cartel, a criminal gang based in north-western Mexico which, the DEA believes, is the country's main fentanyl producer.

Ashley used to take cash to Culiacán, the capital of Sinaloa state, and other cities in Mexico. She would pay for large amounts of fentanyl, cocaine and meth. "They would deliver it over here to us so that we didn't have to worry about crossing it through, because it was just too big of an amount and I just wouldn't take that risk," she recalls. Eventually the American authorities caught her anyway. In 2022 she was charged with drug-trafficking. She expects to serve 5-10 years in prison.

Hugs and thugs

The American authorities, naturally, have tried to take the fight to the Sinaloa cartel. But that effort is complicated by the reluctance of Mexico's president, Andrés Manuel López Obrador, to admit that any fentanyl is made in Mexico, despite ample evidence. (A year ago, for instance, the Mexican army said it had seized over half a million fentanyl pills in a drug lab in Culiacán.) He has lashed out against drug charges that were laid in April by

American prosecutors against leaders of the Sinaloa cartel, calling them "abusive, arrogant interference that should not be accepted under any circumstances". Mr López Obrador's government has amended a security law to make it harder for foreign narcotics agents to work in Mexico. He advocates the use of "hugs not bullets" to suppress the gangs, meaning that the government should boost help for the poor in order to reduce the allure of crime.

Despite the unhelpful rhetoric from on high, however, Mexico has recently stepped up its efforts to curb fentanyl trafficking. Messrs Blinken and Mayorkas both insist co-operation is close. Last year it enacted strong laws aimed at controlling imports of fentanyl's precursors. A year ago the Mexican army arrested one of the Sinaloa cartel's four main bosses, called the "Chapitos" because they are the sons of Joaquín "El Chapo" Guzmán, the founder of the cartel, who is now in prison in America. In September the captive Chapito, Ovidio Guzmán, was extradited to America. A few days later signs started to appear around Sinaloa warning people not to make fentanyl. They purported to be messages from the remaining Chapitos, and were interpreted as an indication that the cartel, fearing more pressure from the authorities, is trying to distance itself from fentanyl production, on paper at least.

In the back of a shop in Culiacán, a 22-year-old man wearing a black baseball cap explains that he heads one of four local patrol groups who are enforcers for "the bosses" (he won't specify the Chapitos, but that is what he means). "We have the order to track down people cooking fentanyl without permission." He reckons his group alone has killed "15 or so". Those allowed to keep producing are "close to the bosses".

A fentanyl cook who got the message is a 29-year-old man who has clearly made a good living from his trade. He owns a newly built house on the outskirts of Culiacán and several other properties around Sinaloa. He drives a jeep and wears a Boss T-shirt and gold signet-ring. He used to make heroin, but switched to fentanyl three years ago. He got the necessary chemicals via powerful people who had imported them from China or from firms that use the chemicals for more benign purposes as well. He says his profits doubled, but "everything changed" when America promised millions of dollars for information leading to the arrest of the Chapitos. "They threatened me. They said you move or cook a gram and you die and we will take all your property: my house, my ranch, my other properties, my car. So I stopped."

A 50-year-old fentanyl trafficker in Culiacán says he is also out of the business. He entered it two years ago, picking up precursors from airports, the coast and elsewhere and delivering them to others, as well as distributing finished fentanyl pills to mules. He made 15 to 20 such deliveries a month. Now he says he has no work "because of pressure from the US government". He has started farming corn and wheat on land where he used to grow marijuana and opium poppies.

Spoils of defeat

A Mexican official shows your correspondent around a warehouse in Culiacán that he says contains at least 2m fentanyl pills seized in police raids. Several confiscated pill-presses stand in the courtyard. Each can make 10,000 pills an hour. Despite the impressive haul, the official laments, stopping the drug trade is impossible. Sinaloa is big and rural. Roads are so bad that it can take five days to reach some parts of the state. Fentanyl cooks have plenty of places to hide and plenty of warning from informants in government that a raid is coming. Meanwhile, it can take "two to three weeks" to unload, disassemble and thoroughly search a single lorry before making it good again, the official says. The army and police help, but his unit is woefully understaffed given the scale of the problem. Even tripling his force would not guarantee success, however: "The US has all the technology and they can't stop this."

An American indictment last year said the Sinaloa cartel could turn $800-worth of precursors from China into $640,000 in profits. If the Sinaloa cartel really is reining in fentanyl production (as opposed to being more discreet about it), that will not stop the northward flow of the drug. Instead, American officials in Mexico say, production is simply becoming more diffuse and atomised. The former fentanyl cook says he has been invited to help set up fentanyl labs in Chiapas, a southern state, and Veracruz in the east, as well as Mexico City. "Los Chapitos can't control all of Mexico. It's so easy—I could set up a new lab easily," he explains. "This won't end unless another drug takes over."

The game of whack-a-mole is being played in China, too. As in Mexico, the government's efforts to fight fentanyl vary in intensity depending on how well it is getting on with America. In 2018 the administration of Donald Trump praised China for making a "wonderful humanitarian gesture" by adopting its ban on fentanyl and the two precursors. It appeared a calculated move: Mr Trump was waging a tariff war against China in an effort to reduce America's trade deficit. Offering America a seeming gain in the fight against fentanyl appeared aimed, in part, at persuading Mr Trump to go easier on trade.

But the relationship between China and America has remained fraught. Mr Trump's successor, Mr Biden, has retained Mr Trump's tariffs and imposed wider curbs on exports of American technology to China. He has sought to strengthen America's military alliances in Asia in order to counter China's rise.

China does not seem to consider fentanyl an especially pressing topic. It denies it has a fentanyl problem, although officials there are known to have covered up abuse of prescription opioid painkillers. Its leaders claim they are being unfairly blamed for a problem of America's making. In 2022 China cut off talks with America about fentanyl in response to a visit to Taiwan by the speaker of America's House of Representatives at the time, Nancy Pelosi.

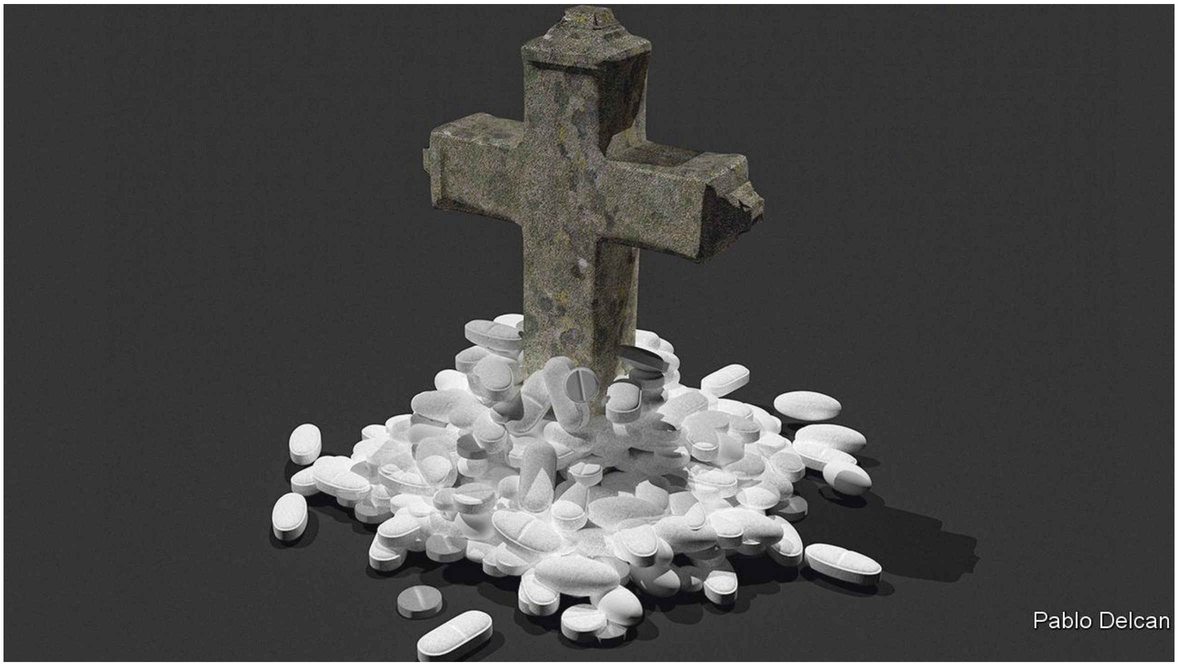
American officials are now a bit more cheery. At a meeting with Mr Biden in San Francisco in November, Xi Jinping, China's leader, agreed that his government would resume talks about fentanyl: the two sides duly met to discuss the problem in January. According to an American official, the Chinese authorities have put chemical firms "on notice" that they will start to crack down on trade in precursors. "A similar notice to industry that China sent out in 2019 led to a drastic reduction in seizures of fentanyl shipments to the United States from China," the official said. "We're starting to see reductions in seizures of precursors at some US airports already."

Since the leaders' encounter, China has taken "concrete steps to increase law-enforcement co-operation and restrict the activity of specific chemical companies of concern", says the White House's homeland-security adviser, Liz Sherwood-Randall. Mr Blinken says this shift has "the potential to make a real difference in the lives of Americans". He believes China understands that "to be seen as a responsible actor on the international stage…they have to be responsive to the need, the demand, for their positive engagement, for their leadership" on the fentanyl problem as it grows in other countries.

Chemical imbalance

But it is still easy to find sellers in China of numerous chemicals that can be used to make fentanyl, meth, ecstasy and other drugs. *The Economist* located several online. On Facebook, "Libby", purporting to represent a chemical firm in the northern province of Hebei (home to many precursor-making companies), posted a message in January offering N-tert-Butoxycarbonyl-4-piperidone, a chemical commonly used in fentanyl production and not specifically banned in China. Payment was required in cryptocurrency ($200 a kilogram); the product would be delivered to the customer's door, with all customs procedures to be taken care of by the vendor (ie, do not declare this to the authorities in your country). As usual with such offers, a Chinese mobile number was provided for secure communication by WhatsApp.

It will be hard for China to rein in the precursor trade. The country has a vast chemical industry. Companies that make precursors often enjoy the protection of local officials: they create jobs and tax revenue, and are happy to give bribes. The firms are nimble. If the government bans more precursors, they will produce other chemicals that can do the same job but are not yet proscribed. The Americans want China to adopt a "know your customer" regime that would make it incumbent on sellers to ensure their wares—even if not proscribed—are not used by criminals. China insists it is up to importers to make sure chemicals are used legally.



Sino-US tensions will make progress even harder. China often snipes at America about fentanyl. In October the Chinese embassy in Mexico said China had played a "significant role in preventing the illegal production, trafficking and abuse" of fentanyl-type substances. It accused America of making "unfounded negative remarks" about China's role in the crisis, and of "trampling on the spirit of international rule of law". Mr Xi only agreed to renew talks on the matter after America said it would lift sanctions it had imposed on a Chinese police forensics institute for alleged complicity in human-rights abuses in Xinjiang in China's far west. "Ultimately we decided that given the steps China was willing to take to cut down on precursor trafficking, it was an appropriate step," said a State Department spokesman.

Even if Sino-American co-operation over fentanyl continues without further interruption, supply chains are always evolving. Recently India has emerged as an alternative source of some chemicals used to make fentanyl. Its regulators may not have the same political gripes as China's, but they may also not be as efficient. By the same token, some precursors are now flowing from China to Mexico via America itself, since that route is seen to be subject to less scrutiny.

A world of pain

In July America launched a "global coalition" to fight synthetic drugs, with such trends in mind. Senior officials from more than 80 countries took part in the first virtual meeting. China was not among the participants. But American officials hope that its view will change as it begins to recognise that this is not just an American problem, but a global one that will probably afflict China, too, sooner or later. "If a country thinks that it is only a transit country and therefore safe from the scourge of fentanyl, it is terribly and tragically mistaken. We have seen transit countries become countries of destination," says Mr Mayorkas. "Mexico is not suffering as acutely as we are, but it is certainly seeing a rise in fentanyl."

It is more likely to be the calculations of drug gangs, rather than users' preferences, that decide how fentanyl and synthetics like it spread. Often users do not even know they are taking such drugs. Dealers may mix them in with others, such as heroin, meth or cocaine, to enhance their potency. Careless mixing can result in "hot spots"—lethal concentrations of fentanyl that a user cannot detect.

Vanda Felbab-Brown of the Brookings Institution, an American think-tank, notes that it was more than a decade after cocaine had swept America before it eventually reached Europe, too, in the 1990s. That was a result not of changing consumer tastes, but of a decision by Mexico's cartels to find a new market, she says. Ms Felbab-Brown argues they will do the same again with synthetic opioids.

Europe may seem an especially tempting target at the moment, since a crackdown by the Taliban regime in Afghanistan on the cultivation of opium poppies has reduced the supply of heroin to Europe, and thus left addicts looking for an alternative fix. More generally, drug gangs have an incentive to promote synthetic drugs like fentanyl over ones derived from plants, such as heroin and cocaine, since the former can be made anywhere, and so are not dependent on the rain or the political climate in any particular country.

As it is, fentanyl use is already spreading in Canada, where there were nearly 4,000 opioid deaths in the first half of 2023, up by 5% over the same period a year earlier. Recent autopsies by NGOs in northern Mexico showed that at least a third of bodies that were brought to morgues had traces of fentanyl. Britain has seen a recent spike in deaths tied to a different class of synthetic opioids called nitazenes.

America's experience should be a cautionary tale for these countries. In 2022 Mr Biden set out what he called a "unity agenda" in his State of the Union address, saying his first goal was to "beat the opioid epidemic". Federal spending on drug control has more than doubled since 2008, according to the Office of National Drug Control Policy. The Biden administration has also made it easier to access proven treatments for opioid addiction, such as methadone and buprenorphine. Methadone, a milder opioid which reduces symptoms of withdrawal and cravings for stronger ones, could previously only be taken under supervision at a clinic. But a new rule that goes into effect this year will allow patients to take it at home and abolishes a requirement that a recipient must prove they have been addicted to opioids for at least a year.

The Biden administration has also worked to make it easier to obtain naloxone, the overdose antidote. It can now be sold over-the-counter at pharmacies. Some schools have begun to stock it, too, as fentanyl claims ever more young lives. The ultimate goal, says Rahul Gupta, the Biden administration's drugs tsar, is to make it part of the standard furniture of public places, much like fire extinguishers.

But treatment and prevention programmes depend not just on the federal government, but also on the states and local authorities. Some are alarmingly disengaged. The state of Wyoming, for example, has no opioid treatment programmes that offer methadone.

State banquet

States are starting to receive millions of dollars in settlement money from pharmaceutical companies and distributors who promoted the widespread use of prescription opioid pills in the 1990s and 2000s, getting many Americans hooked. More than $50bn will be disbursed, which could lead to a boom in treatment. The market for such services is projected to grow by about 9% each year through 2030, according to Capstone Partners, a consultancy.

Funding for prevention efforts, such as education about drugs in schools, has also nearly doubled since 2008, although it remains a tiny fraction of total counter-narcotics spending. Such programmes have a poor reputation. Studies have concluded that in the 1980s and 1990s the Drug Abuse Resistance Education programme, or DARE—in which police officers visited classrooms and told children to "just say no" to drugs—did not reduce drug use. But it could be different with fentanyl. It is vital to teach young people how much more dangerous it is than anything used before. Promoting the use of fentanyl-test strips, which can tell if the opioid is present in other drugs, would also save lives.

As sensible as all this is, America still has a long way to go. It has at least 6m opioid addicts. Four out of every ten Americans know someone who has died from an overdose. The epidemic's seeming plateau is very much welcome, but fentanyl remains one of the deadliest scourges America has ever faced. ■

Asia

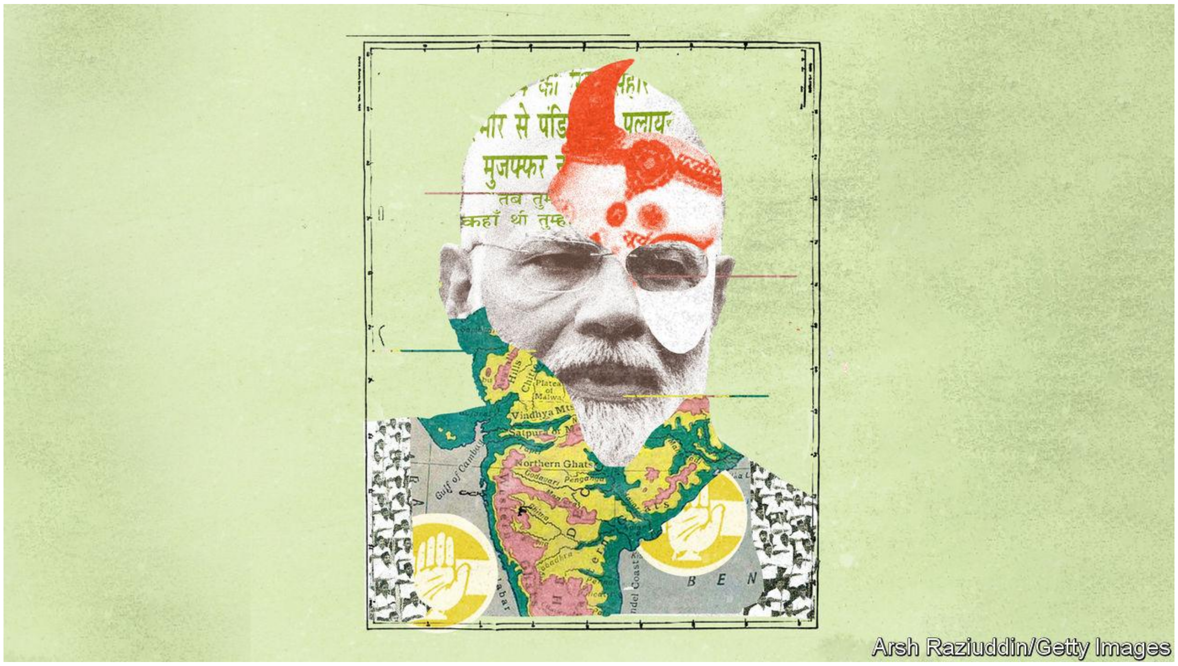
- **Inside Narendra Modi’s battle to win over the south**
- **Massive farmers’ protests are a headache for Narendra Modi**
- **What will Prabowo Subianto’s foreign policy look like?**

India’s north-south divide

Inside Narendra Modi’s battle to win over the south

Can the BJP woo the country’s richer, better-educated states?

Feb 29th 2024 | Madurai



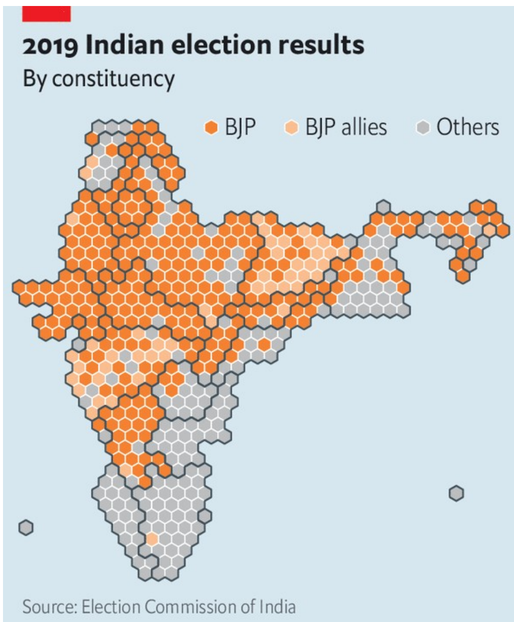
Arsh Raziuddin/Getty Images

THE ODDS, on balance, favoured Modi the bull. The beast, named in honour of Narendra Modi, India’s prime minister, charged full pelt into the arena at a recent bull-taming contest in the southern state of Tamil Nadu. Its challenge was to reach the other end without being “tamed” by any of the young men competing to grab it by the hump. One got hold for a moment, only to lose his grip. “He’s very aggressive,” explained the bull’s owner, K. Annamalai. But the key, he said, was its “360-degree situational awareness”.

Much the same could be said of Mr Annamalai’s approach to politics. At 39 years old, he leads the Bharatiya Janata Party, or BJP, in Tamil Nadu. With a general election due by May, he is also a key part of one of Mr Modi’s political and economic priorities. The BJP controls India’s central government and many of the states in the poorer, more populous north. But it has struggled to make inroads in the richer, better-educated south, which is

India's economic engine. Mr Annamalai's job is to dramatically turn that around.

The Economist joined him on the campaign trail for three days to get a sense of the BJP's strategy and prospects in the south. Careening across Tamil Nadu at white-knuckle speed in a motorcade with an armed police escort, Mr Annamalai led a series of marches and rallies to complete a seven-month state tour. That culminated on February 27th with Mr Modi's appearance at a rally in the state's west.

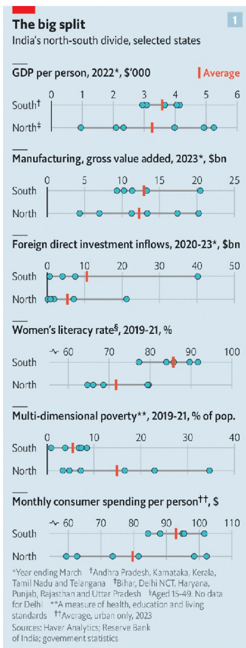


The Economist

The BJP officially launched its campaign in south India in January. Unofficially, that push began three years ago. It recruited thousands of activists there and changed local leaders. Mr Modi has visited the south 17 times in the past year. There is even talk of him standing for a national parliament seat in Tamil Nadu, the south's most populous state, as well as his current one, Varanasi in the north. More importantly, the BJP has tweaked its messaging in the south to focus more on development and less on its Hindu nationalist ideology, which critics say foments hostility towards Muslims and other minorities. That raises a big question: is Mr Modi willing to trade ideological aims for national unity?

A country divided

The BJP’s southern push is firstly about electoral arithmetic. It has long captured the majority of the parliament seats in the Hindi-speaking north and central parts of the country, as well as Mr Modi’s home state of Gujarat in the west. In 2019 it won most of the north-east. That gave the BJP 303 of 543 seats in the Lok Sabha, the lower house (see map).



The Economist

This year the BJP is widely expected to win again and has set a target of 370 seats. Some of those it aims to add are in the north and west. But it needs to do better in the south in order to fully consolidate its control over the country. In 2019 it won 29 of 129 Lok Sabha seats representing the five southern states of Andhra Pradesh (AP), Karnataka, Kerala, Tamil Nadu and Telangana. In three of those states, it won none. Among BJP voters nationally, only 11% were in the south in 2019.

A second motive for the BJP’s emphasis on the south is its strategy to displace its main rival, the Congress party, as India’s only truly national political force. Although Congress no longer dominates the south as it did in its early years, it won state elections in Karnataka and Telangana last year. More than half its Lok Sabha seats are in the south. And while it competes for local votes with ruling parties in Kerala and Tamil Nadu, they are all in the opposition Indian National Developmental Inclusive Alliance, or INDIA.

However, the BJP also has compelling economic reasons to target the south. Mr Modi's image rests to a large extent on his claim to be an effective steward of the world's fastest-growing major economy. But it is the southern states that have generated much of India's economic success. Bangalore and Hyderabad, the capitals of Karnataka and Telangana, are home to most of India's leading tech companies as well as global giants, such as Amazon and Microsoft. Some 46% of India's tech "unicorns" are from the south, while 66% of the IT-services industry's exports come from there. Of Apple's 14 suppliers in India, 11 are in the south.

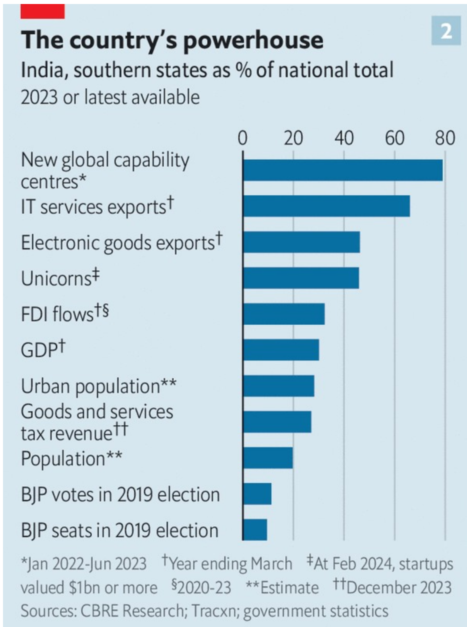
It looks like the future

Along with Chennai, Tamil Nadu's capital, Bangalore and Hyderabad are also big destinations for foreign companies establishing "global capability centres" to provide in-house back-office services for a fraction of the cost back home. Of those that were set up recently, 79% were in the south. Fully 16% of India's factories are based in Tamil Nadu, making it a manufacturing hub.

As a result, living standards in the south are a world apart from the north. About 20% of India's population live in the five southern states, while some 26% do in just two of the poorest states in the north, Uttar Pradesh (or UP) and Bihar. Compared with those two places, GDP per person in the south is 4.2 times higher, while infant mortality rates are less than half. The average literacy rate of women aged between 15 and 49 in the south is among India's highest, averaging 86%. In UP and Bihar, the average is 70%.

The north-south divide is cultural, too. The BJP seeks to establish a Hindu-centric national identity that it says was suppressed for centuries by Muslim and British invaders. But that idea resonates far less in the south, where Islam arrived earlier and spread more peacefully. The region also has a long history of social activism aimed at modernising Hinduism and promoting local identity.

The BJP's challenge is particularly acute in Tamil Nadu. It has been controlled since the 1960s by parties stemming from the Dravidian movement, which began as a revolt against Brahmins (the highest of India's castes) dominating the civil service. That grew into a campaign to abolish the caste system and protect local language and culture. In the past Dravidian leaders agitated for an independent nation, too.



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To try to break Dravidian parties' grip on power, the BJP appointed Mr Annamalai, a charismatic Tamil, as its state chief in 2021, two years after he resigned as a police officer. A farmer's son from a relatively low caste, he has run an aggressive campaign to mobilise young voters, especially in rural areas, and to counter Dravidian parties' accusations that the BJP is dominated by northern Brahmins. "Look at me: I'm a pukka Dravidian south Indian," he says. "I'm rooting the BJP to the ground here."

And to build the party's presence in the state, he says he is putting "growth, growth and growth" at the centre of its campaign. "I don't think we need to respond to ideology with ideology," he adds. In particular, the BJP has to tread carefully on the idea of making Hindi a national language, as it has sometimes advocated. That issue has often provoked protests in the south, including deadly riots in Tamil Nadu in 1965.

When Mr Modi addressed the rally on February 27th, he avoided that subject but spoke of his love for local language and culture, recalling that he had quoted from a 6th century BC Tamil poem at the UN. He also avoided mentioning his inauguration of a controversial Hindu temple in northern

India, despite its centrality to his campaign elsewhere. While outlining his government's support for Tamil Nadu, he praised the state's entrepreneurial spirit. (He mostly spoke in Hindi, however.)

Another problem for the BJP is that economic disparities between the north and the south have amplified political tensions. This is especially the case since Mr Modi introduced a national goods-and-services tax in 2017. Southern leaders complain that they get back from the central government only a fraction of their tax contributions. In February, they protested in Delhi, the capital, saying that Mr Modi's policy of distributing tax revenues among states based on population size effectively punished the south for its more successful family planning.

The marks of history

The north-south dispute could escalate further with a revision of electoral boundaries, due after 2026. The process, known as "delimitation", could expand parliament's lower house from 543 seats to around 753, with most new ones going to the north. Tamil Nadu's chief minister, M.K. Stalin, has been especially critical, telling the local assembly on February 14th that "delimitation is a sword hanging over the head of Tamil Nadu."

BJP officials dismiss that as separatist scaremongering. Privately, though, they admit frustration with their party's performance in the south. They now believe that the combination of this year's election, delimitation and state polls in Kerala and Tamil Nadu in 2026 give it a rare chance to establish more of a foothold in the south. And they want to do that while the face of the party is still Mr Modi, whose popularity extends well beyond the Hindi heartland. "It's important to them to make the claim that they're not limited to Hindi-speaking India," says Sandeep Shastri, an expert on Indian politics. "They want to become a truly pan-Indian party," he says.

One southern state where the BJP has already made inroads is Karnataka, where it won 25 of 28 seats in 2019. It then lost a state election to Congress last year, partly because of alleged corruption and a backlash to a ban on Muslim students wearing the hijab. Still, the BJP will probably retain its lead there in this year's national poll: people who oppose it at the state level often still back it in general elections, thanks to Mr Modi's immense popularity.

By the same logic, the BJP could gain a few more national parliament seats in Telangana. Although Congress won last year's state election there, the BJP doubled its vote share to 14%. It may pick up one or two seats in Kerala, which is currently governed by the Communist Party of India (Marxist). And it could form an alliance with local parties in Andhra Pradesh. But the battle will be hardest fought in Tamil Nadu, whose 39 Lok Sabha seats make it the biggest electoral prize in the south.

The BJP is aiming for up to seven seats in Tamil Nadu this year and to boost its vote share to 20% from 4% in 2019. It then hopes to anchor an alliance to topple the ruling Dravida Munnetra Kazhagam party (or DMK) in a state election in 2026.

Mr Annamalai concedes that the odds are steep. He attracted thousands of often wildly enthusiastic supporters to his marches and rallies over three days in the western city of Coimbatore, in the southern district of Tenkasi and in the central city of Madurai. Away from the crowds, though, many were sceptical. Subbalakshmi, a 38-year-old Hindu doctor in Tenkasi, said that Mr Modi was "working hard to serve people" and the BJP was less corrupt than other parties. But she was scathing about what she saw as BJP efforts to present Muslims as enemies of Hindus.

Some of the BJP's public statements in the south also raise doubts about how far it is willing to soften its Hindu nationalist rhetoric. In Kerala, party officials have accused young Muslim men of engaging in "love jihad" by seducing young Hindu and Christian women to make them convert. In Tamil Nadu, Mr Annamalai is being sued by a local activist over his suggestion in an interview on YouTube in 2022 that Christian missionaries sought to ban firecrackers during the Hindu festival of Diwali. Mr Annamalai denies using hate speech.

However he also accused the Tamil Nadu chief minister's son of parroting Christian missionaries' "malicious ideology" last year in likening a conservative form of Hinduism, widespread in north India, to a disease. Mr Annamalai says he prefers to keep religion as a "very personal thing" but felt compelled to speak because Hinduism was under attack.

Still, he wants to focus more on economic issues, as well as alleged corruption and dynasticism in the DMK (which denies those allegations). While the DMK accuses Mr Modi of stifling growth, Mr Annamalai says Tamil Nadu has relied on central subsidies to attract foreign investment and is losing its competitive edge, especially in advanced manufacturing. “Other parts of India, they’re preparing for tomorrow,” he says. “We’re living in the past.”

If the BJP sticks to that message, it may stand a chance at the ballot box in the south. The party’s pan-Indian aspirations might even restrain its more ideological impulses elsewhere. The risk is that if Mr Modi fails to convince southern voters, he may rely more on delimitation, financial pressure and other less democratic means to get his way. And history suggests that would ultimately backfire, reviving separatist sentiment in the south. In politics, as in bull-taming, situational awareness trumps brute force. ■

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The actual opposition?

Massive farmers' protests are a headache for Narendra Modi

Even if the recent ones have been contained, discontent remains

Feb 29th 2024 | DHANPURA

AP

PROTESTING FARMERS are an alarming sight for India's government. With nearly two-thirds of Indians dependent on farming for their livelihood, agricultural workers can make or break elections. They can also stymie policy making. Prime Minister Narendra Modi and his Bharatiya Janata Party (BJP) discovered this three years ago, when farmers marched on Delhi, the capital, eventually forcing the government to repeal a big set of reforms intended to deregulate India's agricultural market. It was one of the few political defeats Mr Modi has suffered in a decade in power.

Given this, the decision by several groups of farmers earlier this month to resume protests ahead of an election due by May clearly alarmed officials. With a fractured opposition that looks unable to mount a serious challenge to Mr Modi, the farmers could pose the biggest threat to his smooth return to power this year.

India’s warped farm policy is partly to blame. Because the main aim is to provide enough cheap food to a population that is still mostly poor, it is heavily tilted towards consumers. More than 800m of India’s 1.4bn people are eligible for free food grains, distributed by the state at an annual cost of $28.4bn.

That is the single biggest outlay for a subsidy in the budget. It also makes the government an important customer for farmers. The biggest share of the wheat and rice distributed by the government is procured from the northern state of Punjab, where farmers sell their produce mostly through brokers in highly regulated wholesale markets known as *mandis*. The system is supposed to ensure that farmers receive guaranteed minimum prices for their produce, but it is beset by price-fixing, lack of transparency and collusion among traders. Alternative local markets are hampered by government export bans and stockpiling limits.

The reforms Mr Modi was forced to abandon in 2021 would have radically liberalised the sector. They would have given farmers more of a say over how to sell their produce and allowed them to build stockpiles to take advantage of price fluctuations. But farmers were not convinced. Those who produce wheat and rice in northern India benefit from a range of subsidies and price guarantees which they would lose if the system was reformed. Smaller farmers also feared that more competition would further reduce prices and allow bigger competitors to force them out of the market.

On February 11th farmers from Punjab and Haryana, two agricultural states close to Delhi, assembled at their common border and announced that they would embark on another march to the capital. The farmers’ main demand was a higher guaranteed price for all their produce, not just the rice and wheat distributed by the government. Farm workers also want higher minimum wages and pensions.

In contrast to the protests in 2021, when the government was forced into an about-turn after a year, this time it has been keen not to lose control from the start. It says it will not meet the farmers’ main demand, which economists reckon would raise prices for 23 crops by at least 25%. It blocked the social-media accounts of many farm leaders and turned off the internet across parts of Punjab and Haryana. Police met the protesting farmers with barricades and tear gas dropped from drones.

Some have criticised this approach. But because of the emphasis on containing the protests, there have been far fewer chaotic scenes like those of three years ago. Back then farmers reached the Red Fort, an important landmark in central Delhi, and scuffled with police. After one protester was killed in clashes with the police last week, the farmers put their march to the capital on hold; a planned tractor parade from western Uttar Pradesh to Delhi fizzled out before it reached the motorway.

The government has been helped by a lack of unity among the farmers, who agree on their demands but not on how to get them. Groups that organised the protests of 2021 have stayed away from the march on Delhi, citing political differences.

Yet even though the protests pose no serious threat for now, the dissatisfaction they reflect is likely to persist. The farmers have rejected the government's offer of minimum prices on a selection of crops for five years. There are plans for another protest in Delhi later in March—around the time the date of the election is expected to be announced. Without the major overhaul of agriculture that Mr Modi attempted and failed to push through back in 2020, farmers will remain a major headache for the government. ■

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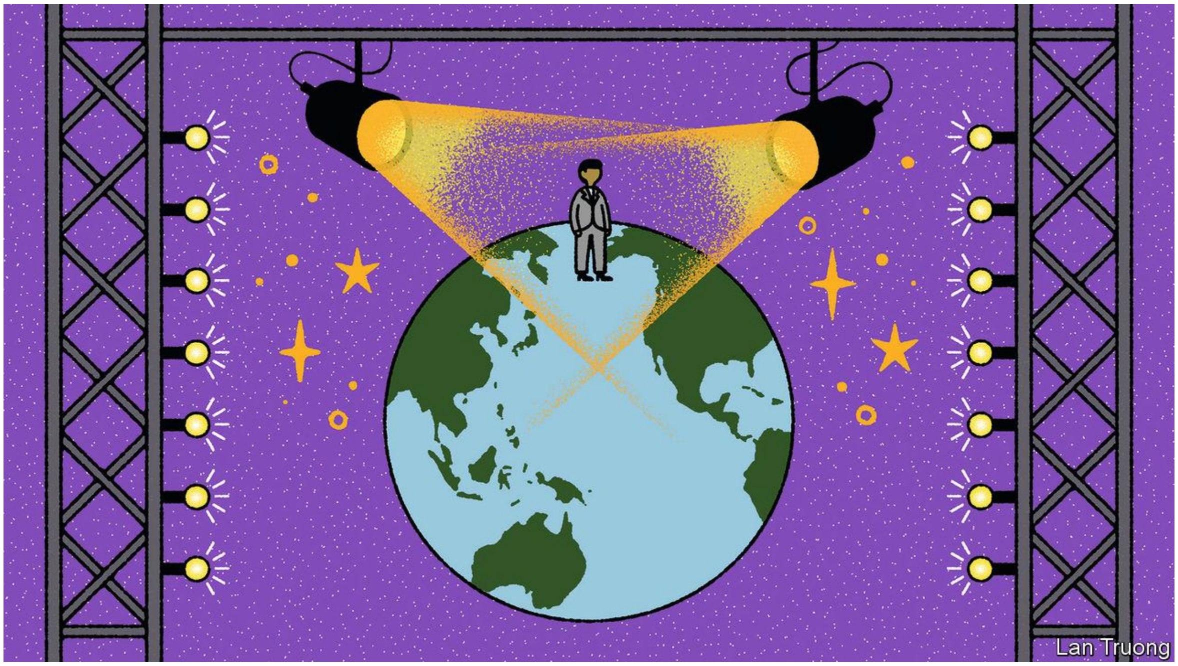
Banyan

What will Prabowo Subianto's foreign policy look like?

Indonesia's new president wants his country to play a bigger role

Feb 29th 2024



ON THE NEWS that Prabowo Subianto had won Indonesia's election on February 14th to succeed Joko Widodo (Jokowi) as the country's president, global political leaders rushed to toast him. Such enthusiastic scenes would have once been unthinkable regarding Mr Prabowo, an impetuous former special-forces general who was once barred from entering Australia and America for being implicated in human-rights abuses under the dictatorship of Suharto, his late father-in-law, though he always denied wrongdoing.

Anthony Albanese, the prime minister of Australia, which took Mr Prabowo off its blacklist in 2014, boasted about being the first foreign leader to congratulate him. President Joe Biden has not yet called. But it is likely he will when the official tally is released—American policymakers seem relaxed about relations with his administration.

Mr Prabowo wants Indonesia to be more influential in South-East Asia and on the global stage. To date it has been a diplomatic lightweight. Jokowi never attended the UN General Assembly in person. The limelight-loving Mr Prabowo may never miss it. There is a strong case that the country should be more influential. It is the world's 16th-biggest economy with a population of 276m. It can be a "bridge", as Mr Prabowo sees it, between developing and rich countries. The West, meanwhile, views Indonesia as a counterbalance to China in South-East Asia.

Defence is a potential area of deepening international links. America lifted its ban on Mr Prabowo in 2019, when he became defence minister. Since then he has reinforced military ties that go back to infantry training in the 1980s. He has presided over an ongoing shopping spree for Western weaponry in order to modernise the armed forces. That endears him to America, France, Britain, Turkey, Australia and other suppliers.

In Singapore—whose late leader, Lee Kuan Yew, described the young Mr Prabowo as smart, but with "a reckless streak"—recent negotiations over air-traffic and defence co-operation agreements have boosted confidence in him. On February 23rd Australia said it expects to strike a "very significant" new defence partnership with Indonesia soon.

What could go wrong? Brought up in London, Zurich and Kuala Lumpur, Mr Prabowo is multilingual, articulate and at home with foreign diplomats. Yet a feature of his style is to fire off blockbuster initiatives, only a few of them sensible. An example last year was a peace plan for Ukraine that Vladimir Putin could have written. Indonesian diplomats squirmed, and it was dropped. Mr Prabowo will need an effective foreign minister if he is to bring consistency to Indonesia's international engagement.

A lurch towards authoritarianism under Mr Prabowo is another worry, and it would alarm some countries. The hope is that democratic norms nurtured since Suharto's fall in 1998 still count for much, despite recent erosions under Jokowi. And perhaps power, patronage and influence are too diffuse for a would-be strongman to dominate. Voters backed Mr Prabowo not because they have turned against democracy but because he promises to continue "Jokonomics": the drive for investment in infrastructure and green metals such as nickel, for which Chinese support is vital.

That promise will greatly determine his approach abroad. It means wooing China ever harder. Indeed, the man who used to play on anti-China sentiment sounds only positive about it these days. As for some of his anti-Western campaign rhetoric, it has to be taken with a pinch of salt: Western markets and technology still count.

Perhaps the greatest threat is simply that Mr Prabowo is unable to deal with the competing loyalties that Indonesia's stance inevitably creates. Non-alignment has long been the Indonesian creed. But what if Chinese fishing fleets or naval vessels encroach further into Indonesian waters? Or if America blocks Indonesian electric vehicles deemed to have too much Chinese content?

Mr Prabowo claims that Indonesia has only friends and no enemies. That will not always work as a guiding principle. Presumably he would push back hard against Chinese encroachment. But then he would face Chinese dudgeon, with consequences for investment. Squaring American defence procurement with American protectionism might prove equally challenging. Such scenarios raise questions that Mr Prabowo has not answered—and may not really have asked. ■

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China

- **Living outside China has become more like living inside China**
- **China tells bankers to be more patriotic**

The Chinese diaspora

Living outside China has become more like living inside China

The Communist Party is trying to tighten its grip on the Chinese diaspora

Feb 26th 2024 | THE HAGUE

Patrick Zachmann/Magnum Photos

SONG XIA does not want her real name used. The young professional is neither a dissident nor an activist, yet she fears the watchful eyes of the Chinese state. After she left Shanghai to work in the Netherlands in 2012 she kept in touch with friends on WeChat, a Chinese app. Then she realised some of her messages were being censored. Even in her new country she is careful what she says in public and only goes to places she considers "safe"—those where no members of the Chinese Communist Party are present.

Ms Song is typical of many Chinese who have moved to the West in recent years: well-educated and wealthy, unlike the labourers who dominated earlier emigrant communities. The number of Chinese abroad has doubled since 1990. It has risen particularly fast since 2000. The pandemic heightened the desire of many members of the elite to leave, as their resentment grew of covid-related controls and the party's ever-tightening restrictions on freedom of expression. China ended its battle against covid late in 2022, but its faltering economy and high youth unemployment are fuelling people's anxieties. Many young Chinese now use the term *runxue*, "the art of running", to convey their desire to flee.

There are about 10.5m people living outside mainland China who were born on the mainland. Only the Indian, Russian and Mexican diasporas are larger. Some of these Chinese are among the country's richest people. In many countries, they have long dominated wealth-related visa schemes. More than 70% of the 81,000 investor visas issued by the American government to dollar-millionaires between 2010 and 2019 were given to Chinese citizens. Since 2012 some 85% of people who have received Australia's "golden visas" for investing over A$5m ($3.3m) in the country have been from China. All but 41 of the 1,300 people who applied for the equivalent Irish scheme in 2022 were Chinese.

Since the pandemic there have been signs that the outflow of extreme wealth is accelerating. Some 18% of China's nearly 900 dollar-billionaires live abroad, according to the 2023 China Rich List published by Hurun, a research firm, up from 6% in 2019. Despite tightening capital controls, more than 13,500 people with investable wealth of $1m or more left China in 2023, according to Henley & Partners, a consultancy. It says this equates to around 1.5% of Chinese with that level of wealth.

The less affluent are leaving too, often by perilous means. In 2023 nearly 53,000 Chinese were detained at the American border, compared with just over 1,000 in 2018, a far faster increase than for overall border arrests. In the first eight months of 2023 more than 13,000 Chinese tried to make it to America via the dense, trackless jungle of the Darien Gap in Panama.

With greater wealth, the destination of Chinese émigrés has changed. Fifty years ago nine in ten people of Chinese descent lived in Asia; now just seven in ten do. Leavers from the mainland today have greater autonomy than the indentured labourers of much earlier times. A quarter of the Chinese diaspora live in America, another quarter live in Hong Kong, followed by Japan and Canada. Overall nearly half of Chinese citizens abroad live in the West.

But leaving China does not necessarily offer freedom from the regime's strictures. Since China does not accept dual citizenship, many émigrés are now solely citizens of another country. Yet the party has the ability to influence even those who no longer have a Chinese passport. These days most people within China are free to make money and lead comfortable lives. The party leaves them alone so long as they express no political discontent. Increasingly, many people outside China face similar restraints. The scope of sensitive or taboo topics has widened since Xi Jinping became China's leader in 2012, overseas as well as at home. Living outside China has become more like living inside it.

The meddle kingdom

The influence of the party on Chinese abroad takes three overlapping forms: direct intimidation of potential critics, propaganda aimed at the diaspora and pressure on people to censor themselves when discussing Chinese affairs. At home, the party ensures self-censorship by keeping people aware of the state's proximity. This powerful tool is now in use abroad, too.

When China opened up in the 1970s, officials viewed people of Chinese descent abroad as an economic resource. Later the party tried to lure back academics and entrepreneurs. A critical shift has occurred under Mr Xi. He sees the diaspora in a political light. He has increased the funding and status of the United Front Work Department (UFWD), which is in charge of boosting the party's influence among Chinese abroad. The party hopes they will act as advocates for its cause. But it also fears those among them who openly criticise China. It believes they may infect China with foreign democratic thinking. Small wonder that the diaspora is under scrutiny like never before.

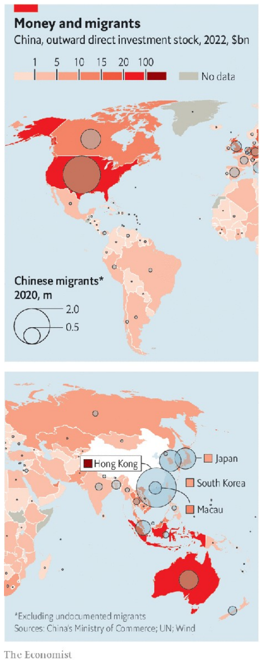
First consider the party's use of direct intimidation against Chinese overseas. Most blatantly, it targets dissidents and activists. Its tactics include interference in their digital communications, bullying of their family members in China and direct physical threats. In 2023 Safeguard Defenders, a human-rights group, accused China of setting up over 100 police stations in 53 countries without permission.

Repressed ethnic minorities in China are closely monitored abroad and often intimidated. The party tries to get some of them deported: between 1997 and 2021 over 400 Uyghurs were sent back to China on dubious grounds. Other Chinese nationals have also been extradited from foreign countries on trumped-up charges. (Some governments, such as Thailand's, have turned a blind eye to these dodgy pretexts.) Chinese abroad are often pressured to return without ever involving a host country's legal system. Those targeted are often wanted for economic crimes, but some are pursued for political reasons.

A far larger group is affected by the party's efforts to control the diaspora's news sources. Many people from mainland China dwell largely in a Chinese-language world, even when living abroad. In America, for example, over half of Chinese immigrants have limited English, according to an American government survey in 2021.

To feed this market, the party reportedly allocated about $7bn in 2009 to extend the global reach of China's state media. Under Mr Xi, their impact has expanded. The party has launched new Chinese-language media outfits and bought existing ones. It has pulled financial and coercive levers to influence opinions expressed in nominally independent outfits, America's State Department said in a recent report.

Chinese outlets abroad typically quash discussion of sensitive topics such as Tibet or the pro-democracy upheaval in China in 1989. They emphasise the shortcomings of democracies in an attempt to drive a wedge between diaspora communities and host countries. Free newspapers in Europe run articles that intersperse praise for the party with information on local life. In Australia Chinese-language media, which used to be broadly anti-Communist, now typically laud China's leaders. They are subject to little scrutiny by regulators. In America, where TV news is the main information source for diaspora households, pro-party channels dominate cable offerings, according to Sarah Cook of Freedom House. The think-tank reviewed Chinese-language programming supplied by three big cable providers: Verizon, Comcast and Spectrum. It found that most of their Mandarin and Cantonese output was from Chinese state broadcasters or other providers sympathetic with the party.



These are not the only views on offer. In America publications such as the *New York Times* run news in Mandarin that often criticises party policy. Falun Gong, a spiritual practice banned in China, distributes *Epoch Times*, a free newspaper, worldwide. But at a time when many existing media firms are struggling financially, particularly with the decline of advertising revenues, the party's well-funded views have become increasingly prominent.

In the digital age, the party is trying to influence not just what people read and watch, but how they interact online. The most pervasive aspect of this involves WeChat, which is central to China's social and business life. Diaspora Chinese also use it to contact family in China, as well as each other. The app is owned by Tencent, a technology firm with close links to the party, which actively surveys even accounts that have never been linked to a Chinese phone number, says Citizen Lab, a cyber-watchdog. WeChat automates censorship using frequently updated algorithms. It can access data relating to a user's network operator, read a device's ID and monitor a person's physical activity, enabling Tencent to identify who is using the service.

Learning to hide

China’s bid to control information access also extends into Western universities. One in ten Chinese abroad are now students, a number that does not include the many scholars who have stayed overseas after graduating. Mr Xi says he expects these students to be “grassroots ambassadors” for the country.

Under Mr Xi, rules have tightened for the 65,000 of them who are on scholarships funded by the Ministry of Education. According to UK-China Transparency, a research group, they have been required since 2019 to “support the leadership of the Chinese Communist Party”. The Chinese government sometimes asks them to give technical details of their own research or of patents obtained by colleagues, which can involve revealing confidential information. Many feel obliged to comply. Families must repay fees if a recipient breaches a scholarship agreement by “engaging in acts that damage the national interest”.

The Chinese state has increased its oversight of all Chinese students, not just government-funded ones. There are Chinese Students and Scholars Associations (CSSAs) on campuses worldwide. Many of them have close ties to diplomatic missions. Under Mr Xi, they have become better funded. Their services include greeting students at airports or helping them open bank accounts, but on some campuses they play a political role, too. Before the 2022 Winter Olympics the CSSA at George Washington University asked the university’s authorities to punish “severely” anyone who puts up posters decrying human-rights abuses in Xinjiang and Hong Kong. Chinese diplomats have also been known to interfere directly on foreign campuses.

At times Chinese netizens and media outlets intimidate students who step out of line while abroad. The state frequently reminds Chinese students overseas that their status is “uncertain” and “impermanent”, says Yaqiu Wang of Freedom House. A brief flare-up of protests on mainland China in November 2022 against Mr Xi’s “zero-covid” policy provoked a flurry of sympathetic outbursts in the West by Chinese students and other members of the diaspora (a demonstration in New York is pictured). The Chinese authorities harassed some participants, such as by putting pressure on family members in China, Ms Wang’s organisation says.

Shouting back at Xi

The state’s vigilance also extends to academics in the diaspora, especially those who work on China, even if they were not born there. Visas to China have become “weaponised”, says Steve Tsang of the School of Oriental and African Studies in London. Scholars who are seen as critics may find their research in China curtailed.

All this encourages self-censorship, particularly by those with family in China. On foreign campuses, such caution has become routine. University lecturers in several countries tell of Chinese students who refuse to speak up in class or ask not to be taught alongside other Chinese for fear they may be informants. One graduate in the Netherlands speaks of “coming out” to fellow Chinese about her political views. Scholars pick their research with care. A professor in Florida says he may change the direction of his studies once he no longer has to be mindful of a need to return to China to visit his parents.

Red flags

While focused mainly on those born in China, the party’s efforts to increase its influence covers all people of Chinese ancestry. There could be about 45m in this group—more by some counts. Mr Xi calls ethnic Chinese of any type “sons and daughters of the Chinese nation” and urges “great unity” among them; the UFWD’s tasks include co-opting ethnic Chinese born abroad. This sweeping approach fuels suspicion and racism in their countries of residence. A comparison with the Indian diaspora is illuminating. Both Asian groups are wealthy, educated and increasingly based in the West. But in business and politics the Chinese diaspora—often including people of Chinese ancestry born outside the mainland—is strikingly less successful in Western countries.

Chinese-born entrepreneurs founded Zoom, NetScreen and WebEx, but there are far more people of Indian descent running giant firms, including Adobe, Alphabet (Google’s parent) and Microsoft, among others. Silicon Valley companies may recruit directly from India for leadership roles but typically choose not to do so from China, says Frank Pieke of Leiden University in the Netherlands.

When it comes to investing in foreign businesses, Chinese abroad also struggle. Their investments are scrutinised by governments in Europe and North America on national-security grounds, whereas deals involving people of Indian descent, say, raise less concern. In 2022 Britain introduced a law aimed at tightening scrutiny of foreign involvement in potentially sensitive sectors. In the first full financial year of its enactment, more than 40% of the projects examined were associated with China. Though there have been genuine cases of corporate espionage by the Chinese state, a presumption of suspicion towards anyone of Chinese descent quickly tips into racial profiling.

Consider the fate of the China Initiative, an American government programme intended to stop Chinese spying in universities and businesses. As part of this, more than 150 academics were charged by the Department of Justice between 2018 and 2022. About 90% of them were from China or had Chinese ancestry. But only a handful were convicted, some for minor offences. Many researchers of Chinese descent stopped applying for jobs or grants for fear of inciting suspicion, even after the initiative was ended in 2022. Some left America.

In politics, people of Indian origin fill some of the highest offices in Britain, Ireland and Portugal, yet there are few elected politicians of Chinese descent anywhere in Europe. The Chinese government is now encouraging such people to get more involved in local and national politics, hoping they will help to nurture more positive attitudes towards China in the countries where they live.

Western governments have long hoped that the flow of Chinese abroad might foment democratic change in China. Instead, the party's effort to control them may be stunting their opportunities in the West. People of Chinese ancestry are more likely to be viewed with suspicion and regarded as the party's allies or even agents. Anti-Asian hate crimes increased in America after Donald Trump was elected in 2016. In many countries such assaults became more frequent during the pandemic. They remain more common.

The party's actions perpetuate a vicious cycle. As fear grows about the power of the state abroad, diaspora groups become more insular, further fuelling distrust of them. The result may be that some Chinese abroad are driven back into the arms of the party. That, of course, would be precisely what it wants. ■

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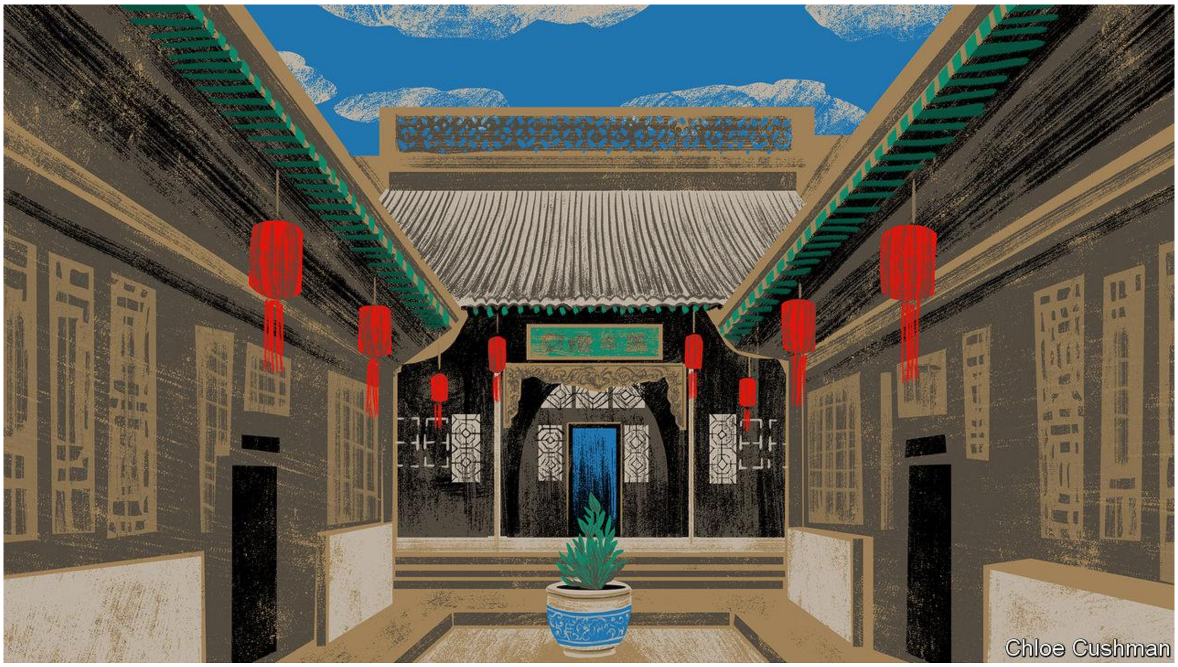
Chaguan

China tells bankers to be more patriotic

Financiers from 200 years ago are wheeled out as role models

Feb 29th 2024



OPEN THE wardrobe of a high-flying Chinese banker, and it would be no surprise to find handmade foreign suits, all sadly gathering dust. It is a year, almost to the day, since an anti-corruption agency ordered financiers to abandon “hedonistic” lifestyles, rectify “elitist” thinking and stop worshipping the West. Several bank bosses and former executives have been arrested for graft. Many workers in finance have seen their salaries cut. All in all, this is a prudent moment to leave the Savile Row pinstripes at home.

As a tool for making China’s financial system more efficient, market forces are not quite out of fashion. But as the economy slows, Chinese regulators are working to tailor market sentiments to the government’s tastes. Officials have loudly scolded brokers for undervaluing state-owned enterprises. Quietly, analysts are nudged to write bullish research notes. Seeking to halt stockmarket slides, regulators have moved to curb transactions that they consider harmful or “ill-intended”.

Now, China's bankers face new orders: to develop a "financial culture with Chinese characteristics". This ideological campaign emphasises the need for cautious, long-term investments that serve the real economy, as opposed to risky deals that shuffle virtual money around. Unveiled over several days in the *People's Daily*, the Communist Party's official mouthpiece, the campaign calls on financiers to "pursue profits through righteousness, not solely for the sake of profit", and to be content with "reasonable returns". Guided by "iron" self-discipline and strict external regulation, finance houses must serve the cause of "high-quality development". That short phrase is code for a large ambition. It describes a drive by Xi Jinping, the supreme leader, to make China into a high-technology, low-carbon industrial superpower. On the way to achieving this goal, Mr Xi has made clear that central planners and state-owned firms will play a leading role, not least to ensure that wealth is more evenly distributed.

Late last year, Mr Xi chaired a meeting on financial policy that praised the party for "adapting Marxist financial theory to the specific realities of contemporary China". The mood among economic reformers is bleak. They fear that Mr Xi is taking China back to a party-dominated economy, as if the reform and opening drive unleashed by Deng Xiaoping four decades ago were somehow a mistake. Foreign investors could be forgiven for worrying that the whole country is making a hard left turn, as if Chinese colleagues might turn up for their next meeting in Mao suits.

Actually, to understand Mr Xi's politics, "left" and "right" are not always very useful terms. True, this is a statist moment, in which markets are expected to obey top-down political imperatives. Moreover, when Mr Xi speaks about China's future, he uses vaguely Marxist jargon about "new productive forces" driven by innovation. But he also talks—a lot—about China's cultural exceptionalism and its "excellent traditional values".

To illustrate the meaning of finance with Chinese characteristics, the *People's Daily* recalled a visit made by Mr Xi to Pingyao, an old walled city in Shanxi, a northern province. China's first nationwide banks were born here in the early 19th century. They were founded by Shanxi merchants who, far from being proto-socialists, were stern conservatives steeped in Confucian values of thrift, discipline and deference to government. Mr Xi's visit to Pingyao in January 2022 took him to the handsome, grey-brick courtyards and stone-flagged halls of Rishengchang, a famous Shanxi bank. There he suggested that studying Shanxi's long-ago merchant culture could serve China's development today.

Seeking clues about finance with Chinese characteristics, Chaguan took a hard-sleeper train to Pingyao and headed to Rishengchang. Faint traces of a revolutionary slogan may be glimpsed high on one courtyard wall, a legacy of the bank's use in the Mao era as a co-operative distribution centre. But this is firmly a shrine to 19th-century commerce. Visiting party delegations and tourists learn about the bank's reputation for honesty and integrity, and of the strict rules binding employees, who had to be locally born and to forswear gambling, opium and other sins. Though displays describe the bank founder's wealth and show him in sable-trimmed robes, what is emphasised is his tireless work ethic.

A sign notes that loans were extended to trusted clients vetted by bankers. A calligrapher dressed in Qing-dynasty silks demonstrates anti-fraud technologies. Passwords were written on bank drafts by scribes whose brushwork was recognised in other branches, he explains. Merchants and government officials used drafts to send remittances nationwide, avoiding the need for physical convoys of silver that bandits might attack.

Crony capitalism, Qing dynasty-style

Though the exhibit is charming, Mr Xi's praise for Pingyao's ancient banks is not reassuring. Rishengchang was obliged to devise elaborate internal rules to avoid fraud because the Qing dynasty's weak legal code offered private businesses few formal protections, notes Meng Wu, an expert on Shanxi banks, in a paper for the University of Manchester. Those loans to trusted clients were rarely backed by collateral, making Shanxi banks vulnerable to collapse (Rishengchang went bust in 1911).

Worse, according to a paper by Debin Ma of Oxford University, Shanxi merchants learned to thrive in a "patronage economy". In this system property rights, particularly in the realm of commerce, rested on political connections rather than the law. Powerful officials granted merchants protection and lucrative monopolies, and in return expected them to fund government projects.

Mr Xi is using Shanxi bankers as symbols of graft-free patriotic commerce. In real life, Pingyao's financiers were hidebound conservatives, whose remittance businesses did not survive the advent of modern Chinese capitalism. Propaganda aside, sable-trimmed robes hide as many follies as pinstripe suits. ■

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Xi Jinping plays social engineer (Feb 22nd)
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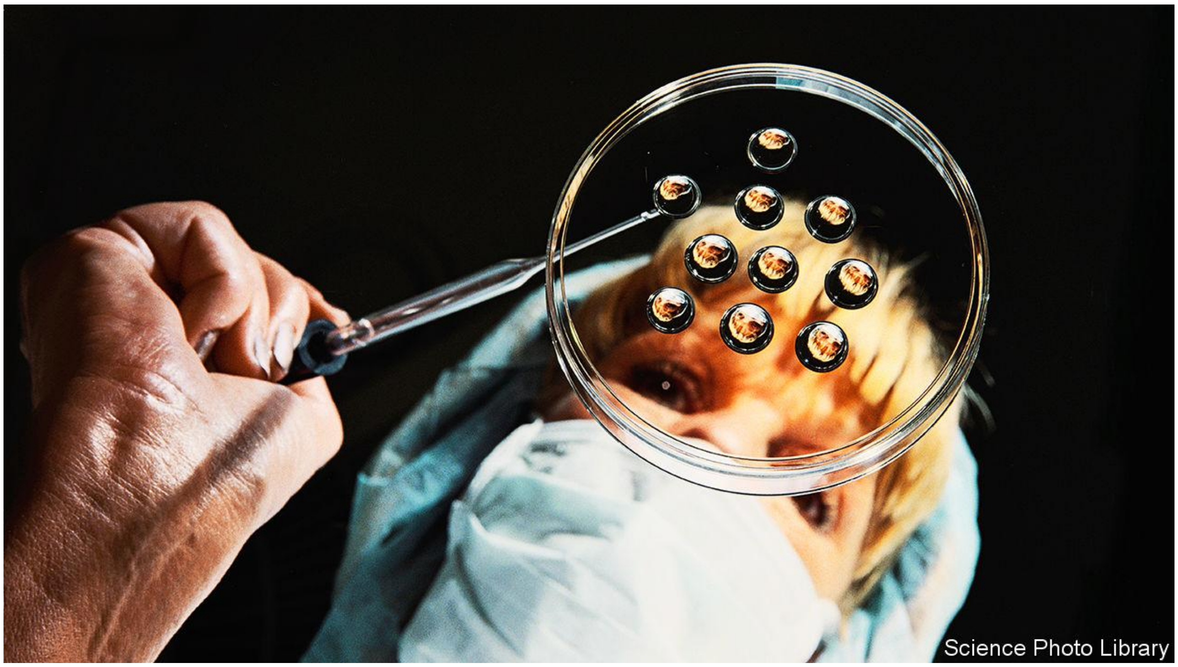
United States

In vitro veritas

IVF is a slam-dunk issue for Democrats. Abortion may not be

The Democratic Party is so giddy about Alabama's daft court ruling that it risks overlooking its own vulnerabilities

Feb 28th 2024 | WASHINGTON, DC



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SPARE A THOUGHT for Republican staffers who had to explain the female reproductive system to their bosses this week. Following a decision by Alabama's Supreme Court, which led to the halting of fertility treatments in several clinics, some showed just how little they understood about baby-making. Tommy Tuberville, an Alabama senator, declared he was "all for" the ruling because "we need to have more kids". In vitro fertilisation (IVF) in fact helps make more kids. Greg Abbott, Texas's governor, wondered whether IVF created "one, ten, 100, 1,000" embryos (between zero and a dozen per cycle is common).

Patients in Alabama have become the latest collateral damage in America's abortion wars. The ruling on February 16th found that embryos created by IVF and kept in "cryogenic nurseries" count as "extrauterine children", and thus as people under state law. Politically this seems a gift to Democrats.

Everything from the judgment's scripture-heavy language, to jubilant pro-lifers declaring it a "tremendous victory for life", and the fumbled responses by Republicans, helped paint Republicans as a radical, woman-hating party.

Democrats put the blame squarely on Donald Trump and his Supreme Court picks. "They came for abortion first. Now it's IVF and next it'll be birth control," warned Hillary Clinton, a former secretary of state. Hastily the National Republican Senatorial Committee rushed out a memo instructing all Senate candidates to oppose any restrictions on IVF and "align with the public's overwhelming support". Several of them had previously co-sponsored bills—such as the Life At Conception Act—which, by in effect codifying embryos as people, could have had a similar impact on IVF .

Nearly two years after the Supreme Court overturned *Roe v Wade*, returning the issue of abortion to states, Republicans continue to struggle with the consequences of their victory. Conventional wisdom is that any talk about abortion is a win for Democrats. The immediate aftermath to Alabama's ruling certainly suggests so. But it might not be quite that simple.

After an uncharacteristic pause, Mr Trump tried to end the fumbling and declared his resounding support for women, IVF and "Beautiful Babies". "We want to make it easier for mothers and fathers to have babies, not harder!" he wrote on Truth Social, his social-media platform. This tone comes on the heels of his privately floating a federal abortion ban at 16 weeks (though states could go further). If that is Mr Trump's position it would be a more moderate one than any Republican presidential nominee has held since the 1970s.

Since *Roe* was overturned, the total number of abortions in America has remained stable. But there has been a big shift in where they have been performed. A new report by the Society of Family Planning, a non-profit, estimated that the 14 states with strict abortion bans had 120,930 fewer abortions over the past 15 months than over a similar period before the end of *Roe*. American fertility doctors predict that a similar "regulatory migration" wave could follow for IVF patients if state courts start cracking down on fertility treatment. That is what has happened in Europe, where stricter embryo rules in countries like Germany and Italy helped make Spain the largest IVF market in Europe.

IVF may be the clearest example yet of pro-life buyer's remorse. The vast majority of Americans support a procedure that has helped realise dreams for couples from the Obamas to the Pences. This is not a fight Republicans want. Yet it is one of several real-world questions that pro-lifers will now increasingly need to confront. The questions around fertility treatment are not just whether IVF is OK. They include whether embryos can be biopsied to check for abnormalities, how to deal with embryos left in freezers after death or divorce and what to do with surplus embryos. Republicans may be lining up to pledge their unconditional support to IVF, but none has (yet) confronted the corollary—the related destruction of embryos along the way.

And yet Democrats should not assume that the abortion debate can only win them votes. A 16-week ban is not as radical or unpopular as it may sound: 96% of abortions happen before 16 weeks and that cut-off would put America in line with many European countries (although with fewer medical exceptions after 16 weeks). Whereas a majority of Americans (69%) are in favour of abortion in the first trimester, this drops to a minority in the second trimester (37%) and the third (22%), according to Gallup. Americans are not that different from Europeans—more conservative but mostly in favour of some access to abortion.

The Democratic playbook is: remind voters that Republicans took away abortion and promise to bring back *Roe*. In swing states with potential ballot initiatives planned for election day, such as Arizona, this could just make the difference. The Democratic National Committee paid for dozens of billboards across swing states this week, tying Mr Trump to the loss of IVF and asking what could be next. However, Democrats need to tread more carefully than they may realise. On abortion at least, Joe Biden's extreme wing has become bigger than Mr Trump's. Whereas 24% of Republicans believe abortion should always be illegal, 44% of Democrats think it should be legal during the third trimester. That is out of step with both American and European public opinion. The "abortion positivity movement" on the left is also a uniquely American phenomenon.

Yet all of this posturing has little to do with actual policy. Mr Trump's 16-week ban is as unlikely to materialise as Mr Biden's promise to codify *Roe*, says Mary Ziegler, a legal historian at the University of California, Davis. More immediately, the Supreme Court cases to watch will be on the availability of the abortion drug mifepristone in March, followed in April by the question of whether the Emergency Medical Treatment and Labour Act protects pregnant women with health-endangering emergencies against state abortion bans. ■

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Stoked

The economics of skiing in America

How monopoly and price discrimination are transforming an industry

Feb 27th 2024 | BRECKENRIDGE, COLORADO

WHITE POWDER can drive many people mad. At the bottom of the Imperial chairlift in Breckenridge, a mountain resort in Colorado, at 10 o'clock in the morning on a sunny Saturday, at least 200 people are queuing to get up. The chairlift is not yet carrying people, but the crowd is patient. There is, after all, a show to watch. Up the mountain, men in red jackets are trying to set off avalanches. Explosions ring out every few minutes. Your correspondent, who was slow to arrive, joins the back of the queue as it begins to move, and a cheer goes up. By the time he gets onto a chair, the pristine powder snow below the lift has already been chopped up by a hundred tracks, and the line to get back up stretches the length of a football field.

The benefits of committing early have always been clear to skiers. Yet in the ski resorts of Colorado, being quick is now about more than just getting up the mountain first. To be allowed up there your correspondent, an unsavvy European, paid $260 for a single day's lift ticket. Almost nobody else on the chairs with him paid as much. These days, if you want to ski in America, the wise thing to do is to buy your pass before the first snow falls. Commit before November, and you can get unlimited skiing all season for less than the cost of a few days. In the past decade or so the ski business has been transformed by clever pricing and industry consolidation. A close look delivers an insight into how the American consumer economy as a whole is changing. It shows how monopoly power can accumulate, but also spur growth.

Breckenridge is owned by Vail Resorts, a listed company with headquarters near Denver that now operates on three continents. In 2008 the firm, which then owned just five resorts, launched the "Epic Pass". Before, season tickets for skiing were a niche product, generally sold to locals, for as much as $1,500. The ski industry made most of its money from day tickets. Unlike the way things work in Europe, where resorts are often owned by local or national governments, skiing in America has never been a stable business. Most mountains were prestige assets owned by rich families, and their fortunes rose and fell with the snowpack. If the snow fell plentifully, resorts made money. If not, they struggled. "It didn't make much of an investment opportunity," says Sara Olson, Vail's vice-president of communications.

With the Epic Pass, Vail has changed the offer. Skiers can now get unlimited skiing at a whole pack of resorts cheaply, but only by committing before the season starts. The result, says Stuart Winchester, who runs the Storm Skiing Journal, an industry blog and podcast, is that for the first time in decades skiing in America is reliably profitable. But it has come at a cost to competition. "Everyone else is swimming around. Vail is buying everything," he says.

Vail now owns 41 resorts, including more than two dozen tiny hills on the East Coast and in the Midwest, which they consider "feeder" resorts that nurture new skiers who eventually may come west. In 2018 a competing pass, the Ikon, was launched by the Alterra Mountain Company, owned by the billionaire Crown family of Chicago, which shares revenue with independent resorts. Nowadays, most of America's biggest ski areas are on one or the other pass.

In basic economic theory, excessive market power reduces the efficiency of an industry. Firms reduce output so as to be able to charge more. There is, however, an exception: if a monopolistic firm can charge different prices to different customers, it need not reduce output to increase its profit. The skiing industry shows the truth of this. As the industry has consolidated, daily prices have soared, extracting more cash from price-insensitive skiers. But if you buy a season pass early, or one of your friends does, you can get a ticket for a lot less, and so the slopes are still busy. Last year 65m people visited American resorts, the largest number ever, according to the National Ski Areas Association, an industry group. Vail's revenue increased by 14%. Season passes now make up 61% of the firm's lift-ticket revenue.

Piste off pistes

Yet the transformation is not entirely popular. As the number of people with passes grew, "locals started losing their shit at all of these people coming into town," says Mr Winchester. On a T-Bar drag lift at Breckenridge, Vince, a paramedic who has been skiing there since the 1980s, says that Vail "is the evil empire". With far more people skiing, the lift queues have grown, particularly on the best snow days. A skiing culture that catered to locals has changed into a mass business. Real estate has soared in value—and with it property taxes. Vince says he had to sell his house and move farther away. Getting back to ski is tougher. Traffic jams snake up the mountain, and parking is no longer free.

Vail may soon hit the limits of its ability to squeeze more skiers onto the slopes. Although lift passes can be had cheaply, the cost of accommodation has soared. Last year the firm raised its minimum wage to $20 per hour, but staff shortages remain a problem—in towns where houses now cost millions, that doesn't go very far. On the biggest days, the firm has had to resort to rationing—limiting the number of lift tickets available, and drastically raising the cost of things like parking, so as to stop the crowds. Many variants of the Epic and Ikon passes now come with "blackout dates", when passholders cannot ski. This has controlled some of the worst crowds, but at the cost of annoying customers. Nonetheless, on snowy weekends, social media still fill up with videos of lengthy lift queues posted by grumpy skiers.

What skiing needs is in fact much of what the economy more generally needs: supply-side reform, and especially the construction of new housing and transport in the most popular spots. Though there are more skiers than ever, there are in fact fewer resorts than there were a few decades ago. Expanding—or opening new resorts—is extremely difficult, thanks to endless environmental challenges. At Vail mountain proper, in 2022 the local government squashed a plan to build more employee housing last year in favour of creating a wildlife sanctuary for bighorn sheep. At Park City in Utah plans to upgrade two chairlifts were blocked over fears that it would add to the town's interminable traffic jams. "Cars at scale do not work in the mountains," says Mr Winchester. But local officials simply cannot imagine skiers arriving without their own vehicles, and public-transport options are often limited.

The richest skiers are shunning the resorts on passes altogether. This December Powder Mountain in Utah announced that it would be moving to a model where only local property-owners are allowed to ski certain chairlifts. The idea is to profit from real-estate sales, by offering private skiing without the crowds. "To stay independent and uncrowded, we needed to change," says Reed Hastings, the firm's boss. In Montana the Yellowstone Club offers exclusive skiing—to those who can afford an upfront fee of $400,000, an annual fee of $40,000 and to buy or build a $3m property in the area. Frustrated by crowds and soaring prices, many more Americans are flocking to ski in Europe. There passes can still be bought cheaply on the day; trains and buses transport people from airports; and the bottoms of lifts are surrounded by apartment blocks rather than car parks.

All of this reflects how the American economy is changing. The airline industry too was once famously unprofitable. Nowadays, it is profitable. As with skiing, stability comes from market power and price discrimination. Flights are expensive and uncomfortable—but those who accumulate the right credit-card points and are loyal to a particular airline can get them cheaper, and planes almost never take off with many empty seats. Even fast-food restaurants are turning to price discrimination. In mid-February Wendy's the CEO of Wendy's, a fast-food restaurant, suggested food prices could be varied dynamically according to when restaurants are busiest. The firm later backtracked. And firms like Amazon have mastered the art of locking customers in with subscription products. Those who play the game can get fresh tracks for cheap. But everyone else is left struggling with the moguls. ■

Editor's note: Since this article was first published, Wendy's backtracked on its "dynamic pricing" policy. The article has been updated to reflect that.

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Commitment phobia

Does Joe Biden’s re-election campaign have a Gaza problem?

The Michigan result would make Donald Trump president if it’s repeated in November

Feb 29th 2024 | DEARBORN, MICHIGAN

IT IS NEVER nice for a campaign when a steadfast constituency turns irate and threatens to withhold their votes; it is the stuff of nightmares when they happen to reside in a swing state that may decide the next presidential election. Incensed over the Israeli military campaign in Gaza—which is fast approaching 30,000 Palestinian deaths—Muslim-American and Arab-American voters staged a campaign to withhold their votes for President Joe Biden in Michigan’s Democratic primary. Rashida Tlaib, a prominent Palestinian-American congresswoman representing the heavily Muslim western suburbs of Detroit, encouraged her fellow Democrats to vote “uncommitted”, as did most prominent Muslim officials in the state. Over 100,000 Michiganders voted “uncommitted”, representing 13.3% of the total vote.

The threat to Mr Biden is not veiled. “There is not really a path that does not go through Michigan. And there is not really a path that goes through Michigan without the Muslim community,” says Hira Khan of Emgage, a Muslim-voter mobilisation group. Michigan has had a recent spate of tight elections. In 2016 Donald Trump beat Hillary Clinton by a margin of 10,704 votes (or 0.22% of those cast); in 2020 Mr Biden won by 154,188 (or 2.78%). The state also has one of the highest concentrations of voters with Middle Eastern and Muslim backgrounds. In 2020 there were an estimated 206,000 Muslims in the electorate—roughly 2.8% of the total—and most of them probably voted for Democrats. If the anti-Gaza backlash persisted through November (including among the three-quarters of young voters who disapprove of Mr Biden’s handling of it), the effect would be marginal. But in a state like Michigan, marginal effects can matter quite a lot.

That is why the Biden campaign seemed particularly concerned. Weeks ago, it sent Julie Chávez Rodríguez, the campaign manager, to the state to meet Muslim leaders. The meeting was cancelled when all of them refused to attend. Reportedly, a suggested meeting with Vice-President Kamala Harris in Washington was also nixed. The White House dispatched senior policymakers, including Jon Finer, the deputy national security adviser. A recording of the conversation, published by the *New York Times,* shows Mr Finer being unusually self-critical: “We have left a very damaging impression based on what has been a wholly inadequate public accounting for how much the president, the administration and the country values the lives of Palestinians. And that began, frankly, pretty early in the conflict,” he said.

The listening sessions are only going so far. “I think they’re hearing the concerns. The problem is that they’re not acting on them yet,” says Alabas Farhat, a Democratic state representative who has been campaigning for the uncommitted vote.

Despite the display of discontent in the primary, it remains unclear how seriously the grumbling will jeopardise the president’s prospects in the general election. In 2012, when Barack Obama was running for re-election, 10.7% of Democratic primary voters in Michigan voted “uncommitted”, even though there was no concerted campaign to do so. Graded against that baseline, the 13.3% showing mustered by this campaign looks less impressive.

Back in 2012 the discontent was diffuse. This year it was concentrated. In some precincts of Dearborn, a heavily Arab-American city near Detroit, three-quarters of voters were "uncommitted". If 100,000 Democratic voters were really willing to spoil their ballots in November in order to nix Mr Biden's chances of winning, he would be in serious trouble. Yet the president would also face an electoral backlash were he seen to abandon Israel. In *The Economist*'s YouGov poll 36% of those questioned say their sympathies in the conflict are more with Israelis, while just 15% are more sympathetic to Palestinians.

Some Muslims say they are ready to abandon Biden and that his inability to restrain Israel is cause enough to make him a one-term president. Given Mr Trump's evident antipathy to Muslim-Americans, his favour towards Israel and his general lack of concern for most things that sound like human rights, this might seem paradoxical. Ahead of the primary vote Gretchen Whitmer, the popular governor of Michigan, argued that "any vote that is not cast for Joe Biden supports a second Trump term." Many Muslims concede that outcomes under Mr Trump would not have been better, but that there would be no offensive pretence of caring about human rights. "I prefer to be stabbed from the front than from the back," says one.

Others say that Mr Biden can win back their support if he were to call for a permanent ceasefire, if he stops sending weapons to the Israelis and resumes funding the United Nations Relief and Works Agency (which was cut off after the Israelis said that several of its employees had taken part in Hamas's attack on October 7th that murdered 1,200). Asked what happens in the next nine months, Abdullah Hammoud, the mayor of Dearborn, says: "That's a question for President Biden." ■

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Answers that raise questions

Is Google’s Gemini chatbot woke by accident, or by design?

The tech giant’s new artificial-intelligence model invents black Vikings and Asian popes

Feb 28th 2024


Frank J. Fleming/Gemini AI

IT ALL STARTED with black Vikings and Asian Nazis. Users of Google Gemini, the tech giant’s artificial-intelligence model, recently noticed that asking it to create images of Vikings, German soldiers from 1943 or America’s Founding Fathers produced surprising results: hardly any of the people depicted were white. Gemini had been programmed to show a range of ethnicities. Other image-generation tools have been criticised because they tend to show white men when asked for images of entrepreneurs or doctors. Google wanted Gemini to avoid this trap; instead, it fell into another one, depicting George Washington as black and the pope as an Asian woman.

Some observers likened Gemini’s ahistorical diversity to “Hamilton” or “Bridgerton”. It seemed that Google had merely made a well-meaning mistake. But it was a gift to the tech industry’s right-wing critics. On

February 22nd Google said it would halt the generation of images of people while it rejigged Gemini. But by then attention had moved on to the chatbot's text responses, which turned out to be just as surprising.

Gemini happily provided arguments in favour of affirmative action in higher education, but refused to provide arguments against. It declined to write a job ad for a fossil-fuel lobby group, because fossil fuels are bad and lobby groups prioritise "the interests of corporations over public well-being". Asked if Hamas is a terrorist organisation, it replied that the conflict in Gaza is "complex"; asked if Elon Musk's tweeting of memes had done more harm than Hitler, it said it was "difficult to say". You do not have to be Ben Shapiro to discern a progressive bias.

Inadequate testing may be partly to blame. Google lags behind OpenAI, maker of the better-known ChatGPT. As it races to catch up, Google may have cut corners. Other chatbots have had controversial launches. Releasing chatbots and letting users uncover odd behaviours, which can be swiftly patched, lets firms move faster, provided they are prepared to weather the potential risks and bad publicity, observes Ethan Mollick, a professor at Wharton Business School.

But Gemini has clearly been deliberately calibrated, or "fine-tuned", to produce these responses; they are not "hallucinations", where a model makes things up. This raises questions about Google's culture. Is the firm so financially secure, with vast profits from internet advertising, that it feels free to try its hand at social engineering? Do some employees think it has not just an opportunity, but an obligation, to use its reach and power to promote a particular agenda? That risks deterring users and provoking a political and regulatory backlash. All eyes are now on Google's boss, Sundar Pichai. He says Gemini is being fixed. But does Google need fixing too? ■

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Cobalt blues

A millennial is building America's first nickel-cobalt refinery

But it's proving ethically trickier than she expected

Feb 29th 2024 | LAWTON, OKLAHOMA

KALEIGH LONG believed there had to be an American fix. As an Oklahoman working on political campaigns in the Democratic Republic of Congo she saw all too closely the bloodiness of the critical-mineral trade. Militias killed her flatmate's siblings, burnt homes on resource-rich land and forced children to dig in the mines—as Chinese companies tolerated the abuses.

Back home the 28-year-old single mother reckoned that getting into the mineral business was the best way to clean up the supply chain and ease China's chokehold on cobalt and other minerals vital to a greener economy. America had no nickel-cobalt refineries of its own. In early 2022 Ms Long set out to build its first. She raised $50m for her startup, Westwin Elements, and recruited oil-and-gas tycoons, a former intelligence officer and the longtime boss of Boeing, an aerospace company, to sit on her board. In her Oklahoma City headquarters the self-described libertarian touched her necklace, the pendant a silhouette of Africa, as she spoke about the $185m grant Westwin next hopes to win from the Department of Energy.

Westwin's ambitions show the promise of the largesse doled out by the Inflation Reduction Act (IRA), Joe Biden's signature bill to catalyse America's clean-energy transition. Subsidies for electric cars attracted $110bn in investments in green manufacturing and battery-making within a year of the IRA's passage in 2022. But as firms boosted production it became clear that China's grip on the world's mineral mines and refineries could prove perilous for its political foes. If China decides not to export refined metals tomorrow, as it has threatened to do, dozens of brand-new American gigafactories could soon sit idle.

Even with subsidies, mining and refining in America are not for the faint of heart. Regulations can make both activities uncompetitive. But the maths flipped in refiners' favour in December 2023 when the tax agencies charged with implementing the IRA made it more protectionist. Their new rules clarified that companies selling electric cars made with materials processed by firms with at least 25% Chinese ownership are ineligible for subsidies. For makers of batteries and cars this was bad news—their inputs got pricier overnight. But for Ms Long it meant that her higher-cost product would have a market.

Drive 90 miles south-west of Oklahoma City through fields of cotton and cattle and you will find yourself at the construction site of Westwin's pilot plant in Lawton. A steel skeleton of the refinery sits on a 40-acre plot framing the Wichita mountain-range; on a February morning engineers buzzed around it in hard hats. By 2030 Westin plans to produce 64,000 metric tonnes of processed nickel and—if it can find ethical suppliers and sell the refined product without crashing the price —20,000 tonnes of cobalt. According to calculations by Daniel Quiggin of Chatham House, a British think-tank, that would meet roughly half of America's demand for electric-car batteries. For building the supply chain "projects like this are indispensable," says Bentley Allan, a professor at Johns Hopkins University.

Blood, sweat and fears

But in leaving Congo for America's prairies Ms Long finds herself still haunted by ethical problems. By building in Oklahoma she inserted her project in the middle of a bitter row over indigenous rights. Leaders of the Apache, Comanche and Kiowa nations say the plant comes too close to their sovereign land and that the firm's failure to consult them before building shows the same disrespect as settlers past. They fear that contamination from the refinery will give their babies cancer and dirty their sacred land and air. Having lost countless kin to covid-19 they refuse to back it without a guarantee that it will not make their people sick. Westwin cannot make that promise.

The protests echo those mounted against the Keystone XL oil pipeline in the Dakotas. At a sweat ceremony on a recent winter evening, between prayers for locked-up loved ones and addicted brothers, native residents pleaded for Westwin to stop construction. As an elder poured water on embers the hut filled with steam and became so hot your correspondent struggled to breathe. In darkness they sang and passed a tobacco pipe between them, the smoke a vehicle to lift their anti-industrial supplications "to the spirits".

The next day the tribal chairmen met with Westwin executives. Lawton locals who attended had no patience for Ms Long's tearful tale of child-slaves in the Congolese cobalt mines—indigenous people, she noted, just on a different continent—and no interest in what her project means for American national security.

Because they lack the muscle of richer tribes to the east who lobby more, their objections are probably for naught. But the distress of it all may in the end convince Ms Long not to build the commercial plant in her home state, especially if Texas or Louisiana offer better tax breaks.

The permitting process could be long and litigious in any of those places and the delay may undermine climate goals. As long as domestic refineries are not yet up and running and China's mineral stash is still on offer, the IRA's protectionist rules could slow progress towards decarbonisation, says Tom Moerenhout of Columbia University who advises the State Department and White House on energy policy.

Since hawkishness towards China is trendy in both parties, and most of the investments have gone to Republican districts, it is a fair bet that any future president will keep the subsidies in place. That comforts Ms Long, who says she worries about the risks facing her business “almost every day, most of the day”. Though many are cheering her on, Westwin has already shown just how hard it is to bring critical-mineral refining to America, never mind an ethical model for the world. ■

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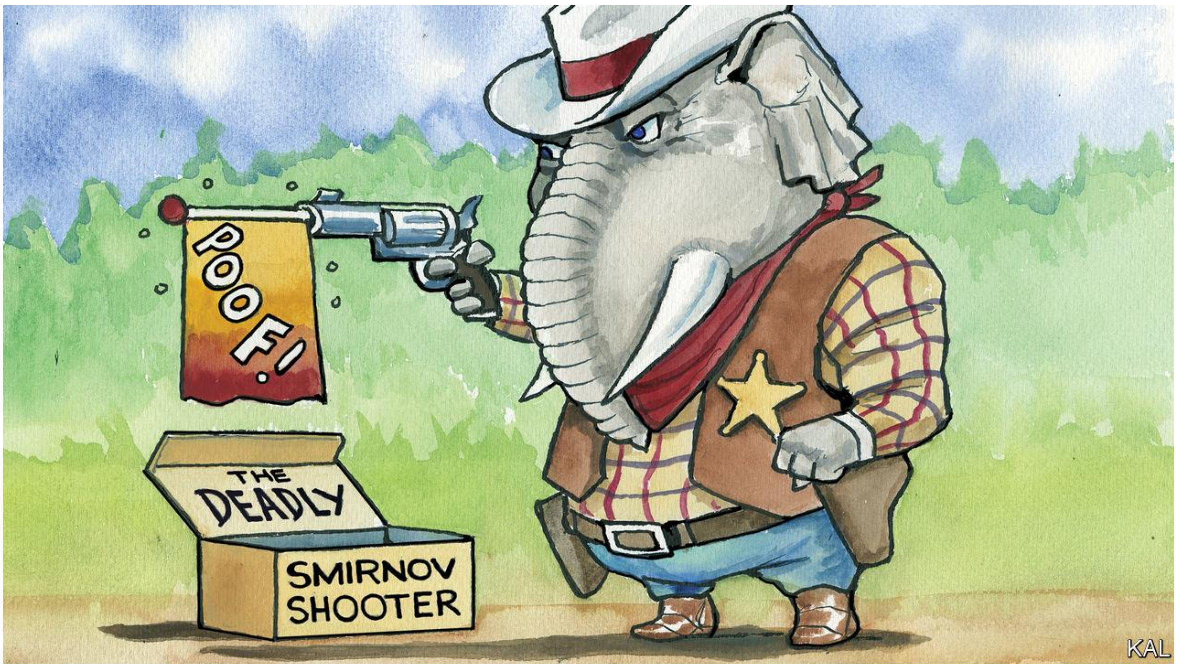
Lexington

Vladimir Putin hardly needs to interfere in American democracy

Domestic politicians are happy to spread dysfunction on their own

Feb 29th 2024



PRESIDENT VLADIMIR PUTIN of Russia must get a kick out of spreading disinformation to Americans for its own sake. Otherwise it is hard to see why he would bother. As has episodically been the case for eight years, Washington is abuzz over allegations of Russian manipulation. The special counsel investigating President Joe Biden's son, Hunter, has charged an FBI informant with telling lies about the president that have been central to Republican efforts to impeach him; the indictment links the informant to Russian intelligence.

You might expect such a dramatic development to derail the impeachment. That would betray a touching faith that the truth mattered in the first place. Republicans who once trumpeted the informant's claims are shrugging them away and insisting that impeachment will move ahead based on other suspicions and suppositions, though the Republicans' two-seat majority in the House of Representatives is all but certain to doom any vote, given the misgivings of some members.

This is not to minimise Russian efforts to undermine democracy. Robert Mueller, the special counsel who investigated Russian interference in the 2016 election, found it "sweeping and systematic". But politicians of both parties have shown that when it comes to spinning conspiracies and spreading dysfunction they can manage on their own. Republican members of the House are the best at this. The most shocking facts are not emerging from the shadows thanks to congressional investigations but are being paraded in the open thanks to congressional inanity, from the refusal of House Republicans even to vote on the Senate's bipartisan agreement to tighten border security and help Ukraine and Israel, to their inability to agree among themselves on budget priorities with a government shutdown looming, tiresomely, yet again.

The story of the informant, or misinformant, has the familiar, miasmic qualities of other scandals in the Trump era. No one is said to have peed on anyone, but the tale does involve vivid characters, duplicitous dealings in European capitals, affectionate texts with FBI agents, investigations of investigations, ties to Ukraine and, in the end, benefits to Russia.

Before he was arrested in mid-February Alexander Smirnov, a dual citizen of America and Israel, had been slipping the FBI information for 13 years. The agency trusted him enough to authorise him to commit crimes as part of investigations, though it warned him not to lie, at least not to the FBI, according to the indictment. Mr Smirnov, now 43, was in contact with his handler almost daily; he called the agent "bro".

In 2013 Mr Smirnov was struggling with credit-card debt of $125,000, according to the *Los Angeles Times*, but prosecutors say he now has access to $6m, though he does not own a house or have a job, at least in America. He does have nine guns at home, prosecutors say. He has pleaded not guilty.

Here comes the complicated bit. You recall Burisma, the Ukrainian gas firm of which Mr Biden's son, Hunter, became a member of the board while his father was vice-president? In 2017 Mr Smirnov mentioned to his handler that Hunter Biden was on the board, as was known. Then, in 2020, as Mr

Biden was running against Donald Trump for president, Mr Smirnov sent his handler texts "expressing bias" against Mr Biden, according to the indictment. When he promised information incriminating the Bidens, the handler replied, "that would be a game changer."

Meanwhile, in early 2020, the attorney-general under Mr Trump had directed Scott Brady, a US attorney, to investigate the suspicions of Biden family corruption about which Mr Trump had previously demanded that Ukraine launch an investigation, triggering Mr Trump's first impeachment. After Mr Brady tasked the FBI with searching its files for "Burisma", the mention from 2017 popped up, and the handler contacted Mr Smirnov. This time Mr Smirnov said Burisma's chief executive told him as far back as 2015 that the company paid bribes of $5m apiece to the Biden men. The FBI recorded the new accusations on a "Form 1023".

In 2023 Republican congressmen got wind of the form and demanded it, extracting it and publicising it after threatening the FBI director with contempt. Although the information was uncorroborated, Nancy Mace, a South Carolina congresswoman, declared at the first impeachment hearing in September that "we already know the president took bribes from Burisma." Jim Jordan of Ohio called the FBI document "the most corroborating evidence we have", while Elise Stefanik of New York saw "the biggest political corruption scandal" of "the past 100 years".

An imperfect spy

Mr Smirnov's claims did not withstand the slightest scrutiny, according to the indictment. He did not meet any Burisma executives before 2017, and meetings and calls that he described never took place, the indictment says. When agents met with him in September, according to the indictment, Mr Smirnov changed his story and told new lies. He said that when Hunter Biden stayed in Kyiv's Premier Palace hotel his calls may have been recorded by Russian intelligence. Yet Mr Biden has never even been to Ukraine. Mr Smirnov, prosecutors warned, "is actively peddling new lies that could impact US elections after meeting with Russian intelligence officials in November". They have successfully argued that he is a flight risk who should be detained pending trial.

No Republican who hyped Mr Smirnov's accusations has expressed regret, and the leader of the committee pursuing impeachment, James Comer, insists his inquiry, which has yet to produce evidence of a crime by the president, "is not reliant" on them. It would be reassuring to discover that, at bottom, Mr Putin is responsible for all this nonsense. What seems more probable is that he offered an assist to politicians already more than capable of wasting their chance to do some good while in office. ■

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Middle East & Africa

Dreaming of Dubai

Africa's tiger economy is shot

Abiy Ahmed has big dreams for Ethiopia. Reality is far harsher

Feb 29th 2024 | ADDIS ABABA, ADAMA AND WUKRO

TO CATCH A glimpse of Abiy Ahmed, Ethiopia's prime minister, visitors could book a table at a swanky new restaurant in Addis Ababa, the capital. Marcus Addis, the eponymous joint by Marcus Samuelsson—an Ethiopia-born, Sweden-raised, America-based celebrity chef—has proved a favourite. From the 47th floor of east Africa's tallest building diners gaze out at the shiny infrastructure being built across the city under Abiy's rule. The eatery symbolises the country he would like Ethiopia to be: modern, glitzy and rich.

The reality at ground level is less glamorous. Two years of war in Tigray killed hundreds of thousands and destroyed the region's economy. Those close to Abiy argue that he can finish what he started when he took office in 2018, vowing to reform a dirigiste economy. An IMF loan to support this could be signed by the end of March. But financial instability and violence in other regions are causing huge problems for one of Africa's most influential—if controversial—politicians. A country often seen as a model for the rest of the continent may instead be a warning.

From 2004 to 2017 vast public investment helped Ethiopia's GDP grow by more than 10% a year on average, outpacing every country save Qatar. But the state-led model accrued flaws: double-digit inflation, mounting public debt and the hogging of credit and hard currency by state firms. Repressive rule by the governing coalition, the EPRDF, provoked a backlash that aided Abiy's accession in 2018.

Abiy's "Homegrown Economic Reform Plan" aimed to build on the strengths of the previous 20 years, especially in infrastructure and education, while fixing the weaknesses by liberalising the economy. Officials claim several successes. Lending to the private sector increased, and the government has chipped away at the monopoly of state-run Ethio Telecom by selling a mobile-phone licence to Safaricom. Competition from the Kenyan firm has accelerated the growth of digital payments.

Then came the war in 2020. "There is little in the way of an economy here," says Getachew Reda, who runs Tigray's regional administration. In Mekelle young people plot how to escape the country. Outside the Tigrayan capital things are even worse.

It has been more than three years since soldiers from Eritrea, the neighbouring state that allied with Ethiopia during the war, destroyed the Semayata Dimensional Stones Factory in Wukro, eastern Tigray. But it looks like it could have happened yesterday. Machines that cut granite lie in ruins of twisted metal. The roof is punctured by shrapnel. The only sign of passing time is the layer of bird droppings on the floor, softening the crunch of broken glass. Before the war the factory had 500 workers. Its stone was used in many of the buildings in Addis Ababa; among its unfulfilled orders is one from the national cyber-security agency. "Every machine was destroyed, everything was looted," says Hadush Hailu, the finance manager.

And there are effects of the war beyond Tigray. At Antex Textile in Adama, in the Oromia region, the staccato of sewing machines echoes around the factory. It might be the noise of manufacturing at the global frontier: Antex is a Chinese firm making garments for Western shoppers. A decade or so ago, economists saw Ethiopia as Africa's best hope of replicating the export-led growth of Asian states like Vietnam or Bangladesh. Ethiopia had duty-free access to America under AGOA, a preferential trade policy. It also has low labour costs: an Ethiopian garment worker earns half of a Bangladeshi's wage and a fifth of a Kenyan's.

But Azim Mohamed, the Bangladeshi factory manager, sounds despondent. In 2021 America, home to 60-70% of Antex's customers, booted Ethiopia out of AGOA because of human-rights abuses in Tigray. A government order to make military uniforms has not completely filled the gap. Asked if Ethiopia might still be the next Bangladesh, Mr Mohamed pauses. "It's supposed to be. But now I cannot say."

A survey by the UN Development Programme (UNDP) found that almost 450 manufacturing firms (out of nearly 5,000) stopped production last year. More than 70% of executives said that the business environment had worsened in the past few years. Ethiopia attracted 11 foreign-direct-investment (FDI) projects in 2021 and 2022 combined, about a third of the total in 2019, reckons EY, a consultancy.

The war has also exacerbated some macroeconomic problems. Borrowing rose and official military spending increased by 88% in 2022 alone, squeezing money for welfare. Fewer exports, as well as less FDI and overseas aid have led to a lack of foreign exchange. That has put pressure on the local currency, the birr, which is worth half its official value on the parallel market. The IMF reckons consumer prices will rise by more than 20% this year.

The results can be seen in the number of half-finished buildings across Addis. Property is seen as a hedge against inflation and the official devaluation of the birr that developers assume will be part of any IMF agreement. But they are struggling to get dollars to import the materials needed to finish their buildings.

Abiy's allies argue that they will succeed in pushing reform despite the macroeconomic problems and what they see as opposition from vested interests. In November the government reached a deal to reschedule payments due to official creditors including China. It hopes to cut a similar one with commercial creditors over a $1bn loan due in December. Officials hope that dollars from the IMF will give them the space to continue reforms.

Abiy, meanwhile, is busy promoting the industries he sees as crucial to Ethiopia's future. On social media he touts his initiatives to make the country an exporter of wheat and to double tea production. (Diplomats are sceptical of his claims of success in the former.) He posts slick videos of new state-built tourist lodges.

The Economist

But insecurity is making it hard for farmers and will put off holidaymakers. Latent conflicts in the regions of Oromia and Amhara have escalated (see map). Kidnappers are terrorising businesses; last year dozens of workers at a cement factory owned by the Nigerian magnate, Aliko Dangote, were taken. Exporters say it is becoming harder to shift goods.

Like many African leaders, Abiy is more of a dealmaker than a policymaker. In January he infuriated neighbouring Somalia by suggesting he would recognise the sovereignty of Somaliland, a breakaway part of that country, in exchange for leasing land on the coast, a long-held aim of landlocked Ethiopia. A huge dam on the Blue Nile, known as the GERD, is filling up, angering Egypt. But bold—or, say critics, reckless—moves like these are not the same as the more prosaic work of reforming the economy while mollifying political elites and quelling popular anger.

Ever since Abiy came to power many have seen what they want to see in him: a liberal reformer, a free-marketeer, a peacemaker. In truth, much like the food served at Marcus Addis, he is a fusion of influences. An ally compares Abiy to Deng Xiaoping, the Chinese reformer. One businessman says he is motivated by Pentecostalism's "power of positive thinking". Another likens him to Mohamed bin Zayed (MBZ), the leader of the United Arab Emirates (UAE), in his mix of mega-projects and brazen diplomacy. But, he cautions, "Abiy is not MBZ and Ethiopia is not the UAE." No matter how glittering, the view from the 47th floor cannot obscure that. ■

Fresh blood, same problems

The Palestinians’ new prime minister faces a nightmare

The PA says it is preparing for an “emerging reality” in Gaza

Feb 26th 2024 | RIYADH

VIOLENCE WAS again raging in Israel and the Palestinian territories. America had an ambitious plan to end it, with the support of Arab countries who offered to normalise ties with Israel. But America felt that it could no longer work with the ageing, isolated Palestinian president. Peace would require new blood, and so America pushed the Palestinian leader to name a technocratic prime minister who would reform the corrupt Palestinian Authority (PA) and build a state-in-waiting.

This sounds like today—but it was also the case in 2003, when America ran out of patience with Yasser Arafat during the second intifada, or Palestinian uprising. His choice for prime minister was none other than Mahmoud Abbas, who went on to become president himself in 2005 and is today in the 19th year of a four-year term. The PA is still corrupt; statehood has never been so far away. And now, amid the carnage in Gaza, an exasperated America wants Mr Abbas to choose his own reform-minded prime minister.

On February 26th Mohammad Shtayyeh, the Palestinian prime minister, tendered his resignation. The president accepted it but asked Mr Shtayyeh to stay on until a new government is formed. Mr Abbas's envoys planned to meet Hamas and other Palestinian factions this week to seek their support (though they doubted it would be forthcoming). Mr Shtayyeh said that new "political arrangements" were required to consider "the emerging reality" in Gaza, where Israel has killed more than 30,000 Palestinians.

The clear favourite to succeed him as prime minister is Mohammad Mustafa, an economist who has cultivated a close relationship with the president as his economic adviser. He would be acceptable to America and Israel—although less so to his own people (his polling is anaemic). The hope is that he would clean up the PA's endemic graft and dysfunction, a key demand of its supporters in the West and the Gulf in exchange for renewed financial support. Reality will probably be different.

Whoever takes the reins will face three big obstacles. First, the PA is broke. It relies on Israel to collect taxes on its behalf, which make up 64% of its total revenue. In October Bezalel Smotrich, the far-right Israeli finance minister, decided to withhold much of that cash. The PA has since been unable to pay public-sector salaries on time and in full. Adding to the economic misery, Israel has banned most Palestinian workers from entering its territory since the October 7th massacre, leaving more than 20% of the West Bank's labour force jobless. Lost wages from Palestinians who had previously worked in Israel or Israeli settlements before the ban came to about 48m shekels ($13m) a day, according to the International Labour Organisation. It is hard to build a state with no money.

The second is Mr Abbas, who has become steadily more autocratic. The president has repeatedly postponed elections, fearing that his Fatah party might lose them, and rules by decree. He has tightened his grip on the courts, dissolving the council that appoints judges and stocking the bench with his supporters. Civil society has withered; activists have been jailed or killed for challenging his rule. The last time Mr Abbas appointed a technocrat—Salam Fayyad, a former IMF and World Bank official who was prime minister from 2007 to 2013—the two often clashed.

Mr Shtayyeh was a career apparatchik, a longtime member of Fatah's central committee who served stints as housing minister and the head of the electoral commission. His government was defined by feuding between ministers—in recent years, he was barely able to sit in the same room as his own finance minister—and a complete failure to enact any meaningful reforms. Under his tenure the PA lost control of security in key cities and was crippled by strikes. His predecessor, Rami Hamdallah, was an academic chosen for his lack of political ambition; advisers said he kept an office at his university near Nablus and often spent afternoons there.

Both men ended their terms deeply unpopular with the Palestinian public. Yet they were also scapegoats. Real power was concentrated in the president's office and among a handful of close advisers to Mr Abbas, including Majid Faraj, his intelligence chief, and Hussein al-Sheikh, who seems to be his preferred successor as president. There are no indications any of that will change with a new government.

The final challenge is Israel. The next Palestinian prime minister does not only need money and power: he also needs a credible prospect of ending Israel's occupation of the territories it captured in 1967. Otherwise most Palestinians will continue to see the PA as illegitimate, a state-in-waiting that will never become a state.

America has urged Binyamin Netanyahu to commit to restoring the PA's role in Gaza, which it ruled until Hamas expelled it in 2007, and to serious post-war diplomacy that would seek a two-state solution. After months of refusing to talk about any of this, on February 22nd Mr Netanyahu unveiled his "day after Hamas" policy.

It was less a plan than a set of vague, sometimes open-ended aims, including "preventing a threat from Gaza" and retaining Israel's freedom to operate there "without time limits". Rather than an exit strategy, it is a recipe for a prolonged Israeli military presence in Gaza. No mention is made of the PA, though it rules out a role for "entities that support terrorism", which is how the prime minister and his allies often describe the authority. Nor was there support for the two-state solution.

The cabinet has yet to discuss and endorse the policy, which for now seems aimed principally at appeasing the far-right parties in Mr Netanyahu's coalition. But it is already clear that if this becomes Israel's actual strategy, it would almost certainly put the country on a collision course with its key ally, the Biden administration.

Whatever shape the new government takes, it is likely to be a far cry from the "reformed and revitalised" PA that America and its allies have demanded. Yet one Western diplomat suggests Mr Abbas may have outplayed them. The PA's foreign backers may now be under pressure to increase aid: "We said reform the government and we'll give you the support you need," the diplomat says. Mr Abbas can now claim he delivered the former—and will expect the latter. First as tragedy, then as farce: two decades after he was brought in to placate Western donors, Mr Abbas now needs a figurehead of his own.■

The beginning of the end

As Iran scares the Middle East, at home its regime rots

Iran’s phoney elections show how the clerics have lost public support

Feb 28th 2024

AFP

THE RESULTS of the shah’s last election were a triumph. His party won all 268 seats. Officially, nearly half of the electorate voted in 1975. But when revolution erupted in 1979 his party melted away. The elections on March 1st for Iran’s parliament and assembly of experts, which selects the supreme leader, share similar traits. Unlike previous polls, when pragmatists and reformists could stand, all but ardent hardliners have been disqualified, including a former president, Hassan Rouhani. Hence loyalists will sweep the board.

But as the regime purges its reformists, it shrinks to its inner core. In its hunger to monopolise power, it hollows out the state. Once a hybrid theocracy-cum-democracy, Iran is morphing into an absolute dictatorship with a wobbly base. Clerical quangos increasingly override parliament, reducing the latter to a talking-shop. A recent government survey leaked to the BBC Persian service shows haemorrhaging support for the theocrats.

According to the poll, support for a separation of religion and state has jumped from 31% in 2015 to 73% today. "Yes-men are wonderful when things are calm, but they're useless under crisis," says a political analyst frequently in Iran. "Without an opposition you lose the bridge to the people."

Previously, the mullahs strove to get out the vote. Now they are so resigned to their unpopularity that they hardly bother. The election campaign has been Iran's most lacklustre since 1979. According to a poll by the state broadcaster, more than half of Iranians are unaware of the date. Many are expected to boycott it. Fearing a fiasco, the regime has denied foreign journalists visas. Rather than assuaging popular anger, last year the government executed demonstrators who had protested in 2022. A popular song is "Strange Times" by Alireza Ghorbani. "The one who knocks on the door at night has come to kill the light," he sings.

Faced with civil disobedience against their rules on modesty, the clerics are scuttling back to the seminaries. An Iranian visitor to Britain notes with surprise there are more veils on London's underground than Tehran's. So resolute is the unveiling that some draw comparisons with the last years of the shah, when women took the veil in defiance of his ban. "As with the shah at the end of its regime, the system is culturally bankrupt and can no longer control people's bodies," says Yaser Mirdamadi, a dissident cleric in northern England.

Economics drives grievances. Iran's hardline but ineffectual president, Ebrahim Raisi, has struggled to overcome American sanctions. Unlike the worldly cabinet of his reformist predecessor, Mr Rouhani, his ministers come from the barracks of the Islamic Revolutionary Guard Corps (IRGC) or Imam Sadiq, a private religious college in Tehran. Years of high inflation and a depreciating currency have eroded the value of savings. Prices of basics are soaring and subsidies are eating up the budget, leaving little for capital expenditure. Without funding for water management, lakes and rivers are drying up. Welfare payments come late.

Mr Raisi's foreign policy makes matters worse. The morning after a drone fired by an Iran-backed militia in Iraq killed three Americans, the rial tumbled. It is unclear whether Iran can rein in the militias that make up its axis of resistance: Hizbullah in Lebanon; the Hashd in Iraq; and the Houthis in Yemen. On paper these are assets. But they have proven to be liabilities. Iranians worry that their lobbing of missiles at Israel, American soldiers and shipping will bring hellfire down on Iran.

Abroad, as at home, the clerics talk tough but then compromise. Iran has continued its rapprochement with the United Arab Emirates and Saudi Arabia, even though both are getting closer to Israel, which Iran calls a "cancerous tumour". After failing to persuade Muhammad bin Salman (MBS), the Saudi crown prince, to come to Tehran, Mr Raisi visited the Saudi capital, Riyadh, in November. Iran has also signalled a readiness to change its line on Israel in the event of a peace deal with the Palestinians. In recent months its mullahs have voted (at the UN and at a meeting of the Organisation of Islamic Conference in Riyadh) in favour of a two-state settlement, implicitly recognising Israel. Interlocutors say Iran is committed to reining in its allied militias should Israel and the Palestinians make peace.

That's me in the corner

The interlocutors are floating other balloons, too. When America and the Soviet Union convened an Arab-Israeli peace conference in Madrid three decades ago, they left Iran out in the cold, despite the wishes of its then president, Ali Akbar Rafsanjani, to participate. Snubbed, Iran's new supreme leader, Mr Khamenei, convened his own conference for resistance against Israel instead. Hamas's bus-bombings in Israel followed, undermining the peace process between Israel and the Palestinians.

With talk of a peace settlement again in the air, Badr Albusaidi, Oman's foreign minister, in an opinion piece in *The Economist*, called for another Madrid-like conference, this time with Iran at the table. Although Israelis and Americans frame Israeli-Gulf normalisation as a common front against Iran, the Islamic Republic is signalling that it wants to be part of a new order.

Constructive diplomacy jars, given the hardliners' history as spoilers. But it is a measure of their desperation that they are adopting policies at home and abroad that they had previously derided. "Everything that the hardliners opposed under Rouhani, they're now doing themselves," says Mr

Mirdamadi. A place at an international conference (and de facto recognition of Israel) could throw the clerics the lifeline of international legitimacy and grant them a reprieve from sanctions.

It is not for want of trying alternatives. Mr Khamenei had tried reaching out to China. But it has at least partly complied with America's sanctions on dollar flows. The $400bn in infrastructure projects over 25 years that China had promised in 2021 have had a slow start. Iranian officials now regret their foot-dragging over a new deal with America for sanctions relief in exchange for nuclear curbs.

Short of a fresh start with America, Iranians wonder how long the uneasy stand-off between the clerics and their people will hold. Mr Khamenei's age (84) and poor health have left a vacuum. Unlike his predecessor, Mr Khamenei shies from filling it by appointing a deputy. Hardliners look to the elections, particularly of the assembly of experts, to cement their grip on the succession. But they are hardly a united bunch. Conservatives want to shoehorn Mr Raisi into the job, though he lacks the credentials. Others propose Mojtaba, Mr Khamenei's second son.

Meanwhile, opposition forces are gathering against them. A circle of aggrieved, sidelined reformists hover in the wings, waiting for the hardliners to fail. Normally tight-lipped officials now brief foreigners about the hardliners' abuses of power. Mohammad Zarif, who had been Mr Rouhani's amicable foreign minister, is being kept under guard and has been stripped of his passport, some say.

Yet those who want change also disagree about how to achieve it. Ambitious IRGC commanders aspire to the Pakistani model of a pseudo-democracy under the military's thumb. Democrats hope for a new constitution, which would vest sovereignty in parliament. Some seek a reform-minded strongman. They all seem to agree that Iran's *wilayat al-faqih*, or rule of the religious jurist, has run its course. ■

The Americas

- Lula’s gaffes are dulling Brazil’s G20 shine
- The former president of Honduras is tried for drug trafficking
- Argentina’s football clubs are resisting privatisation

Bringing back Brazil

Lula’s gaffes are dulling Brazil’s G20 shine

Its relationships with the West are healing. But Brazil has not decided what kind of country it will be

Feb 27th 2024 | São Paulo

THE SUMMIT is not until November, but the meetings have already begun. Foreign ministers arrived in Rio de Janeiro on February 21st to inaugurate Brazil’s presidency of the G20, an intergovernmental talking shop for countries representing over 80% of global GDP. Finance ministers and central-bank governors held their own opening pow-wow in São Paulo on February 28th and 29th. Brazil’s president, Luiz Inácio Lula da Silva (known as Lula), aims to use his year at the helm of the G20 to convince the world of his most repeated promise, that “Brazil is back”.

The world’s ninth-largest economy spent four years prior to Lula’s inauguration as something of an international pariah. His predecessor, far-right populist Jair Bolsonaro, allowed destructive development of the Amazon rainforest and aligned himself with autocrats. He told Brazilians to “stop being a country of sissies” during the covid-19 pandemic, urged them to take hydroxychloroquine, a malaria drug, and speculated that vaccines might cause AIDS (they do not). Mr Bolsonaro made few international trips and pulled out of hosting COP25, the UN's climate summit.

After being in power between 2003 and 2010, the first year of Lula's third term in office has, for the most part, been a repudiation of conspiracy and insularity. He has already made 27 foreign trips, more than Mr Bolsonaro did through his entire term, including to the G7 in Japan, the UN General Assembly in New York, and high-profile bilateral visits to Washington and Beijing.

Relations with the United States have improved, even if more in terms of goodwill than substantive cooperation. Lula and President Joe Biden have bonded over attacks on government buildings by their predecessors' followers, and their shared support for labour rights. Brazilian officials want to emulate Mr Biden's industrial policy. Speaking in Rio on February 21st, Antony Blinken, America's secretary of state, proclaimed that ties between the two countries were "stronger than ever".

The Economist

Economic revival after a decade-long slump has lent Lula more heft. Analysts initially reckoned GDP might grow by just 0.8% in 2023, the year he took office. Official figures, due to be published as *The Economist* went to press, are expected to show it grew by 3%. Growth is likely to slacken in

2024 due to a weak harvest, but Elijah Oliveros-Rosen of S&P, a ratings agency, thinks Brazil is relatively well placed for strong performance in this decade (see chart). Recent structural reforms, including an overhaul of the consumption-tax system, are boosting investment.

Brazil is likely to benefit from the energy transition. Affordable green technology of all kinds is pouring in from China, as is money, which is being invested into everything from telecoms infrastructure to mining and hydroelectricity generation. According to the OECD, a club of mostly rich countries, Brazil was the second-biggest recipient of foreign direct investment in the world in the first half of 2023, the latest period for which data are available.

And Lula's return to power has yielded progress on what is perhaps Brazil's most important global responsibility, the protection of the Amazon rainforest. Deforestation in the Amazon fell by half in 2023, compared to 2022. Brazil will aim to capitalise on this success when it hosts COP30 next year, in the Amazonian city of Belém (though Lula's efforts to turn Brazil into a big oil exporter will weaken his environmental credentials).

Yet Lula has undermined his administration's successes with unscripted remarks, and a naive desire to appear chummy with autocrats and democrats alike.

Shortly before foreign ministers gathered in Rio, Lula was touring Egypt and Ethiopia. Both had recently joined the BRICS, a group of emerging economies, and Lula was promoting Brazil as a leader for the global south. But it was his inflammatory statements at a press conference in Addis Ababa on February 19th that made headlines. "What is happening in Gaza and to the Palestinian people has not existed at any other time in history," he said, adding erroneously, that "actually, it has existed: when Hitler decided to kill the Jews".

Israel immediately declared Lula to be a "persona non grata" and summoned Brazil's ambassador to the Holocaust Museum in Jerusalem for a reprimand. Hamas, the Palestinian Islamist group which runs Gaza, praised his comments as "accurate".

He is strikingly less keen to judge other countries. When asked at the same press conference about Alexei Navalny, the Russian opposition leader who died on February 16th in the Arctic penal colony to which Mr Putin had banished him, he demurred. “Why the rush to accuse someone? A citizen died in prison; I don’t know if he was ill or had any issues.”

It was not Lula’s first display of sympathy towards Mr Putin’s regime. He has blamed Ukraine for being invaded by Russia. In September he said Mr Putin would not be arrested if he attended the G20 summit, though he later walked back the comment (a warrant from the International Criminal Court obliges Brazil’s courts to detain Mr Putin). This attitude differs little from that of his predecessor, who visited Mr Putin one week before Russia invaded Ukraine. Brazil has become the world’s biggest buyer of Russian diesel.

Gift of the gaffe

The most generous interpretation is that remarks of this kind are a cynical ploy to galvanise the leftist base of Lula’s Workers’ Party. Even if that is working, it is having severe side-effects. As well as irking Western allies, Lula has forged common ground on which Brazil’s right wing and alienated centrists have come together.

On February 25th Mr Bolsonaro called on his followers to march in São Paulo against an investigation into his role in the events of January 8th 2023, when his supporters attempted to overturn the results of the presidential election. Mr Bolsonaro and thousands of his fans, many of whom are evangelical Christians who support Israel, arrived at the march draped in Israeli flags. Senators and congressmen who had been attempting to avoid association with Mr Bolsonaro felt compelled to show up in the wake of Lula’s outburst.

These inconsistencies risk weakening the overall effect of Lula’s foreign policy, says Rubens Ricupero, a former Brazilian ambassador. Lula wants Brazil to be all things to all people: a friend of the West and a leader of the global south, a defender of the environment and a global oil power, a promoter of peace and an ally for autocrats. Brazil may well be back, but the part it is playing on the world stage is murkier than it should be.■

***Correction (February 28th 2024)**: In an earlier version of this piece we incorrectly implied that Lula is currently serving his second term in office. This is his third term. Sorry.*

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The switcheroo

The former president of Honduras is tried for drug trafficking

Juan Orlando Hernández used to be a prominent ally in the US war on drugs

Feb 29th 2024 | Miami

THE UNITED STATES has long struggled to find reliable allies in the so-called war on drugs. Take former Honduran president, Juan Orlando Hernández. Once feted in Washington as a partner in the struggle against the flow of narcotics, on February 20th he found himself in the dock in New York, standing trial for his alleged role in a drug-trafficking conspiracy that has run on for more than a decade.

In a 96-page document laying out their case against the former president, federal prosecutors say that Mr Hernández had merely "pretended to support the United States' efforts to curb drug trafficking", and had in fact been conspiring with drug lords to finance his political campaigns. Mr Hernández has strongly denied the accusations. He says they are lies made up by convicted traffickers looking to reduce their sentences in exchange for co-operation with prosecutors.

The case raises the question of why it is hard for the United States to find trustworthy allies in the war on drugs. Recent examples of apparent duplicity abound. In 2020, US officials arrested former Mexican defence minister General Salvador Cienfuegos, on charges of colluding with organised crime (the charges were dropped after Mexico threatened to restrict US Drug Enforcement Administration operations in Mexico). Mexico's former Secretary of Public Security, Genaro García Luna, was convicted in February last year of colluding with the Sinaloa syndicate during his time in office, between 2006 and 2012. At sentencing, he faces a minimum of 20 years in jail. Before his arrest, Mr García Luna was heralded as a "Supercop" who worked closely with US officials.

The waning popularity of the war on drugs is one part of the problem. That US allies question its commitment to the drug war at home is another. They cite the insatiable market for illegal drugs and the sale of guns to organised crime groups across Latin America. This has encouraged a softer stance on drugs across the region.

In Mexico, President Andrés Manuel López Obrador has broken with his predecessors' militarisation of the drug war, adopting what he calls a "hugs, not bullets" policy in an effort to reduce the country's astronomical homicide rate. While still cooperating with the United States, Mr López Obrador complains that DEA operations in Mexico abuse its sovereignty. When old DEA reports were leaked in January, alleging that Mr López Obrador's presidential campaign may have received financing from drug gangs, he responded by slamming the United States for running unsanctioned operations in the first place, denouncing such "immoral practices".

Things are no better in Colombia, which produces about 60% of the world's coca, the crop which is processed to make cocaine. Its leftist president Gustavo Petro is an open critic of the drug war, and has cut back on the eradication of coca crops.

The United States' record of working with unsavoury characters (most famously expressed in President Franklin D. Roosevelt's apocryphal remark that Nicaraguan dictator Anastasio Somoza García "may be a son of a bitch, but he's our son of a bitch") may also offer foreign leaders and officials a false sense of security.

“There is something very appealing about being considered one of the good guys. That is what the US sells,” said John Feeley, a retired US ambassador who served most of his career in Latin America. Visiting the White House and receiving delegations of powerful US officials can bolster a leader’s image at home.

Honduras was a priority in the drug war due to its role as an “air bridge” for flights carrying cocaine from South America to the United States. The corruption and violence associated with drug trafficking turned the country into one of the most violent places in the world, and fuelled migration to the United States.

The Honduran president really did play a pivotal role in helping to ease these problems. He created many structures used to take down drug kingpins, including an extradition treaty with the US that helped to seal his own fate a decade later. He also allowed the DEA to vet and train a special Honduran police team to go after major international drug trafficking networks. As a result of this cooperation, his government was a recipient of lavish US aid.

Mr Hernández may have thought that Washington would also turn a blind eye to his election campaign finances. Drug money was so plentiful in Honduras, a poor country of 10m people, that by the time he became a political force it was already ingrained in campaign financing.

But all the while, according to court documents, DEA agents in Honduras and prosecutors in the United States were quietly accumulating evidence of his alleged ties to influential drug traffickers.

They indicted Mr Hernández just two weeks after he left office, in early 2022. As many Hondurans celebrated, Mr Hernández was shackled and led away in disbelief. He is unlikely to be the last leader to let down Washington in its war on drugs.■

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Kicking back

Argentina's football clubs are resisting privatisation

Javier Milei wants to attract foreign money into ailing teams

Feb 29th 2024

ON A balmy afternoon in late February, Argentina's two biggest football clubs, River Plate and Boca Juniors, met for the *superclásico*, as matches between the two sides are called. The 111-year-old Buenos Aires derby, which ended in a 1-1 draw, has legendary status with the world's football fans. Tourist packages to attend games sell for more than one thousand dollars.

The Economist

The *superclásico* is a bright spot in an otherwise dull picture. Argentina's football clubs are in decline (see chart), even as its national team ranks best in the world. Fans bemoan a run of losses to Brazilian teams in the Copa Libertadores (South America's equivalent to Europe's Champions League), club mismanagement, and an exodus of Argentine players to foreign clubs.

Argentina's recently elected president, Javier Milei, believes that a lack of private investment is to blame for the sorry state of club football in his country. By law, clubs are run as non-profit associations owned by their members. Most revenue comes from ticket sales and TV rights.

Many struggle to make ends meet. Last year, the situation was so dire for Independiente (one of Argentina's "big five" teams) that a social-media influencer started a crowdfunding campaign to help repay the club's gigantic debts.

Mr Milei reckons he has a quick fix: rewriting the law to allow clubs to become limited companies. He has said this could bring in billions of dollars from rich Arab and European investors, and claims that British club Chelsea is already sniffing around for opportunities. "Quick money", as Mr Milei calls it, would bring huge benefits. If your team is winning, he says, who cares who owns the club?

It turns out that a lot of Argentines care a great deal. Mr Milei's proposals have been roundly opposed by Argentina's football association, clubs and fans. They worry that clubs' role in their local communities would change. Argentine football clubs often provide facilities for dozens of other sports, education and healthcare services, and even run the odd university. Private ownership would probably not find those provisions to be profitable.

Another concern is that new owners might buy up Argentinian clubs in order to turn them into talent farms for more lucrative leagues in Europe. This model of ownership would increase the flood of players to foreign clubs, rather than stem it.

The courts are already involved. On January 30th a federal judge upheld an objection from a league in Salto arguing that the government's privatisation plans are unconstitutional. The judge ruled that allowing football clubs to become limited companies could undermine non-profit associations and their broader role in society. Other court cases are likely to follow, as football clubs seek to derail Mr Milei's plans.

And even if Mr Milei can push his reforms through, there is unlikely to be a long queue of investors eager to buy stakes in domestic clubs. Other countries in the region have made similar moves in the past, notably Brazil, which opened clubs to private investment in 2021. Only a few Brazilian clubs have received foreign money since then, and at nowhere near the levels touted by Mr Milei.

There are several Argentina-specific factors which might put investors off, too. There are problems with violence between rival *barras bravas* (thuggish groups of supporters). New owners may fear retribution for making unpopular decisions. "These are the most visible businesses in Argentina. If you sell a player they disagree with, they know where you live and where your children go to school," notes Simon Kuper, author of "Soccernomics".

Risk appetite

Others may be dissuaded by the dire state of Argentina's economy. Triple-digit inflation, multiple exchange rates, foreign currency shortages and a recent history of on-off capital controls do not inspire confidence that foreigners will be able to remit any profits. That Argentina regularly flip-flops between populist and pragmatist governments means that measures introduced by one administration are often reversed by the next. With the rules of the game changing so frequently, private investors may conclude that ploughing money into Argentinian clubs is too risky.

This all has implications beyond football. The president aims to deregulate and open up other (larger) sectors to private investment. It is tempting, but wrong, to assume that money will pour in if laws change. Investors need to be convinced that potential rewards are worth the risk. They want reassurance that government policy will be less erratic. That is lacking at present. The risk for Mr Milei is that even if he survives bruising battles with congress and the courts, and pushes his reforms through, investors will end up waiting on the sidelines.■

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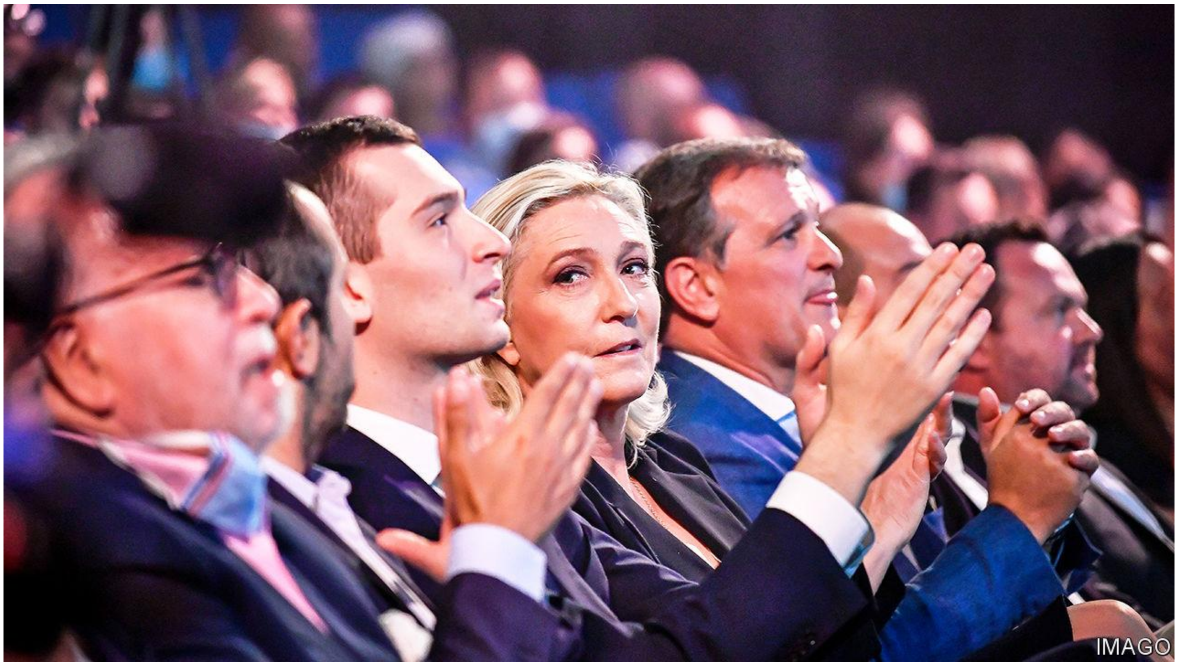
Europe

France’s National Rally

How Marine Le Pen is preparing for power

The party has its eyes not on protest but on the presidency

Feb 25th 2024 | PARIS



IT IS AN annual ritual in France for politicians to make a new year’s address. Time was that Marine Le Pen, the leader of the hard-right National Rally (RN, formerly the National Front), did so from the back room of a boxy building in Nanterre, on the drab outskirts of Paris. In those days the party she took over in 2011 from her father, Jean-Marie, was more about low-budget protest and fringe provocation than taking power.

This January the job fell to Jordan Bardella, her slick 28-year-old protégé and now RN president, whom she watched from the front row. In a dark suit and tie, he spoke from a grand *salon* on the swanky Avenue Hoche in Paris, a step away from the Champs-Elysées. The symbolism was potent. The shift from the capital’s periphery to the heart of elite Paris encapsulates a strategy: the RN is preparing for power.

Ms Le Pen is no stranger to national elections. Since taking the helm at what was then an extreme-right outfit, co-founded in 1972 by a former member of the Waffen SS and nostalgic for French-run Algeria, she has shaped it into a nationalist-populist party. Having stood at three presidential elections, she has made it to the final run-off in two. Each time, she has lost to the current president, Emmanuel Macron. But her final score has jumped: from 34% in 2017 to 41% in 2022. In 2027 Mr Macron will be barred from running for a third consecutive term. Some early polls now suggest—however prematurely—that this time Ms Le Pen could scrape a victory.

The RN is changing gear. In quiet meetings in the back rooms of Paris, party officials and elected deputies are gathering input on everything from market risk to energy policy. Advisers, says one, are working on a handful of legislative bills that would be ready to go to parliament, and a programme for her first 100 days. A 60-page draft economic policy was handed to Ms Le Pen in February, written by Jean-Philippe Tanguy, a young RN deputy and business-school graduate. Each month a secret group of sympathetic high-level civil servants, many retired but some of them young, meets Ms Le Pen to offer advice.

Such work is partly about scouting for technocratic talent in a party where this has long been scant. The RN has just recruited a top ex-Euro-official: Fabrice Leggeri, the hard-line former head of Frontex, the EU border-control body. A graduate of the elite École Nationale d'Administration, he has joined the campaign for elections to the European Parliament in June, which Mr Bardella will launch on March 3rd.

The RN's outreach is also part of a charm offensive on the Paris establishment. This is not so much an effort to woo support, unlikely to be forthcoming in a city that voted overwhelmingly for Mr Macron. Rather, it is a bid to neutralise influential opinion. In the tight circles of the capital's elite, the RN hopes to persuade some prominent figures to stop spreading alarm about what the party's victory might mean.

Already some doors are opening. Mr Bardella was invited in November to debate with students at HEC, a top business school. Aides are trying, though with difficulty, to set up meetings for him and his boss with CAC 40 business leaders. Late last year Ms Le Pen lunched publicly with a former boss of EDF, the state-owned electricity utility, at an upscale Paris restaurant.

For a party that portrays itself as the champion of the people, such efforts are necessarily tricky. In 2022 Ms Le Pen railed against the "globalist" Mr Macron, who "enslaves mankind to the logic of economics and accounting". Yet the RN is also now courting more educated voters. In 2022 only 26% of those with a university degree voted for Ms Le Pen in the second round.

Today's watchword is reassurance. On policy, Ms Le Pen has dropped calls for "Frexit", leaving the EU or the euro, which worried voters, while retaining her core nationalist demands. On style, today's RN has been purged of its most thuggish elements and antisemitic rhetoric. Ms Le Pen's 87 fellow deputies sit, besuited, in parliament; two periodically preside over sittings. Having renamed the party, evicted her father and shed its family-values conservatism, Ms Le Pen has installed a new generation of loyalists. The single biggest age group among RN deputies is now the 30- to 39-year-olds. For the first time in 40 years a poll in December showed that a plurality of the French (45%) no longer consider the party a "danger for democracy".

How far the RN really has shed its past instincts, however, let alone gained the skills to govern, is another question. Ms Le Pen is certainly not yet a guest at the clubs and debates frequented by the Paris elite. Toxic hangers-on still move in her orbit. She is an admirer of Hungary's strongman, Viktor Orban, and the RN sits in the European Parliament with Germany's far-right AfD. A Kremlin-linked Russian bank financed some of her previous election campaigns. Even now the RN argues against Ukraine joining either NATO or the EU.

The difficulty for centrist politicians, though, is that the RN's normalisation has gone far enough to defang some of their usual tactics against it. Taking the moral high ground, or scaremongering, no longer washes with many voters. Younger ones, who barely recall her father, see Mr Bardella as just another politician; a pinned clip on his TikTok account has a massive 8.5m views. In Italy the relative moderation in office of Giorgia Meloni, the prime minister, whose party has roots in post-war neo-fascism, also weakens the case for panic. "Fear in public opinion is overestimated," says Dominique Reynié, director of Fondapol, a think-tank. "People think that Le Pen is someone like them."

Ahead of European Parliament elections in June, Mr Macron has installed a counterpoint to Mr Bardella as prime minister: the 34-year-old Gabriel Attal. Six years apart, each uncommonly poised in debates, the pair have faced each other in television studios before. Already, Mr Attal is far more popular than his boss, with a 53% approval rating, 17 points higher than Mr Macron's. But his arrival has not yet dented the crushing ten-point lead that the RN enjoys over Mr Macron's Renaissance grouping in polls for the Euro-election.

Most awkwardly, Mr Macron's attempt to follow the electorate to the right on immigration has ended up helping the RN. In a tactical ambush the RN unexpectedly backed his recent immigration bill, embarrassing the government and allowing Ms Le Pen to claim an "ideological victory".

Finding a way to resist nationalist-populism challenges all Europe's centrists. Rational argument is a flimsy tool against its simplistic certitudes. Back in 2017, during a presidential debate, Mr Macron famously exposed Ms Le Pen as unfit to govern, when she confused two big French firms and failed to explain her unfathomable currency policy. The more her party does its homework, the harder this argument will be to make. "Our adversaries underestimate the RN," says the party's Mr Tanguy. "They don't realise that we are ready." ■

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Friendly fire

France and Germany are at loggerheads over military aid to Ukraine

A summit in France made things worse

Feb 29th 2024

EMMANUEL MACRON, France's president, had presumably hoped that a summit in Paris on February 26th would demonstrate European unity behind Ukraine. Instead it seems to have resulted in an unseemly spat with Germany and raised awkward questions over the extent of both countries' military aid. Mr Macron, who has taken an increasingly hawkish tone on the issue, declared that Russia's "defeat"—his first unambiguous use of that word—was "indispensable to security and stability in Europe" and promised missiles for "deep strikes" into Russia. But he also criticised those "who say give them just sleeping bags and helmets"—a swipe at Germany's initial policy—and said he did not rule out the deployment of ground troops to Ukraine (for non-combat tasks, officials later clarified).

The Economist

The backlash was immediate. "It is clear," tweeted Olaf Scholz, Germany's chancellor, who had attended the summit in person. "There will be no ground troops from European countries or NATO." That position was echoed by several other governments. Robert Habeck, Mr Scholz's deputy, was even sharper. "I'm pleased that France is thinking about how to increase its support for Ukraine," he said, "but if I could give it a word of advice—supply more weapons." Mr Habeck's rebuke reflects mounting criticism among German and other European officials that France has failed to pull its weight in Ukraine, despite Mr Macron's grandstanding.

According to widely cited figures collected by the Kiel Institute, a think-tank in Germany, France has committed just €1.8bn ($1.94bn) in aid to Ukraine, including €640m of military assistance. The institute puts it in 14th place among allies. On Kiel's count, its total pledges, military, economic and humanitarian, add up to around 0.1% of GDP, a dismal figure compared with 0.5% for Britain, 0.6% for Germany and a remarkable 3.6% for Estonia.

French officials vehemently dispute these numbers, however. They argue that many French deliveries are secret; that the Kiel tracker looks at pledges rather than actual deliveries; and that France has channelled a lot of its support though the European Peace Facility, an EU fund for Ukraine. Last year Sebastien Lecornu, France's defence minister, insisted that his country would be in the top five if the latter were included. Mr Macron, eager to dispel the accusation of stinginess, has said that French aid in 2024 will hit €3bn this year, up from €1.7bn in 2022 and €2.1bn in 2023.

Even going by those figures, though, France's pledged military aid, totalling €6.8bn, is still modest as a proportion of GDP and relative to both Britain (€9.1bn) and Germany (a whopping €17.7bn, albeit stretching to 2027). French deliveries have included highly impactful weapons like CAESAR howitzers and SCALP cruise missiles, according to Rym Momtaz of the International Institute for Strategic Studies, a think-tank, but only in limited quantities. "The amount of kit France has supplied isn't commensurate with its rank as a military power," she argues, emphasising its "below par" donation of shells. "France was late to the party."

Mr Macron's increasingly robust stand on Russia—which marks a sharp divergence from his views early on in the war, when he called on allies not to "humiliate" Russia and proposed security "guarantees" for the country—have been welcomed in eastern Europe. "Macron is for real," says one Baltic diplomat. "Times like these require political leadership, ambition and courage to think out of the box," wrote Gabrielius Landsbergis, Lithuania's foreign minister. "The initiative behind the Paris meeting…is well worth considering."

The view from Berlin is less charitable. For Germany, the key outcome of the Paris summit was that Mr Macron dropped what was seen as France's egregious veto on the use of EU funds to buy ammunition from outside the bloc. Yet the post-summit friction also had other causes. Mr Macron's emphasis on building a missile coalition was seen as an effort to cajole Germany into sending its Taurus cruise missile to Ukraine. Taurus would not only supplement a dwindling stock of British and French missiles, which have been used to devastating effect, but is also thought to be particularly well suited to destroying the Kerch Strait bridge from the Russian mainland to Crimea.

Mr Scholz has long resisted these calls, fearful that sending Taurus would lead to escalation with Russia. That is not just because of concerns over the sensitivity of Crimea or the fact that the missile could theoretically strike Russian cities. It also reflects a conviction—hotly contested by his many critics—that Germany would need to send troops to monitor how the missiles were used. That is not so much for technical reasons as political ones.

"What is being done in the way of…targeting support on the part of the British and the French can't be done in Germany," said Mr Scholz on February 26th, referring, obliquely, to the widespread belief that British and French special forces in Ukraine exercise oversight by identifying, vetting and programming targets into Anglo-French missiles. Britain and France can deploy such troops with virtually no political or parliamentary oversight. Germany cannot. Merely hinting at this, however, has been seen by some as an outrageous "outing" of what his allies are up to.

Moreover, some Germans worry that if the issue were to become a matter for the constitutional court, it could act to jeopardise support for wider German aid. "German soldiers", insisted Mr Scholz, "must at no point and in no place be linked to targets [Taurus] reaches." In theory, Germany could send the missiles to Britain or France, allowing their personnel to monitor the weapons' use. In practice that would require a level of trust that, on the evidence of this week, is sorely lacking. ■

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Get off the fence

Europe hopes barbed wire will keep migrants out. It won't

Politicians feel compelled to respond to voters' concerns

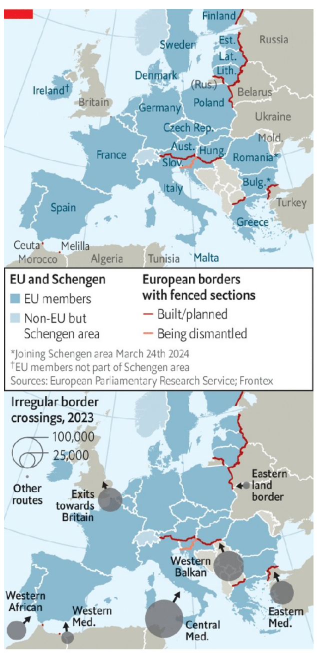
Feb 29th 2024

WHEN SPAIN first surrounded Ceuta and Melilla, its North African exclaves, in barbed wire in 1993 and 1996, few suspected the practice would catch on. The 1990s were, after all, an optimistic time in Europe, as the Berlin Wall came down. Alas, things have been changing. Between 2014 and 2023, the total length of border fences in the EU rose from 315 to 2,163km. Another 245km will go up this year.

Fences first spiked in popularity during the Syria-driven migrant crisis of 2015-16. Now, with pandemic-era restrictions gone, illegal migration is back in full spate. Frontex, the EU's external-border agency, registered 380,000 illegal border crossings last year, the highest number since 2016. Europe is turning to fences to stem the tide and confront Russian hostility. Nowhere is that clearer than along its eastern border, where Russia and Belarus have engineered migrant influxes into Poland, Latvia, Lithuania and Finland. Each responded with barbed wire.

The costs are immense. Poland, which decided to build a €353m ($407m) electric fence along its border with Belarus in 2021, kitted out its Russian border with state-of-the art cameras and motion detectors for €80m last year. Finland will shell out €380m to fence off just 200km, or 15%, of its 1,340km-long border with Russia by 2026; maintenance costs are on top of that.

Fences are pretty poor value for money. For all its high-tech gadgets, Poland's fortified border failed to prevent a surge in crossings last year. Slovenia took down its fence with Croatia in 2022 after it failed to bring numbers down. Besides, "any kind of physical obstacle in one area…just shifts the movement to other areas," says Chris Borowski from Frontex.



The Economist

Europe is hardly being flooded with migrants, either. Unauthorised crossings accounted for just 0.13% of all external crossings in the EU in 2022. Most enter Europe via the Mediterranean, not the Balkans or the eastern land border (see map). Large-scale migration from Russia is "not a very big risk", admits Colonel Marko Saareks, deputy chief of Finland's Border and Coastal Guard. "We have to prepare anyway."

Voter unease has compelled leaders to act, however inefficiently. The EU has toughened its stance on migration over recent years. Funding for Frontex has surged. In December, member countries agreed on a new migration pact, which will make it easier to deport failed asylum-seekers. “There’s a willingness to do whatever is needed in order to keep people at bay,” says Helena Hahn from the European Policy Centre, a think tank.

Mediterranean countries have long borne the brunt of illegal migration. The new pact may help (it requires countries to accept refugees or pay up) but it raises legal and moral conundrums for the EU. Fences “are the epitome of the failure of migration policies in the 21st century”, argues Sergio Carrera from the Centre for European Policy Studies, a think-tank. Hundreds of migrants have died at Greece’s fortified border with Turkey. Europe is fencing off its responsibilities to migrants and asylum-seekers, says Mr Carrera. ■

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After the war

Azerbaijan is racing to rebuild in recaptured Nagorno-Karabakh

Exiled Azeris are returning

Feb 29th 2024 | Agdam

ARIF HAJIYEV has spent his career working for the municipality of Agdam, his home town in Azerbaijan. For three decades, however, he was unable to set foot there. In the early 1990s, Agdam fell victim to the war in Nagorno-Karabakh, a multi-ethnic region claimed by both Azerbaijan and Armenia. Its Azeri population fled, and the town was looted and landmined. But in November 2020, Azerbaijan won back much of the territory, including Agdam. Now, Mr Hajiyev says, a new era has arrived. “I am more than excited to be moving back,” he says, gazing at the ruins of his former high school.

Agdam is the centrepiece of Azerbaijan’s reconstruction of Nagorno-Karabakh: a huge project to rebuild towns and villages and resettle some 700,000 Azeris who fled the region during a war with Armenia in the early 1990s. An area covering 4,400 square km was largely abandoned and militarised, and by the time Azerbaijan took back control there was barely a house left standing. (In September 2023, 120,000 ethnic Armenians fled a second Azerbaijani offensive in Nagorno-Karabakh; their homes are now abandoned as their Azeri neighbours' once were.)

President Ilham Aliyev has pledged that 140,000 Azeris will return to the region by 2026. He is earmarking $2.4bn for reconstruction in 2024, more than a tenth of the country's annual budget. Roads and railways as well as housing need rehabilitation, and the spending spree is bringing rewards for Mr Aliyev's friends. Allies of Azerbaijan, a bewildering spectrum including Hungary, Israel, Japan, Britain and Iran, have expressed interest in bidding. Turkish firms have been prioritised, in return for Ankara's decisive military support in Karabakh over the past four years; by the end of 2023, Turkish firms had won $3.4bn in contracts.

Mr Hajiyev was 34 years old when he left the city. He remained on the municipality's payroll, and is now involved in the town's reconstruction. "A lot of people call me to ask when they can come back. Everyone is waiting for the day," he says.

The official masterplan for the new Agdam shows concentric roads winding around preserved portions of the old ruins, spreading out into zoned municipal, residential and recreational areas. It will cover 2,000 hectares, and include a new stadium for Qarabag FC, the local football team, which has been playing from a borrowed stadium in Baku. Huge new buildings—a high school and residential blocks—already loom over the remains of the old city, and a tourist path has been marked out with multilingual signs. Several villages have already been completed, and families who have returned display photos with Mr Aliyev in their pristine new houses. Most of the area, though, is still a minefield and construction site: Agdam's renewal is expected to last until 2050.

The Azerbaijan government says that Nagorno-Karabakh's displaced Armenians can also return, but few are likely to accept; in October, Mr Aliyev was filmed trampling on their flag in their abandoned city. That's not exactly an incentive. ■

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Within range

Kharkiv is struggling under Russian rocket attacks

A border region liberated by Ukraine's army faces a new onslaught

Feb 26th 2024 | Kharkiv

"THAT IS MY blood," says Natalya Popova, showing a video she took on January 2nd in her flat in Kharkiv. When a missile hit nearby she grabbed her six-year-old son and put him in the bathtub, covering him in blankets for protection. A second explosion peppered her with shards of glass. They survived, but Ms Popova is sending her son out of the city. A renewed wave of attacks since December has shaken the confidence of this north-eastern Ukrainian city and region, leaving its people angry and dejected.

Before Vladimir Putin's invasion in February 2022, almost everyone in Kharkiv dismissed the idea that Russia would attack this predominantly Russian-speaking city, 40km south of the border. "Would your brother attack you? No, he would not!" yelled an angry woman your correspondent spoke to in a market at the time. Ten days later Russian troops entered Kharkiv, only to be beaten back by Ukrainian forces. They then spent six months shelling it from the outskirts.

Within weeks of the attack the city's population had shrunk from over 1m to just 300,000, according to Oleh Syniehubov, the governor of Kharkiv province. When Ukraine's army forced the Russians out in September 2022, hundreds of thousands of Ukrainians returned. Now Mr Syniehubov says that there are 2.3m people in Kharkiv province, compared with 2.7m two years ago. Shops and businesses began to reopen last summer, and people in Kharkiv shared the country's widespread belief that a Ukrainian victory was within reach.

The Economist

That optimism is long gone. Some who returned have begun to leave again, though so far the numbers are small. "Compared with autumn, business is down by 50%," says Lilia Muntian, co-owner of Pakufuda, a board game-themed café. She says some people have left because their companies have relocated to safer parts of the country. Anna, a teacher, says her 12-year-old son is panicked by the missiles. She plans to send him to family hundreds of kilometres away on Ukraine's border with Romania.

In the Nemyshliansky district of Kharkiv, teddy bears and toys form a memorial outside the remains of a house where three children died after a Russian drone strike on February 9th. The drones hit a nearby fuel depot, unleashing a torrent of flaming petrol that killed seven people in total. Since December 30th some 300 city buildings have been damaged or destroyed, and about 200 people injured. At least 20 have died. "It is not normal to live like this," says Mr Syniehubov, an air-raid siren wailing in the background. People have grown used to war, but it is taking its toll. In the Victory metro station, a passageway has been converted into subterranean classrooms.

Unlike Kyiv, Odessa and other big cities, Kharkiv is visibly battered by the war. The windows of homes and shops remain boarded up. Some rural parts of the province are barely hanging on. In Mala Komyshuvakha, 140km south-east of Kharkiv, seven villagers stand awaiting visitors from the International Rescue Committee, an aid organisation, to register them for a modest cash grant. Only 15 residents remain of the 80 who lived here before the invasion. Every house was destroyed or damaged during the Russian occupation. Sixteen months later there is still no electricity, gas or mobile signal. The stoical villagers make do with occasional aid and pensions, whatever produce they can grow and the chickens, rabbits, geese and goats they keep. For heating, they salvage logs once used to fortify Russian trenches. ■

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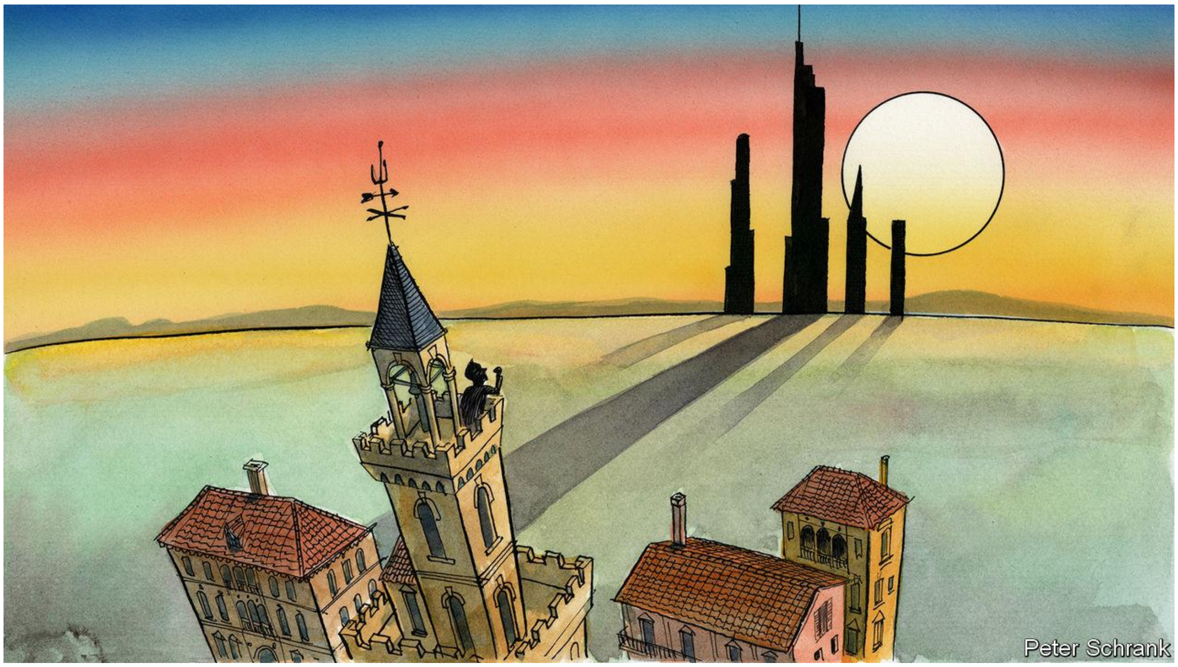
Charlemagne

Is Europe's stubby skyline a sign of low ambition?

Only seven of the world's 1,000 tallest buildings are in the EU

Feb 28th 2024



ATOP AN ORDINARY slab of office building in downtown Warsaw juts what at first might look like yet another example of architectural one-upmanship. But the 80-metre steel spire pointing out of the newish Varso tower is not there merely to provide bragging rights to the building's owners. For over six decades until Varso was completed in 2022, the tallest building in Poland had been a monumental "gift" from Joseph Stalin, a tribute to unrequited communist amity completed two years after the dictator's death in 1953. Without its pointy appendage the new edifice—a tribute to capitalism just one city block away from the enduring Soviet monolith—would have fallen a few centimetres short. Standing proud at 310 metres including its spire, Varso thus holds the title of tallest occupied building not just in the city but in the whole EU.

Those hoping to glimpse a marvel of architecture and engineering are in for a disappointment: Varso and its 53 floors would be difficult to spot in the thicket of skyscrapers found in Manhattan, Shanghai or Dubai these days.

Even with its height-enhancing spire the Polish edifice is but the 172nd tallest building in the world, according to the tower-spotters at the Council on Tall Buildings and Urban Habitat (CTBUH), based in Chicago. Continental Europe's second-tallest tower does not make the global top 500; in the year Varso was completed seven skyscrapers went up in America, China, Indonesia and Kazakhstan that would overshadow it. Once an American phenomenon, high-rises have long since become a global one. Everywhere is building upwards, higher, further into the sky—except Europe. At least outside the continent's fringes in London, Istanbul and Moscow, it is the peninsula that tower-builders forgot. Both North and South America, Asia, Oceania and soon Africa all have more buildings of 250 metres or higher. Only seven of the world's tallest 1,000 buildings are in the EU.

And long may that remain the case, many might say. What would Rome or Prague want with such outsize erections? A continent of piazzas and tree-lined boulevards needs no such monuments to the Trumpian egos of developers. Yet Europe's reticence even when it comes to shorter scrapers is notable. As a rich place with scarce land and lots of people—Germany has a higher population density than the tower-mad United Arab Emirates—Europe might have been expected to join the tower-builders. For those who see skyscrapers as a symbol of progress and ambition, this once again looks like the signal of a continent that has given up.

The obvious reason for Europe's low-rise skylines is its stringent planning and heritage rules. Tall buildings sprouted in America in the late 19th century thanks to developments in the steel frames needed to build them and lifts to get people to their upper floors. Europe had the skills to deploy these—Gustave Eiffel knew a thing or two about metal structures, and Werner von Siemens about lifts—but by then its major cities already had rich neighbourhoods worth preserving. The density that American wannabe metropolises sought to create with skyscrapers already existed in the compact warren of streets that make up European cities.

It did not help that the high-rises Europe built often turned out poorly. In many countries the first towers were shabby public-housing projects, which dented the prestige of tall buildings. Rotterdam ("Manhattan on the Maas") and Frankfurt ("Mainhattan"), two places with towers more modest than the nicknames might suggest, are on few tourists' itineraries. In Paris the Tour Montparnasse was considered so hideous after it was completed in 1973 that restrictions were introduced limiting buildings in the city to just 37 metres. Only in the business-district suburb of La Défense did tall buildings pop up—albeit at a third the size of what Chinese or Emirati developers go for these days. "America builds its towers in the centre," says Daniel Safarik of the CTBUH. "For Europe, they are more often something you stick in the periphery." Out of sight, were they not so tall, and out of mind.

Europe's distinctive geography and economy play their part too. Given its northerly latitude, the views of the 1% atop skyscrapers come at the cost of more shade for the rest. The 245-metre Karlatornet currently under construction in Sweden will create a shadow at mid-afternoon roughly the same length as the Burj Khalifa in Dubai, the world's tallest building at 828 metres. A continent split into dozens of smallish countries resulted in few cities big enough to justify tall buildings: none of the world's biggest 25 metropolises are in Europe. Many skyscrapers globally were named after companies that sought the cachet that came with height, like the Sears tower in Chicago or the Chrysler building in New York City. Europe has relatively few such corporate giants.

Castles in the sky

The most recent burst of skyscrapers has involved status symbols in Asia. Developers in China and the Emirates vied to build higher in a bid to put second-tier cities on the map. Europe may justifiably feel it is above such games. "France does not need the tallest building in the world to be recognisable," says Dario Trabucco at the University of Venice. Another new fad is residential skyscrapers of the sort that now line Central Park in Manhattan. These are designed for the global *nouveau riche*, often from far afield. Europe is more of an old-money kind of place. Why move to the top of a glass tower when the family *palazzo* does the trick nicely?

Europe is no architectural sloth. But it has focused on making existing places better rather than colonising the urban sky. In short: more cycle lanes, fewer penthouses. It finds its architectural kicks in other ways: the pyramid in the courtyard of the Louvre and the glass dome atop the German Reichstag are no less ambitious than anything knocked up in Dubai or

Taipei. That Europe has known how to build high—but chosen not to—is visible to anybody who has visited Paris. The Eiffel Tower, built in 1889, has too little occupiable space to be considered a proper building. Still, it stands 20 metres higher than the top of Varso's spire. ■

Read more from Charlemagne, our columnist on European politics:
Europe's generosity to Ukrainian refugees is not so welcome—in Ukraine (Feb 22nd)
How not to botch the upcoming EU leadership reshuffle (Feb 14th)
Europe is importing a solar boom. Good news for (nearly) everyone (Feb 8th)

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Britain

Psephological profiling

A changing British electorate is propelling Labour towards victory

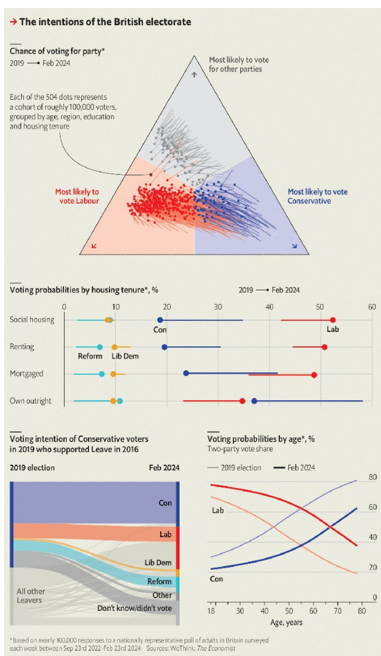
Our data shows that the party is forging a remarkably broad electoral coalition

Feb 28th 2024

AT THE LAST election in 2019 Labour slumped to its fourth defeat in a row, and its worst result in almost a century. As the Tories eyed another decade in power, Labour stared into the abyss. One senior MP concluded that the party had "no right to exist". Now Conservatives are the ones asking existential questions. The electoral coalition that was forged by Boris Johnson to "get Brexit done" has crumbled. Only half of those who backed the Tories last time say they will do so at the next election, which is set to take place this year.

Instead, Labour is on the brink of entering office. Its poll lead—of around 20 percentage points, according to our tracker—has hardly budged in a year. That puts the party roughly as far ahead as it was in the run-up to the 1997 election, when it last won power (and a thumping majority) under Sir Tony Blair. The polls could tighten. Voters do not especially love Labour or its leader, Sir Keir Starmer. But the electoral coalition the party is assembling could be even broader than the one squandered by the Tories, fusing an urban core with working-class voters in the north and suburban voters in the south.

To see what is happening beneath the headline polling numbers, *The Economist* has created [a model of individual voting behaviour] based on the views of nearly 100,000 Britons. Using data from WeThink, a polling firm that conducts a weekly survey of voting intentions, our model calculates the probability that a voter will pick a political party based on eight characteristics, from their age and sex to their educational level and the population density of the place they live. (You can use the model [here].)



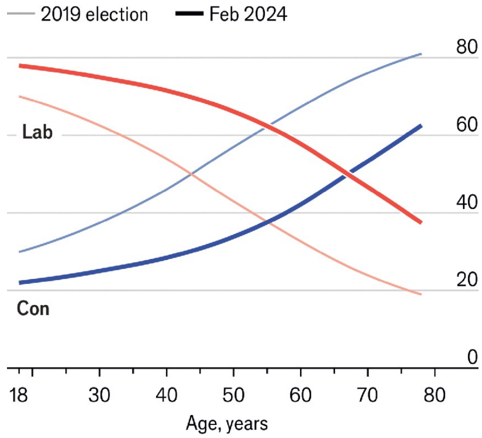
The Economist

The data underscore how the tide is going out after 14 years of Conservative rule. All of the biggest population groups have turned away from the government (see chart). Only 4% of the 51m adults in Britain are more likely to vote Tory than they were in 2019. They are from such unusual groups that you may struggle to find them (try older renters in the south-east, rural British Indians and young British Bangladeshi homeowners).

To see how Labour is benefiting from ebbing Tory fortunes, look at three archetypes who helped put Mr Johnson into office in 2019: a "red wall" voter in the north or Midlands who switched from Labour to the Conservatives for the first time, a "blue wall" Tory voter in southern England, and a Scot whose support for the Scottish National Party (SNP) meant fewer seats for Labour north of the border.

Voting probabilities by age*

Two-party vote share, %



*Based on nearly 100,000 responses to a nationally representative poll of adults in Britain surveyed each week between Sep 23rd 2022-Feb 23rd 2024
Sources: WeThink; *The Economist*

The classic "red wall" voter is a white man in the north-west aged between 55 and 64. Our estimates from the census suggest there are around 430,000 people who match this profile. In 2019 this kind of voter was more likely to vote Conservative than Labour. He is now twice as likely to back Labour, while also being tempted by Reform UK, an insurgent party critical of mass immigration. If this kind of swing materialises across the north of England, it is not impossible that the Tories could lose all 45 of their "red wall" seats.

Should that happen, the dominant narrative of the last election would be washed away. Lengthy tomes explored the sundered bond between Labour and the working classes in its former heartlands. The 2019 election seemed to reify a drift that had taken place over almost two decades. Even some Labour thinkers saw the break as irreversible.

A better explanation, suggests Christabel Cooper of Labour Together, a think-tank with close ties to Labour frontbenchers, was that a group of voters who should already have been swing voters (because they were close to the Tories on cultural issues like immigration) finally did swing. They left Labour when it ceased to offer them much—but they are now ready to abandon the Tories after promises to "level up" the country failed to materialise.

These voters fit a pattern seen across the Western world: low-income, less-educated, blue-collar workers who traditionally voted along class lines and are now up for grabs. Such "magic voters" are one reason why industrial policy is back in vogue, says Marcus Roberts of YouGov, a pollster.

Next, head to more traditional Tory territory and look at the voting intentions of a middle-aged, working woman with a mortgage in a suburban town in the south-east of England. There are about 160,000 people with a similar profile, according to our data. In 2019 this voter was almost twice as likely to back the Tories as Labour. Now she is almost twice as likely to vote Labour. Labour Together calls this type of voter "Stevenage woman", after a town in Hertfordshire. She is not ideological, but she does want competence.

Seats like Stevenage will be the second big battleground at the next election. Support for the Conservatives has also fallen sharply in the south, though not quite as precipitously as in the north. Some pollsters assume that, faced with the stark choice of a ballot paper, many will return to the fold, as has often happened before. But people have become less tribal. "In focus groups I have rarely seen former Tory voters so angry," says one pollster. Voters who were already unhappy about rising living costs and ropy public services became incensed by revelations of partying in Westminster during covid lockdowns and the debacle of Liz Truss's premiership.

Sir Keir's efforts to rebuild his party as a plausible government-in-waiting offer an alternative for these disenchanted Tories. But it is not the only one. The Liberal Democrats threaten to peel off more centrist Tory voters in the south-west and the south-east. They have also become competitive in London's commuter belt—in seats like Chesham and Amersham, where they won a by-election in 2021—by stirring up concerns about sewage, sleaze and uncontrolled housebuilding. Our model finds that the archetypal "Amersham man" flirting with the Liberal Democrats is over 65, semi-retired and lives in a village.

Immigration is a big concern for some former Tory supporters. At the last election the Brexit Party decided not to run in seats the Conservatives were defending. This time around there is no such non-aggression pact with Reform UK, its insurgent successor; one Reform figure says the party hopes to inflict a "punishment beating" on the Tories. The first taste of pain came on February 15th, when Reform took 13% of the vote in a by-election in Wellingborough. The probability that old white men in towns and rural areas of the east of England will vote for Reform has risen by 20 percentage points compared with their support for the Brexit Party in 2019.

Finally, look to Scotland. It was once a Labour stronghold, but the party's vote share there has fallen by more than half since 1997. In 2015 Scotland returned just one Labour MP; it now has two. But the latest polling data puts Labour level with the SNP. It now hopes to win almost half of Scottish seats, which would greatly ease its path to a majority.

Our model shows that the hardest swing in Scotland from the SNP and towards Labour is among less-educated people in cities. Labour is also doing very well among middle-aged Scots. Since 2019 the chance of a 35- to 44-year-old Scot voting for Labour has increased by more than half. Many Scottish voters have grown tired of maladministration under the SNP. The nationalists have also been hurt by a financing scandal that ensnared their former leader, Nicola Sturgeon.

If voters in these big battlegrounds and beyond vote as they currently intend, the 2024 election will produce one of the largest swings ever, perhaps even beating Labour's greatest victories in 1945 (11.8%) and 1997 (10.5%). Such a tidal shift, just five years after the Conservatives won the highest vote share of any party in four decades, can be explained partly by Tory missteps and Labour rebuilding. But two longer-term factors are also at work.

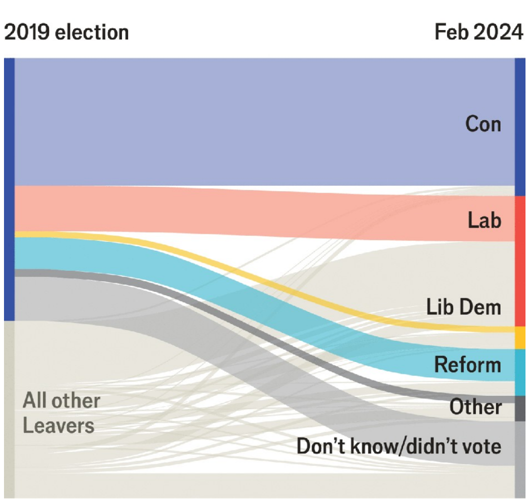
Swing high

Increased volatility is the first. In the 1960s around an eighth of British voters switched their choice between elections. By the 1980s it was a fifth. At the last election Professor Edward Fieldhouse, a political scientist at the University of Manchester, and his colleagues concluded that most of the electorate were swing voters. Politicians see it on the doorstep. "In 1997 around 40% of voters were up for grabs but today it is probably around 70%," says Jonathan Reynolds, Labour's shadow business secretary and an MP in the north-west.

This shift has been driven by falling partisanship and the rise of smaller parties. But it was accelerated by Brexit, which severed already-fraying party loyalties. As a result voters are more likely to deliver shocks in response to catalysing events like, say, a calamitous budget that triggers a run on sterling. That should be balm to anyone who worries about the blind factionalism of tribal politics. It also means that the handy mental model many employ for thinking about British elections, of slow but decisive swings of the pendulum, may now be out of date.

The second factor is the restructuring of British politics around age and education, says Professor Jane Green of the University of Oxford. This trend also has deep roots: the declining importance of class, the loss of industrial work and the expansion of higher education. But again Brexit marked a breakpoint. By uniting Leavers, the Tories became the party of the older and less-educated; Labour shrank to a core of voters in cities and university towns.

Voting intention of Conservative voters in 2019 who supported Leave in 2016



Sources: WeThink; *The Economist*

The pros and cons of Brexit itself, which dominated the past two elections, will barely feature in this campaign. How people voted in the 2016 referendum still helps to predict their votes, but the allegiances of Leavers and Remainers have become more fluid (see char).

Yet Brexit's demographic fingerprints remain. Although Labour has begun to win back support from people without degrees, education still has a strong link with voting choice, says Professor Rob Ford of Manchester University. Labour is dominant among the 5m graduates aged under 35, according to our model. This large cohort lives mostly in cities. But as they get older and move out, they will become a growing problem for the Tories. By 2031, Professor Ford calculates, there will be 249 seats across the country where graduates significantly outnumber school-leavers, compared with just 26 seats in 2011.

Age has become the starkest electoral dividing line. In 1997, 27% of 18-to 24-year-olds backed the Tories; our data puts the figure today at just 8%. Yet among the over-65s Labour is polling more than ten percentage points below where it was in 1997. At the next election our model suggests the median Tory voter will be seven years older compared with 1997. The median Labour voter will have got more than two years younger, despite the country having aged.

This skew means Sir Keir's coalition would be the youngest ever to elect a government. Labour will "win among the young to an extent never seen before", says Joe Twyman of Deltapoll, another pollster. At the same time Conservative support among those of working age has collapsed. At the last election, the crossover age where voters were more likely to vote Tory than Labour was 45. At the next one it will be 68, according to our data.

This single fact helps to explain the depth of Tory worries. A party that represents only the elderly may not itself live long. The age skew between the parties makes Britain an increasingly extreme outlier. Elsewhere in the west young people have not abandoned conservatism: in Canada and America, conservative parties still win around 40% of young voters. If they cannot appeal more to the young the Tories risk becoming the British version of 50PLUS, a Dutch Eurosceptic party that advocates for pensioners' interests.

Nothing has turned younger Britons off the Tories more than housing. Only around a third of Britons own their home at the age of 30, compared with more than half of earlier generations at that same age. Successive Tory governments have been unable to overcome the NIMBYism of their current voters, and as a result have alienated their future ones. "It is almost as if the Tories have a death wish," wrote James Forsyth, a journalist who is now political secretary to Rishi Sunak, the prime minister, in 2022.

Housing will also weigh on voters' minds in the run-up to the election because many mortgage-holders have been whacked with nasty interest-rate increases. For each month that the election is delayed, an average of 133,000 households will face an average increase of £288 ($365) in their monthly payments. Many blame the Tories, and Ms Truss's cameo in particular. In the south-east the swing from Conservative to Labour has been stronger among mortgage-holders than any other type of property tenure.

Labour gains, Labour pains

Labour is not certain of victory. Sir Keir will face more intense scrutiny as the campaign approaches. His response to the Israel-Gaza conflict has upset many of his MPs and some of his younger voters. More than a quarter of the Muslim voters who backed Labour in 2019 say they won't do so next time, according to Survation, another pollster. Our model suggests that, since the war in Gaza began, support for Labour among British Bangladeshis has fallen.

But the party's path to power is much clearer than the Tories'. The personal ratings of Mr Sunak are dire. The cost of living remains the main topic in many focus groups; the Tories trail Labour by around ten percentage points on economic competence (even in 1997 they were ahead on this front). Mr Sunak has failed to meet his target to cut National Health Service waiting lists by half. Fights over an ill-advised policy to deport asylum-seekers to Rwanda have done more to stir internecine rivalry than discomfort Labour.

Assuming Labour does win, its new coalition will change British politics. Although the Labour electorate would include suburban voters who are less gung-ho about new development, the voters who are most opposed to house building tend to be older, wealthier people in the south-east. Their party is unlikely to be the one in charge. If Labour returns to dominance in Wales and competes again in Scotland, strains on the union should ease, at least temporarily. Labour will be more relaxed about establishing a pragmatic relationship with the European Union.

None of that means this new coalition would be easy to hold together, however. Labour would inherit public finances and public services that are in a much worse state than in 1997. Steering between social conservatives and young progressives would not be straightforward. There would be fertile ground for a challenge from the left. The Tories are set to lose a big majority in a single term. It could happen again. ■

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Own goals

English football’s financial fracas

Financial-sustainability rules have caused an almighty mess in the Premier League

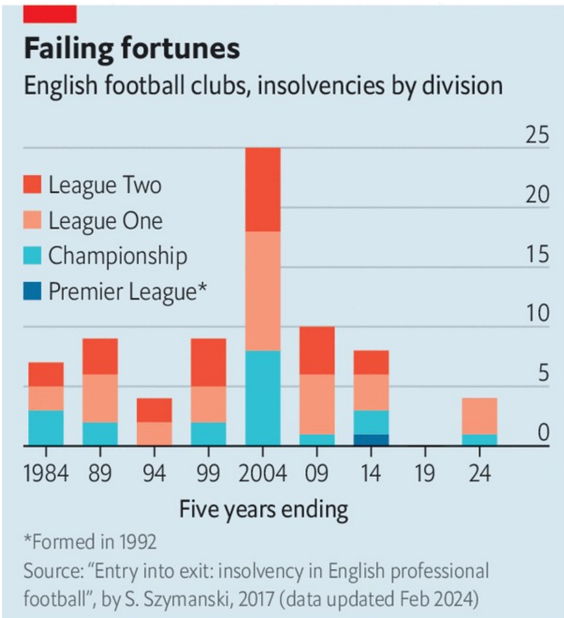
Feb 29th 2024

Tom Jenkins/Guardian/eyevine

DRAGGING FOOTBALL fans’ eyes away from a game is difficult. But for Everton, a club in the English Premier League, the season’s most critical moments have been two rulings by panels of lawyers: the first in November, docking the club ten points for breaching the league’s financial rules; the second on February 26th, reducing the penalty on appeal to six points.

Everton is the first top-flight English club to be punished under the regulations, which are called Profit and Sustainability Rules (PSR) by the Premier League and Financial Fair Play (FFP) or Financial Sustainability by UEFA, the sport’s administrative body in Europe. More sanctions may come, against Manchester City, the champions, and Nottingham Forest; Everton itself could face more trouble.

Under PSR, which was introduced in 2013, a club cannot lose more than £105m ($133m) over three years, excluding certain categories like stadium investments, women’s football and community projects. Similar rules were originally introduced in England's lower divisions after a spate of bankruptcies in the 2000s. Their stated objective is admirable: preventing clubs from going bust by overspending to chase sporting glory. Insolvencies in English football have dropped since the 2000s. But there is a cost: the rules favour richer incumbents and constrain challengers.



The Economist

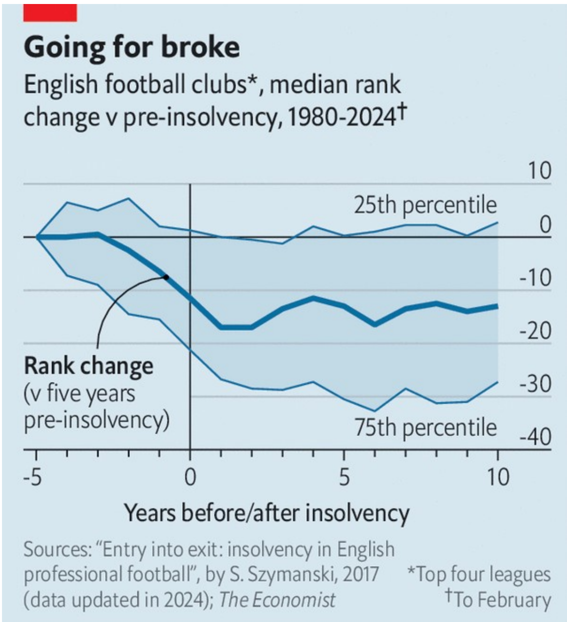
Everton's story follows a familiar pattern in English football. A deep-pocketed owner—Farhad Moshiri, a British-Iranian billionaire—bought the club in 2016, planning to spend big and reach the top of English football. He managed only the first: Everton's wage bill doubled between 2016 and 2021. But Everton barely escaped relegation in the 2021-22 and 2022-23 seasons. The club's business plan had relied on regular top-eight finishes for profitability.

Ballooning costs and weak revenues drove a £287m pre-tax loss in the latest PSR evaluation period. The club submitted a heroically creative set of carve-outs to reach the allowable £105m, some highly unconventional (not suing a player charged with sex offences for damages, issues selling players because of the pandemic). Eventually, Everton conceded it had overspent while arguing that the war in Ukraine (sanctions caused stadium-naming rights to fall through) and the pandemic mitigated the breach. The initial penalty brought relegation closer, further destabilising the club.

UEFA has made some changes to its rules, to focus on "squad cost ratio", the bill for players and top coaches relative to revenues. The Premier League is expected to follow suit. This is an improvement: it is simpler and also implicitly inflation-indexed. The £105m allowable loss hadn't risen either with economy-wide inflation or with exploding footballers' wages.

The Economist

But a core trade-off remains: stability versus competition. By capping spending relative to club revenues, the rules limit the ways in which challengers can outmuscle richer incumbents. As a result an expensive but once-viable path to success has been closed off. Manchester City lost money for eight consecutive seasons between 2007 and 2014, before posting eight seasons of pre-tax profit from 2015 during which it won the league five times. Academics at Sheffield Hallam University have found that competitive balance deteriorated across the five largest European leagues after the introduction of FFP (see chart). Across all top divisions in Europe the number of different top-four finishers declined by 10%. (This is circumstantial evidence; football has changed a lot in that time.)



The Economist

Advocates for the rules emphasise the devastation for fans when clubs go bust. Bury FC, a stalwart of English football's third and fourth tiers, collapsed in 2019 and now languishes in the ninth tier, even after a fan-funded rescue. But most insolvencies are more benign. Stefan Szymanski, a sports economist at the University of Michigan, has compiled data on every bankruptcy in the top four divisions since 1945 and found no club that had vanished entirely. England's football clubs are remarkable examples of corporate longevity. "It's hard to imagine any other industry where there were 100 businesses a century ago and they're all still around," he says.

Fans tend to be highly supportive of regulation, however. So too is the government, which is legislating for an independent football regulator to address "systemic financial issues in football". It must resist the temptation to meddle further. English football is watched worldwide because of its fierce competitiveness. The industry has a spectacular knack of emptying billionaires' pockets and sprinkling a share of the riches across English towns. Cinderella stories, of the sort Mr Moshiri hoped for with Everton, may not always materialise. But they should be possible. ■

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Local politics

The institution that taught Margaret Thatcher about politics

Grantham town council, of course—what else?

Feb 29th 2024 | GRANTHAM

"WE COULD CERTAINLY fit 22 in here," says Lee Steptoe, a Labour Party councillor, as he surveys an upstairs room in Grantham's Guildhall. The room is large and imposing, with Victorian arched windows and faux Corinthian columns. Long ago weighty political decisions were made in the building. Perhaps, after the forthcoming local elections, they will be again.

In May the people of Grantham, a town of 45,000 in the East Midlands, will elect a local council for the first time in half a century. The 22 councillors will have hardly any powers at first, and will not be paid. The council's budget for the first year will be a measly £46,000 ($58,000). The election will nonetheless be one of the most delightful political events this year. For Conservative Party history buffs, it might be the most resonant.

From the 1920s to the 1950s a grocer named Alfred Roberts served as a councillor, an alderman and briefly a mayor in Grantham. He helped balance the books, questioned officials about road signs, handed out prizes at a swimming gala and presided over a meeting of the English Bowling Federation. Sometimes he was accompanied by his daughter Margaret, a diligent girl who went on to study chemistry at Oxford University. She acquired a taste for politics, and then, as Margaret Thatcher, transformed Britain.

To judge by old issues of the *Grantham Journal*, a local newspaper, the father resembled the daughter. Roberts had a nice turn of phrase and a confrontational streak. During the second world war, he strenuously objected to army vehicles ignoring traffic lights. He declared that farming was mostly about collecting subsidies, drawing spluttering outrage (but no good counterarguments) from local growers. Roberts could also behave with grace. After he was booted out of office in 1952, he declared that he had been happy in power and would be happy out of it. Thatcher later wrote that she had tried to behave similarly after she was evicted from Downing Street in 1990. She didn't quite succeed.

Town and parish councils are sprouting across England, partly because the more powerful authorities that oversee larger areas have grown impoverished and incapable. In Grantham the new council will be a return to form. The town governed itself from 1463 to 1974, switching from an oligarchic corporation to an elected borough council in the 19th century, says John Manterfield of the local civic society. The council was then abolished during a systematic reorganisation of local government. Grantham was lumped together with many other towns and villages in the district of South Kesteven, which is almost 1,000 square kilometres in size.

The new council will not have much power, but it will have one crucial one: developers will have to consult it about their plans. The townsfolk are very much looking forward to that. Some believe that Grantham is more easily pushed around than settlements with parish or town councils because it lacks an institutional voice. Witness the South Kesteven local plan, which assumes that half of the new houses in the entire district will be built in Grantham. "The other towns were better organised to push back on planning," says Graham Jeal, a Tory councillor.

Roberts himself was immensely keen on housebuilding. In 1946 he boasted that Grantham was on track to build almost 600 homes in a single year. “Until we get comfortable houses for our people, we cannot expect any spirit of content or satisfaction in general among the residents of the town,” he declared. That might still be true. But these days the party betting on it nationally is Labour. ■

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Just add water

More than half of Britain's ponds have disappeared

But "ghost" wetlands can be resuscitated

Feb 27th 2024

THE 20TH CENTURY was not kind to ponds in Britain. Many were drained to create more farmland or filled in to make room for new developments. Some ponds went to waste and others were stuffed full of it.

The traffic was not all one-way: in 1940 Marlow, a town in Buckinghamshire, suddenly acquired 43 ponds as craters left behind by the Luftwaffe filled with water and welcomed moss, molluscs and mallards. Britain still has 500,000 ponds in rural areas, according to the Wildlife Trusts, a group of charities (the country is also home to 3m private garden ponds). But more than half of those recorded in the late 19th century have since vanished.

Almost. Ponds have a surprising afterlife. Even 150 years after they pass, they can leave a watery mark on the landscape: marshy depressions in fields or areas of land where crops struggle to grow. Hundreds of thousands of such "ghost ponds" haunt Britain, and they can be summoned back to life.

Carl Sayer, head of the Pond Restoration Research Group at University College London, a conservation group, spends much of his time restoring polluted and neglected ponds with shears and shovels. But sometimes his work is more magical.

Old Ordnance Survey maps can reveal a lost pond's precise whereabouts. Once located, Dr Sayer starts by digging a trench roughly where he thinks the centre of the pond is. Soil and debris are removed until he finds the original pond sediment, which is dark and fine to the touch. Then he digs another trench, across the first, to create a cross that reveals the pond's dimensions. The crater is dug out and left to fill with water naturally. In less than two years, thriving underwater worlds return to be enjoyed by leeches and great crested newts.

So far Dr Sayer has restored 20 ghost ponds in Norfolk. Now he is helping to bring back more in Lancashire, Gloucestershire and the West Midlands. Ponds support more plants and animals than any other freshwater habitat in Britain. They are the life-source of fields, says Dr Sayer, tripling the number of rare species in them. That means more bees, bats and farmland birds.

Ponds are also particularly crucial for newts. The Newt Conservation Partnership, a charity, pledges to create four ponds for every one that is home to a great crested newt and is then lost to development. Forgotten species can be resuscitated too. Buried sediments act as seed banks that, with a little water and light, stir again. In one of Dr Sayer's revived ponds the slimy-fruited stonewort, once thought to be extinct in Britain, grows merrily.

Ponds are self-effacing, says John Lewis-Stempel in "Still Life", a book published in 2019. They sit at the back of landscapes, rippling in John Constable's oil paintings, pooling at the corners of John Clare's bucolic verse. But they can be quietly miraculous. ■

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Bagehot

Speaker Hoyle and the strange politics of human resources

A concern with MPs' well-being scuppers a crucial debate

Feb 26th 2024

SPEAKER OF THE House of Commons is unlike any corporate job. Since its creation in 1377 several occupants have been beheaded by the monarch, not a fate likely to befall a Unilever executive. The benefits package includes the use of a small palace overlooking the Thames, a portrait and a set of frilly robes. The job itself is a strange hybrid. The speaker is a kind of general counsel, issuing rulings according to precedent from his chair at the head of the chamber. He is also a chief executive, in charge of a sprawling Commons administration.

To this mix of roles Sir Lindsay Hoyle, the 158th speaker, has added another: chief people officer. Managers everywhere are increasingly preoccupied by how "engaged" their employees are. Sir Lindsay's speakership, too, seems to owe as much to 21st-century leadership books like "Win the Heart: How to Create a Culture of Full Engagement" and "Fish! A Proven Way to Boost Morale and Improve Results" as it does to

“Erskine May”, a 19th-century handbook of parliamentary procedure. A concern with lawmakers’ well-being has made Sir Lindsay unusually popular among MPs. But it has done little for faith in politicians: just 9% of Britons trust them to tell the truth, according to Ipsos, a pollster, down by five percentage points on 2019. And now it has jeopardised his career.

When Sir Lindsay was elected speaker in 2019, the Commons could rival the most toxic of workplaces for venom. His predecessor, John Bercow, was later found guilty of bullying by an independent standards watchdog. Three years of parliamentary deadlock over Brexit saw one MP weep on television; another seized the ceremonial mace in a fit of frustration. The customer feedback was dire: protesters gathered outside Parliament, some menacingly. Democracy itself seemed to be in peril.

Sir Lindsay’s response was in the spirit of a company that responds to a round of bad employee surveys by offering fortnightly pizza and mindfulness apps. It is not in his power to offer more pay. Nor could he change the thankless and capricious nature of a political career. But unhappy MPs would at least be heard. Draw some of the poison out the chamber, Sir Lindsay thought, and public faith in the institution would return.

“We are all equal in this House when we come to speak,” he said. A “health and well-being agenda” promised MPs and Commons staff an on-site doctor and mental-health services, an overhaul of grievance procedures and anti-bullying training. Sir Lindsay would tackle online trolling, beef up security and seek a “fair and balanced relationship” with the Independent Parliamentary Standards Authority, which many members resent. His own constituency of Chorley in north-west England had voted for Brexit; his rolling Lancashire accent and anecdotes about his many pets seemed to soothe a chamber that had torn itself apart over the question of Britain’s relationship with the EU. About the core business of Parliament—amending legislation and scrutinising the executive—he was much quieter.

Happy workforces tend to produce better outcomes for their institutions than miserable ones. Yet the interests of workers and organisations are not always aligned. So it proved on February 21st, during a debate on a ceasefire in Gaza that had been called by the Scottish National Party (SNP). Worried by weeks of harassment of MPs by pro-Palestinian campaigners, Sir Lindsay yielded to lobbying by the Labour Party to ditch usual parliamentary procedure and avoid a vote on an SNP motion that it regarded as imbalanced.

Cue outrage among many MPs, and an apology from Sir Lindsay that could have come straight from human resources. “I have a duty of care,” he said. “If my mistake is looking after members, I am guilty.” In other words, the personal welfare of MPs had triumphed over the institutional interests of the House of Commons. A chief executive would have directed the vote to go ahead; the chief people officer determined that procedure should be abandoned.

That is too much for the 92 MPs who, as *The Economist* was being published, had signed a motion of no confidence in Sir Lindsay. They are a mixture of Scottish and Welsh nationalist MPs, out for revenge for what they regard as a partisan favour, and Conservatives who think allowing threats of violence to dictate the business in the chamber was unforgivable. At Prime Minister’s Questions on February 28th, Rishi Sunak accused Sir Keir Starmer, the Labour leader, of bending to “mob rule”. It was a rowdy session but Sir Lindsay remained seated, unusually reticent to intervene.

HR! HR!

For a parliament to fail to vote on an issue because it is too controversial is like a fire brigade opting not to enter a building because it is too hot. But the episode is of a piece with Sir Lindsay’s tenure. In 2021 Sir David Amess, an MP, was stabbed to death by an Islamist terrorist who wanted to avenge British air strikes on Syria. In response his colleagues proposed “David’s Law”, which would have banned anonymity on social media. Sir Lindsay, long concerned by this same issue, redoubled a call for legislation. Politicians have understandably been made miserable by a barrage of hostility on social media and by the threat of violence. But two distinct policy issues that require wildly different solutions became jumbled. Trolling is unpleasant, but it is not the same as jihadism.

If a focus on MPs’ welfare can make for bad policy, keeping the employees engaged can also be bad for their own health. The Victorian Palace of Westminster is laced with asbestos, and blighted by fires, falling masonry and leaks. Builders want it to be fully vacated so that it can be stripped bare. Many MPs hate this idea: it will be expensive, which makes it hard to justify to their constituents, and in any case they like the old place. Sir Lindsay has sided with his colleagues, preferring repairs that will keep them in situ. MPs' well-being has again triumphed over the institution's interest. A chief people officer might strive to keep the workforce happy. The speaker has much more important things to prioritise. ■

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Also: How the Bagehot column got its name

International

- **Africa is juggling rival powers like no other continent**

Surviving in a multipolar world

Africa is juggling rival powers like no other continent

African leaders need to balance vast opportunities against dire risks

Feb 28th 2024 | Dakar

Mark Harris/Getty Images/AP

AFRICA'S WILLINGNESS to break with the West has been flaunted in recent years. After Russia invaded Ukraine 17 African countries abstained from a UN vote condemning the invasion. Last year, as the West refused negotiations with Russia, South Africa's Cyril Ramaphosa and three other African presidents led a peace mission to Russia and Ukraine. This year South Africa's case against Israel's actions in Gaza in the International Court of Justice was a public act of defiance (America decried it as "meritless" and "counter-productive"). Mr Ramaphosa has also attended meetings with the presidents of China, Iran and Russia over the past eight months.

African leaders believe that a multipolar world of transactional international relations, where many powers compete for influence, is in the ascendant. Iran, Russia, Saudi Arabia, Turkey and the United Arab Emirates (UAE) are among those offering themselves as investors, security partners and allies. Meanwhile, America has lost focus on Africa. It remains absorbed with Asia and preoccupied by wars in Europe and the Middle East. And if Donald Trump wins back the presidency in November, America may neglect African issues further. The result is that Africa, perhaps to a greater degree than any other region, is adapting itself to a multipolar world.

The challenge involves both big opportunities and grim risks for the continent. Above all, it means African governments have more agency over their affairs. "The benefit of a multipolar world is that there is not just one centre of decision-making," explains President Macky Sall of Senegal. "When there is just one centre it becomes a diktat, you have no choice."

The greatest prize is investment, which is critical for a continent in extraordinary need of it. But a multipolar world is fraught with risks. Financing from new partners can become bad debt. And the dangers posed politically and militarily are greater still. Autocratic allies can help leaders to overstay in power and enable coups. Meddling foreign powers can spread conflict and make wars more destructive.

History offers a sobering precedent. During the cold war African leaders also had greater flexibility to pick their partners. But the results were often ugly. With Soviet support, the Derg, the socialist junta in Ethiopia, stayed in power from 1974 to 1991 despite a famine that killed perhaps a million people. Mobutu Sese Seko, the dictator who ruled Congo absurdly and ruinously for more than three decades, was backed by the CIA.

After the fall of the Berlin Wall American dominance ushered in a wave of democratisation in Africa and conflict abated somewhat. The continent's economic progress was limited, however, and investment from the West failed to meet even a small share of its needs. That made many Africans receptive to China's advances in the 2000s. While the Americans offered criticism, the Chinese offered cranes. Now other powers are offering alternatives.

Buying up friends

African leaders' enthusiasm for a multipolar world makes greatest sense economically. About half of the 1.2bn people living in sub-Saharan Africa lack electricity. And some 400m people on the continent cannot access clean drinking water. Sorting all this requires vast investments. The World Bank estimates sub-Saharan Africa needs investment worth about 7% of its GDP in infrastructure every year to achieve near-universal access to water and electricity as well as improved roads by 2030. Current investments are only about half of that.

The Economist

Much can go awry with individual deals and loans but, given the scale of financing needed in Africa, more countries and institutions investing is welcome. So is a surge in new commercial partners. Trade with some non-Western countries has risen impressively (see chart).

China has led the way on investment in Africa. From 2000-2022 Chinese state financiers lent it $170bn, about two-thirds of which was for infrastructure such as roads, railways and ports. The average Chinese project raised annual GDP growth by a healthy 0.41 to 1.49 percentage points after two years, finds Bradley Parks of AidData, a research group at William & Mary University in Virginia, and co-authors. But amid economic troubles at home, China's lending to Africa has recently fallen markedly. Chinese loan disbursements in 2022 were only about 10% of their peak in 2016.

For African leaders that makes diversifying their sources of funding further even more important. It is beginning to happen. The UAE has invested nearly $60bn across the continent in the past decade, making it the fourth-biggest investor in that time after China, America and Europe. Turkish construction firms have completed some $85bn-worth of projects in Africa, say Turkish officials. Africa needs far more cash but the continent's elites reckon that the Gulf countries, Turkey and perhaps India may be able to provide a useful chunk of it. Europe and America have interests and are trying to reassert themselves, particularly in critical minerals. The hope is that competition for Africa's resources can help it secure better deals for them.

New flows of cash bring new risks. Corruption is an obvious one. Debt can also prove difficult to manage. There is little evidence of debt-trap diplomacy in Africa (the idea that China tricks borrowers and later seizes their assets). But China does often require unusual levels of confidentiality, as well as special conditions, to ensure that it is the first creditor to be paid back. It also tends to use escrow accounts and can be inflexible with countries in trouble. Zambia defaulted in 2020 but only managed to strike a deal with China on restructuring its debt in the past month.

Another risk is that a multipolar world splits. Rising tensions between China and America could divide the world into two isolated trading blocs, one led by China, the other by America and Europe. Sub-Saharan Africa would suffer a bigger economic hit in that scenario than any other region, with more than half of its international trade at risk, reckons the IMF.

The political effects on Africa from its multipolar dealings will also be vast. One advantage is that the new order will allow its governments to take positions that were their preferences for years but which they avoided to stay onside with the West, says Menzi Ndhlovu of Signal Risk, a consultancy in South Africa. But the results of greater African agency may at times cause consternation in the West. After decades of tensions between Uganda and America over gay rights, last year President Yoweri Museveni of Uganda finally concluded that he could ignore the Americans and passed harsh anti-LGBTQ laws. Ethiopia has built close ties with China to pursue unorthodox economic policies such as state-led development that America and the institutions it dominates, such as the World Bank, have long discouraged.

Other downsides may accompany a freer political hand. One is democratic backsliding. Mr Sall has been attempting to hold on to power in Senegal past the end of his mandate, presumably confident that plenty of foreign powers still support him. On February 3rd he announced that an impending election would be postponed indefinitely, but Senegal's judges slapped down the move. Whether Mr Sall steps aside in April when his mandate ends remains to be seen, especially as there is now talk of an election in June. Others have tried similar ruses. In Ivory Coast the president is in his third term after an earlier tweak to the constitution. Last year the president of the Central African Republic, who is protected by Russian mercenaries, got approval for a constitutional change in a referendum so that he can run for a third term in office should he so choose.

Backsliding is sometimes more abrupt. Under the American-led order putschists were often isolated. No longer. During the cold war there were on average over 20 successful coups in Africa each decade. By the 2000s that fell to just eight. Yet in the 2020s there have already been nine successful coups in Mali and Burkina Faso (two each) as well as in Chad, Guinea, Sudan, Niger and Gabon. Russia has backed the generals in Burkina Faso and Mali with fighters and arms. Niger has chucked out French troops (who had been pushed out of Mali and Burkina) and cosied up to Russia and Iran for cash and weapons.

The results of these manoeuvres are grim: more people died in violent conflict in the Sahel last year than in any year since jihadist violence began over a decade ago. Even so, Russian muscle, diplomatic cover and shipments of grain have helped keep the juntas in the Sahel and Guinea in power despite pressure from the West and sanctions from the Economic Community of West African States (ECOWAS), the regional bloc. The Sahelian trio are sufficiently confident in their Russian backing that last month they decided to quit ECOWAS altogether.

Bloody stakes

The competition between rival powers in Africa also risks spreading insecurity and war. The number of conflicts on the continent has risen sharply from the relative lows of the 2000s to reach 104 in 2022, according to the Peace Research Institute Oslo. That is the highest in decades. And

2022 was the deadliest year for state-based conflicts in Africa for more than 30 years, largely owing to war in Ethiopia between the forces of Prime Minister Abiy Ahmed's government and those of Tigray.

The brutal civil war in Sudan illustrates how the new geopolitics makes conflicts in Africa more destructive. The Rapid Support Forces, a genocidal militia, has been receiving a steady flow of weapons from the UAE (the country's officials deny this). Mercenaries from Russia back them, too. The Sudanese Armed Forces are hitting back with Iranian drones and, it seems, the support of Ukrainian special forces. As the conflict rages, the result is that more people are displaced in Sudan than in any other country in the world, and among them are 3.5m children.

Today many countries are also willing to sell arms to regimes that take little care to avoid civilian casualties. Turkey has sold attack drones to Ethiopia, Burkina Faso and Mali—places the West has been reluctant to arm. And Russia is now the top weapons supplier to sub-Saharan Africa, accounting for a quarter of all sales between 2018 and 2022. China is in second place. Its drone sales have triggered recent escalations in conflict between Rwanda and Congo around Goma, the largest city in eastern Congo. Some 135,000 people have been displaced in just a month, joining a half a million already sheltering in the city.

Maximising the benefits of a multipolar world to ordinary Africans without exposing them to dire risks will require deft leadership. Yet such a world also makes it easier for bigwigs to rule in their own interest and retain foreign backing. The central question is likely to be whether African leaders ultimately act in the interests of their people or not. The record so far is worryingly mixed. ■

Business

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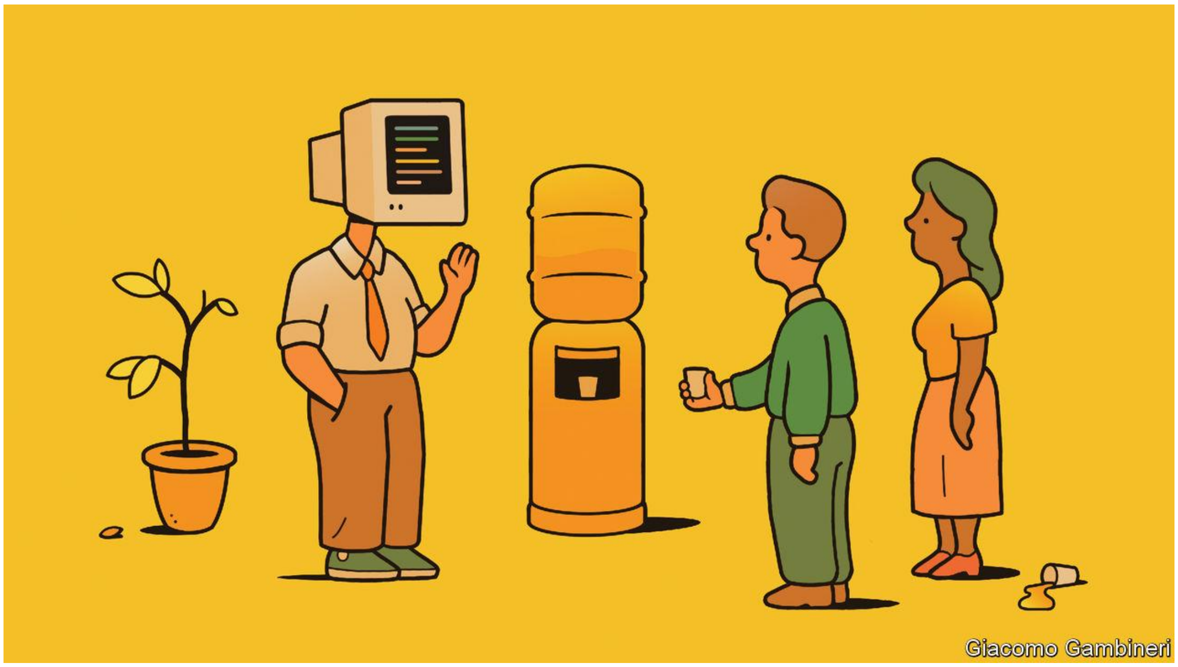
Meet your new copilot

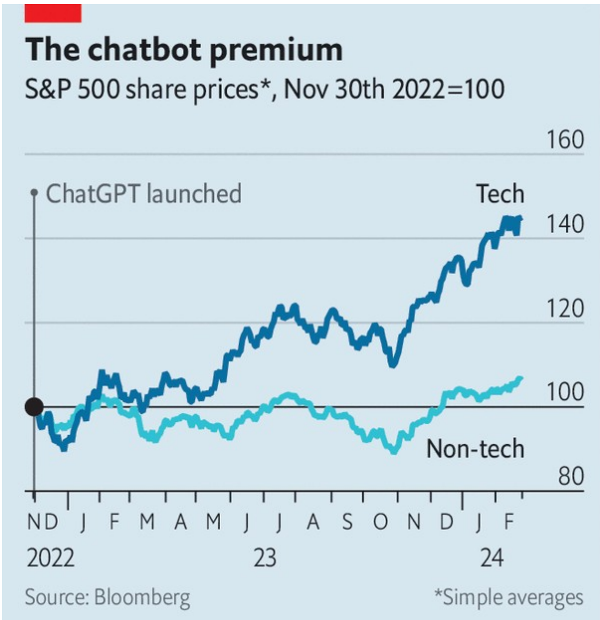
How businesses are actually using generative AI

Some experiments with chatbots are more useful than others

Feb 29th 2024 | San Francisco



IT HAS BEEN nearly a year since OpenAI released GPT-4, its most sophisticated artificial-intelligence model and the brain-of-sorts behind ChatGPT, its groundbreaking robot conversationalist. In that time the market capitalisation of America's technology industry, broadly defined, has risen by half, creating $6trn in shareholder value. For some tech firms, growing revenue is starting to match sky-high share prices. On February 21st Nvidia, which designs chips used to train and run models like GPT-4, reported bumper fourth-quarter results, sending its market value towards $2trn. AI mania has also lifted the share prices of other tech giants, including Alphabet (Google's corporate parent), Amazon and Microsoft, which are spending big on developing the technology.



The Economist

At the same time, big tech's sales of AI software remain small. In the past year AI has accounted for only about a fifth of the growth in revenues at Azure, Microsoft's cloud-computing division, and related services. Alphabet and Amazon do not reveal their AI-related sales, but analysts suspect they are lower than those of Microsoft. For the AI stockmarket boom to endure, these firms will at some point need to make serious money from selling their services to clients. Businesses across the world, from banks and consultancies to film studios, have to start using ChatGPT-like tools on a large scale. When it comes to real-world adoption of such "generative" AI, companies have trodden gingerly. Yet even these baby steps hint at the changing nature of white-collar work.

The Economist

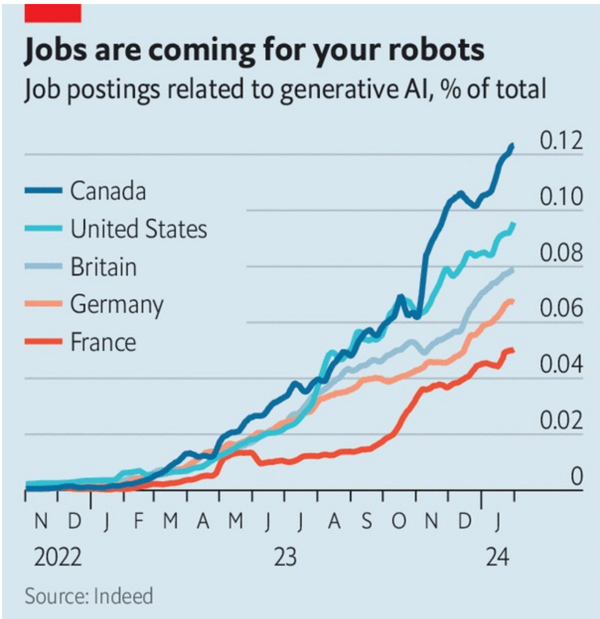
Previous technological breakthroughs have revolutionised what people do in offices. The spread of the typewriter put some workers out of a job: "With the aid of this little machine an operator can accomplish more correspondence in a day than half a dozen clerks can with the pen, and do better work," said an observer in 1888. The rise of the computer about a century later eliminated some low-level administrative tasks even as it made highly skilled employees more productive. According to one paper, the computer explains over half the shift in demand for labour towards college-educated workers from the 1970s to the 1990s. More recently the rise of working from home, prompted by the covid-19 pandemic and enabled by video-conferencing, has changed the daily rhythms of white-collar types.

Could generative AI prompt similarly profound changes? A lesson of previous technological breakthroughs is that, economywide, they take ages to pay off. The average worker at the average firm needs time to get used to new ways of working. The productivity gains from the personal computer did not come until at least a decade after it became widely available. So far there is no evidence of an AI-induced productivity surge in the economy at large. According to a recent survey from the Boston Consulting Group (BCG), a majority of executives said it will take at least two years to "move beyond the hype" around AI. Recent research by Oliver Wyman, another consultancy, concludes that adoption of AI “has not necessarily translated into higher levels of productivity—yet”.

The Economist

That is unsurprising. Most firms do not currently use ChatGPT, Google’s Gemini, Microsoft’s Copilot or other such tools in a systematic way, even if individual employees play around with them. A fortnightly survey by America’s Census Bureau asks tens of thousands of businesses whether they use some form of AI. This includes the newfangled generative sort and the older type that companies were using before 2023 for everything from improving online search results to forecasting inventory needs. In February only about 5% of American firms of all sizes said they used AI. A further 7% of firms plan to adopt it within six months (see chart). And the numbers conceal large differences between sectors: 17% of firms in the information industry, which includes technology and media, say they use it to make products, compared with 3% of manufacturers and 5% of health-care companies.

When the Census Bureau began asking about AI in September 2023, small firms were likelier to use the technology than big ones, perhaps because less form-ticking made adoption easier for minnows. Today AI is most prevalent in big companies (with more than 250 employees), which can afford to enlist dedicated AI teams and to pay for necessary investments. A poll of large firms by Morgan Stanley, a bank, found that between the start and end of 2023 the share with pilot AI projects rose from 9% to 23%.



The Economist

Some corporate giants are frantically experimenting to see what works and what doesn't. They are hiring AI experts by the thousand, suggest data from Indeed, a job-search platform (see chart). Last year Jamie Dimon, boss of JPMorgan Chase, said that the bank already had "more than 300 AI use cases in production today". Capgemini, a consultancy, says it will "utilise Google Cloud's generative AI to develop a rich library of more than 500 industry use cases". Bayer, a big German chemicals company, claims to have more than 700 use cases for generative AI.

This "use-case sprawl", as one consultant calls it, can be divided into three big categories: window-dressing, tools for workers with low to middling skills, and those for a firm's most valuable employees. Of these, window-dressing is by far the most common. Many firms are rebranding run-of-the-mill digitisation efforts as "gen AI programmes" to sound more sophisticated, says Kristina McElheran of the University of Toronto. Presto, a purveyor of restaurant tech, introduced a gen-AI assistant to take orders at drive-throughs. But fully 70% of such orders require a human to help. Spotify, a music-streaming firm, has rolled out an AI disc-jockey which selects songs and provides inane banter. Recently Instacart, a grocerydelivery company, removed a tool that generated photos of vendors' food, after the AI showed customers unappetising pictures. Big tech firms, too, are incorporating their own AI breakthroughs into their consumer-facing offerings. Amazon is launching Rufus, an AI-powered shopping assistant that no shopper really asked for. Google has added AI to Maps, making the product more "immersive", whatever that means.

Tools for lower-skilled workers could be more immediately useful. Some simple applications for things like customer service involve off-the-shelf AI. Most customers' questions are simple and concern a small number of topics, making it easy for companies to train chatbots to deal with them. A few of these initiatives may already be paying off. Amdocs produces software to help telecoms companies manage their billing and customer services. The use of generative AI, the company says, has reduced the handling time of customers' calls by almost 50%. Sprinklr, which offers similar products, says that recently one of its luxury-goods clients "has seen a 25% improvement" in customer-service scores.

Routine administrative tasks likewise look ripe for AI disruption. The "top examples" of Bayer's 700 use cases include mundane jobs such as "easily getting data from Excel files" and "creating a first draft in Word". Some companies are using generative AI as cleverer search. At Nasdaq, a financial-services firm, it helps financial-crime sleuths gather evidence to assess suspicious bank transactions. According to the company, this cuts a process which can take 30-60 minutes to three minutes.

Giving AI tools to a firm's most valuable workers, whose needs are complex, is less widespread so far. But it, too, is increasingly visible. Lawyers have been among the earliest adopters. Allen & Overy, a big law firm, teamed up with Harvey, an AI startup, to develop a system that its lawyers use to help with everything from due diligence to contract analysis. Investment banks are using AI to automate part of their research process. At Bank of New York Mellon an AI system processes data for the bank's analysts overnight and gives them a rough draft to work with in the morning. "So rather than getting up at four in the morning to write research, they get up at six," the bank says. Small mercies. Sanofi, a French drugmaker, uses an AI app to provide executives with real-time information about many aspects of the company's operations.

Some companies are using the technology to build software. Microsoft's GitHub Copilot, an AI coding-writing tool, has 1.3m subscribers. Amazon and Google have rival products. Apple is reportedly working on one. Fortive, a technology conglomerate, says that its operating companies "are seeing a greater-than-20% acceleration in software-development time through the use of gen AI". Chirantan Desai, chief operating officer of ServiceNow, a business-software company, has said that GitHub Copilot produces "single-digit productivity gains" for his firm's developers. With the help of AI tools, Konnectify, an Indian startup, went from releasing four apps per month to seven. Surveys from Microsoft suggest that few people who start using Copilot want to give it up.

Pinterest, a social-media company, says it has improved the relevance of users' search results by ten percentage points thanks to generative AI. On a recent earnings call its boss, Bill Ready, said that new models were 100 times bigger than the ones his firm used before. L'Oréal, one of the world's largest cosmetics firms, has caught the eye of investors as it improves BetIQ, an internal tool to measure and improve the company's advertising and promotion. L'Oréal claims that generative AI is already generating "productivity increases of up to 10-15% for some of our brands that have deployed it".

This does not mean that those brands will need 10-15% fewer workers. As with earlier technological revolutions, fears of an AI jobs apocalypse look misplaced. So far the technology appears to be creating more jobs than it eliminates. A survey published in November by Evercore ISI, a bank, found that just 12% of corporations believed that generative AI had replaced human labour or would replace it within 12 months. Although some tech firms claim to be freezing hiring or cutting staff because of AI, there is little evidence of rising lay-offs across the rich world.

Generative AI is also generating new types of white-collar work. Companies including Nestlé, a coffee-to-cat-food conglomerate, and KPMG, a consultancy, are hiring "prompt engineers" expert at eliciting useful responses from AI chatbots. One insurance firm employs "explainability engineers" to help understand the outputs of AI systems. A consumer-goods firm that recently introduced generative AI in its sales team now has a "sales-bot manager" to keep an eye on the machines.

Though such developments will not translate into overall productivity statistics for a while, they are already affecting what white-collar workers do. Some effects are clearly good. AI lets firms digitise and systematise internal data, from performance reviews to meeting records, that had previously remained scattered. Respondents to surveys conducted by Randy Bean, a consultant, reported big improvements in establishing an internal "data and analytics culture", which plenty of businesses find stubbornly difficult to nurture.

AI adoption may also have certain unpredictable consequences. Although AI code-writing tools are helping software engineers do their jobs, a report for GitClear, a software firm, found that in the past year or so the quality of such work has declined. Programmers may be using AI to produce a first draft only to discover that it is full of bugs or lacking concision. As a result, they could be spending less time writing code, but more time reviewing and editing it. If other companies experience something similar, the quantity of output in the modern workplace may go up—as AI churns out more emails and memos—even as that output becomes less useful for getting stuff done.

Polling by IBM, a tech firm, suggests that many companies are cagey about adopting AI because they lack internal expertise on the subject. Others worry that their data is too siloed and complex to be brought together. About a quarter of American bosses ban the use of generative AI at work entirely. One possible reason for their hesitance is worry about their companies' data. In their annual reports Blackstone, a private-equity giant, and Eli Lilly, a pharmaceutical one, have warned investors about AI-related risks such as possible leakage of intellectual property to AI model-makers. Last year Marie-Hélène Briens Ware, an executive at Orange, a telecoms company, explained that the firm had put data guardrails in place before commencing a trial with Microsoft's Copilot.

Ultimately, for more businesses to see it as an open-and-shut case, generative AI still needs to improve. In November Microsoft launched a Copilot for its productivity software, such as Word and Excel. Some early users find it surprisingly clunky and prone to crashing—not to mention cumbersome, even for people already adept at Office. Many bosses remain leery of using generative AI for more sensitive operations until the models stop making things up. Recently Air Canada found itself in hot water after its AI chatbot gave a passenger incorrect information about the airline's refund policy. That was embarrassing for the carrier, but it is easy to imagine something much worse. Still, even the typewriter had to start somewhere. ■

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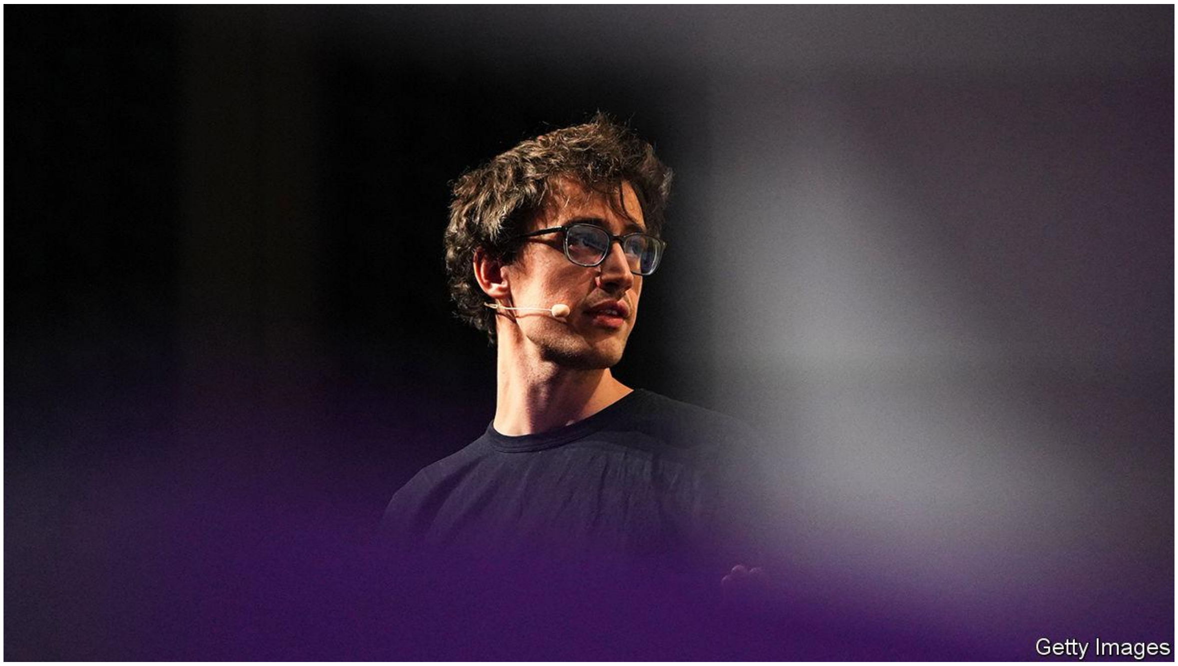
The meaning of Mistral

Meet the French startup hoping to take on OpenAI

Mistral unveils its latest large language model—and a deal with Microsoft

Feb 26th 2024 | Berlin



SOME RACES are over before they get going. So it can seem in the contest to make large language models (LLMs). These algorithms power ChatGPT-like "generative" artificial intelligence. OpenAI, the human-sounding chatbot's American creator, appears leagues ahead. It has made the world's most powerful LLM, called GPT-4. The firm is gobbling up talent, data and computing power to build cleverer models. That allows it to attract more users, and with them more capital to pour into even more sophisticated algorithms.

But a French startup called Mistral is trying to throw a spanner in this AI flywheel. On February 26th it released a new LLM. Mistral-Large is smaller than GPT-4, measured by the number of parameters it uses (a common gauge of model power). Even so, it nearly rivals GPT-4 in its ability to reason. Mistral also unveiled a ChatGPT competitor, Le Chat (pronounced le shah, like the French word for cat rather than the English homograph). And it announced a deal with Microsoft, an AI juggernaut which already has a deep partnership with OpenAI. The tech giant will take a small stake in Mistral and make the French firm's models available via its Azure cloud.

Mistral is proof that the industry is becoming more open—and less American. If it can mount a serious challenge to OpenAI, this could show once and for all that in generative AI, size is not everything. "It's no longer about being bigger—it's about being creative and being fast," says Arthur Mensch, Mistral's chief executive.

The French firm's rise has been as brisk as the northwesterly wind after which it is named. It was founded less than a year ago and has just 25 employees. Yet its LLMs are leading the growing pack of open-source models, the statistical innards of which are, in contrast to proprietary black boxes like GPT-4, publicly available and can be modified by anyone. That has allowed Mistral to tap an impressive €490m ($531m) in funding, valuing the company at more than $2bn. Big investors include leading Silicon Valley venture capitalists such as Andreessen Horowitz and General Catalyst, as well as tech luminaries like Eric Schmidt, a former boss of Google.

Mistral owes its early success to cleverly mixing the key technical ingredients of AI—talent, data and computing power—with politics, which is growing in importance as governments ponder the technology's potential. When it comes to talent, Mistral is a "match made in heaven" between French engineering education and American big-tech firms, says Stanislas Polu, a co-founder of Dust, another Parisian AI firm. Three of Mistral's six founders, and its technical brains—Mr Mensch, Timothée Lacroix and Guillaume Lample—are products of France's elite technical schools. Like many top AI scientists they have worked at the research labs of Google and Meta, another American tech titan—though in the trio's case they were building LLMs at those labs' offshoots in the French capital rather than in London or Silicon Valley. This places them among the 100 or so people worldwide who really know how to train cutting-edge models.

They appear particularly adept at marshalling training data—the second ingredient of AI success. Mr Mensch will not say how exactly Mistral curates its training sets; it is the source of his firm's competitive advantage, he explains. But industry insiders confirm that Mistral is, in the words of one, "really clever" at filtering out information that is repetitive or does not make sense. This has allowed Mistral's models to be much smaller: their parameters number in the billions, compared with an estimated 1.8trn for GPT-4 (both firms are mum on the precise sizes). This allows customers to run them on their own computers rather than in a vast data centre, which many proprietary models require.

According to Mr Mensch, Mistral's focus on data curation lets the firm use computing power, AI's third crucial component, more efficiently than its competitors. Training Mistral's latest model cost much less than the $100m that OpenAI apparently spent to develop GPT-4. Mistral's approach also makes it cheaper for customers both to fine-tune its models with their own data and then to run them.

In technical terms, startups like Mistral enjoy a "second-mover advantage", benefiting from all the work OpenAI and others have done, argues Jeannette zu Fürstenberg of General Catalyst. Critically, in Mistral's case these technical chops are complemented by political nous, which is helpful given many governments' belief that home-grown LLMs confer economic and strategic advantages. Another of Mistral's co-founders is Cédric O, a former French digital minister. Mr O retains a direct line to the country's president, Emmanuel Macron. When a draft of the EU's AI Act last year threatened to force Mistral to divulge its data recipe, Mr O co-ordinated, with Mr Macron's backing, a Franco-German effort to oppose such provisions. These were duly excised from the bill.

The question now is whether Mistral, which has yet to generate meaningful revenues, can transform this enticing techno-political mix into profits. The firm's bet is that many businesses, especially in Europe, want more control over LLMs than OpenAI is willing to give them, and do not want to be locked into another American tech platform. Such customers, the thinking goes, would be willing to pay Mistral to maintain and run their models.

One worry potential customers may have is how the world will regulate open-source models. A heated debate about whether they will enable bad actors to build bio- and cyber-weapons has died down. The discussion among policymakers is turning from risks to possible rewards: greater transparency, more innovation and less reliance on a handful of powerful companies that have controlled the technology. Regulators on both sides of the Atlantic have so far tolerated open-source LLMs. But Mr O may have his hands full if the models keep getting cleverer or are found to be misused, for instance helping to spread disinformation during this year's welter of elections around the world.

Avoiding a political backlash is, obviously, in Mistral's interest—but lobbying success has a flipside. Regulatory forbearance may lead to more open-source competition. On February 20th Silo AI, a Finnish firm, unveiled a new LLM that is even more open than Mistral's, furnishing information about the data on which it is trained and the software that did the job. A new version, due out in a few months, will be as good in most European languages as it is now in Finnish and English.

Most important, it is still unclear if size matters for generative AI. A test will come when OpenAI at last releases its next model, GPT-5. If it leaves Mistral-Large in the dust, then Mr Mensch's talk of creativity and speed may ring hollow. Until then, Mistral's story will continue to resonate. ■

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Divestment dilemmas

Western multinationals' Russian dilemmas

Staying in Russia carries risks. So does leaving

Feb 29th 2024 | BERLIN

DOING BUSINESS with an autocracy is always tricky. Doing business with a brutal warmongering one like Russia confronts bosses with unusually stark moral quandaries. They must juggle responsibility for their Russian employees and the well-being of Russian civilians, who may depend on Western-made basic goods, with their fiduciary duty to shareholders and the undesirability of funding Vladimir Putin's war in Ukraine, to which any tax payments in Russia can be funnelled..

When Russia invaded its neighbour two years ago Western companies' handling of this delicate balance was closely scrutinised. Global companies for which Russia was a marginal market, such as McDonald's and Starbucks, packed their bags quickly. Others with more exposure, such as Henkel, a German maker of detergents, and Mercedes-Benz, a German carmaker, dragged their feet but quit when their reputations took a hit. Yet by the start of this year only 356, or 10% of all foreign companies in Russia, had completely severed their ties with the country, according to the Kyiv

School of Economics. Nearly 1,800 have curtailed operations and investments, but remain. Almost 1,600 continue to operate much as before.

Big global businesses that have stayed put sell goods that are exempt from Western sanctions, such as food and life-saving drugs. Nestlé, a Swiss coffee-and-confectionary giant, remains in Russia but says that it has cut down its Russian assortment to basic brands (Nescafé is available but Nespresso is not, for example). It has also stopped advertising in Russia and halted all capital investments in the country. Mondelez, Nestlé's American rival, has done the same. So have some other companies, arguing that this limits the amount of money going into Mr Putin's war economy.

Companies talk less about the fact that by slashing marketing and capital costs, such moves can bolster their Russian margins. Mondelez's annual report talks of lower revenues (partly owing to less advertising) but higher profitability in Russia. Remainers can also grab market share from fleeing competitors. Last year's increase in the Russian revenues and profits of Bacardi, a Bermudan spirits group (whose brands include Grey Goose vodka), follows the exit of Diageo, a British one (which owns Smirnoff, a rival fire-water).

Under pressure from campaigners some firms, such as Ritter Sport (a German maker of chocolates, which gets 10% or so of sales from Russia) and Bonduelle (a French tinned-vegetable company, which gets around 5%) said they would donate all their Russian profits to humanitarian causes. Still, activists note that taxes on those profits, and on employees' salaries, keep flowing to the Kremlin. According to B4Ukraine, a coalition of NGOs, American companies paid $712m in corporate taxes in Russia in 2022, German businesses paid $402m and Swiss ones $275m.

The remainers argue that this is the price for providing essential goods to innocent Russian civilians (though some may wonder if things like Mondelez's Toblerone chocolates, which remain on sale in Russia, qualify as a staple of anyone other than duty-free shoppers). They also point out that if they leave, their Russian assets could simply end up in the hands of Mr Putin and his cronies. Last July the Kremlin seized control of the local subsidiary of Danone, a French yogurt-maker, and of Baltika, a Russian brewer wholly owned by Carlsberg of Denmark. It is probably no coincidence that both had earlier signalled their intention to exit Russia.

Carlsberg was forced to write down $1.4bn. Danone took a €700m ($758m) charge. According to the *Financial Times*, the French firm is hoping to recoup some of its Russian investment by arranging a formal sale of the business to Vamin Tatarstan, a Russian dairy company. Vamin Tatarstan is owned by a businessman who was appointed to the Danone subsidiary's board after the Kremlin's takeover. Danone has declined to comment. As one Western boss ruefully puts it, in Russia "there are no pretty choices." ■

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Bartleby

Why you should lose your temper at work

Sometimes. And without throwing anything

Feb 29th 2024

AWARENESS DAYS are meant to remind people of important causes and desirable behaviour. Among other things, February sees the International Day of Human Fraternity, World Day of Social Justice and—everyone's favourite until it became a bit too commercialised—World Pulses Day. International Day of Happiness falls in March; you have to wait until November for World Kindness Day.

Anger is far too objectionable to be celebrated with a special day of its own. There is an anger-awareness week in Britain, but the emphasis is on controlling tempers, not giving in to them. Yet in the workplace, as elsewhere, anger is more ambiguous than it seems.

Its destructive side is obvious. Furious people are not much fun to work with, and less fun to work for. A short-fused boss is likely to instil fear among employees and to discourage people from speaking up. Anger can also engender poor performance. Anyone who has ever been riled by a rude email or uncivil colleagues knows how in such circumstances suddenly nothing else matters. Every spare bit of cognitive power is redirected to thinking of devastating put-downs from which the offender will never recover; other tasks can wait.

In one paper on the effects of rudeness on medical professionals, Arieh Riskin of Bnai Zion Medical Centre in Haifa and his co-authors describe a training exercise in which teams of Israeli physicians and nurses treated a mannequin of a baby. The teams were joined by someone billed as a visiting expert from America, who offered studiously neutral comments to some groups and made unprompted and disparaging remarks about the quality of medical care in Israel to others. The teams that had suffered rudeness performed significantly worse.

Being angry all the time is bad news for individuals and organisations alike. But so is being tremendously satisfied by everything all the time. Jeffrey Pfeffer, a professor at Stanford University who teaches a course on how to acquire power, reckons that displaying anger is an important skill for those who want to rise up the corporate ladder. It is associated with decisiveness and competence (though angry women are more likely to evoke negative emotions among other people than angry men do). Doctors who get angry if they are challenged about their medical advice are not judged to be less competent; if they show shame, patients take a dimmer view.

Anger can have a galvanising effect in specific circumstances. A study by Barry Staw of the University of California, Berkeley, and his co-authors analysed half-time team talks by college and high-school basketball coaches in America, and found that expressions of negative emotions such as anger and disappointment were associated with better second-half outcomes—up to a point. When coaches reached the bulging-eyeballs stage, rage started to have the opposite effect.

There are similar nuances in negotiations. A paper by Hajo Adam of Rice University and Jeanne Brett of Northwestern University found that as people got more upset, they were more likely to extract concessions. But being too angry was seen as inappropriate. And although displays of anger can work in one-off negotiations, they also invite retaliation in subsequent interactions.

Anger has different effects on different types of people. Agreeableness is one of the "Big Five" personality traits recognised by most psychologists. Agreeable sorts value co-operation and courtesy; disagreeable ones are more cynical and more comfortable with conflict.

In an experiment by Gerben Van Kleef of the University of Amsterdam and his co-authors, teams comprised of agreeable and disagreeable people were given feedback on their performance by an actor. The words were the same each time, but in some instances the actor looked and sounded happy and in others they looked and sounded angry. An angry evaluation spurred the more disagreeable teams to do better than a happy (or poker-faced) one; the reverse applied to the more agreeable teams.

By now the problem should be obvious. Anger involves a loss of control. But to be effective in the workplace, it needs to be carefully modulated. That means volcanic people need to find ways to rein themselves in before they spew invective everywhere. It also means that equable people need to learn to let fly occasionally. If there is room in the calendar for International Jazz Day, then there is certainly a case for World Calibrated Displays of Anger Day. ■

Read more from Bartleby, our columnist on management and work:
The making of a PowerPoint slide (Feb 22nd)
How to benefit from the conversations you have at work (Feb 16th)
Fairness: the hidden currency of the workplace (Feb 8th)

Also: How the Bartleby column got its name

Barrelling along

Can whisky conquer Chinese palates?

Western spirit pedlars think so

Feb 29th 2024 | Emeishan, Sichuan

Getty Images

SICHUAN IS THE land of *baijiu*. The south-western Chinese province produces more of the throat-scorching grog than any other. Pernod Ricard wants to make it the land of whisky. In December the first batch of The Chuan Pure Malt, made at the French firm's five-year-old distillery in rural Sichuan, went on sale. The company hopes to make its tipple as indispensable as *baijiu* at Chinese banquets.

China has certainly taken to whisky of late. It imported about $585m-worth in 2023, three times as much as in 2018. Whisky bars are now common in big cities. A recent report from Baiping, an online spirits marketplace, found that more than half of Chinese imbibers were born after 1990. Many are splashing out on pricier bottles; whereas the volume of imports rose by 6.4% in 2023, their value soared by 23%. These affluent young are the target market for Pernod Ricard, says Alexandre Ricard, its chief executive. His rivals are eyeing the same drinkers. Diageo, a British firm, will launch its own locally produced whisky at a distillery it built in neighbouring Yunnan province. Angus Dundee, a Scottish distiller, has similar plans.

Whisky is an outlier when it comes to premium Western consumables in China. Most such fare has had a rotten few years. The Chinese middle class, singed by loss of income amid the harsh covid-19 lockdowns of 2022, has put hoarding savings ahead of hedonism. After a surge in demand for foreign cheese in 2021, imports fell year on year in 2022, the first decline on record. Imports of cream, similarly exotic to the Chinese stomach, declined last year, as did those of foreign beer. Wine imports were 70% lower than five years earlier. "Status buying" of Western wine for gifting, entertaining and banqueting is down, notes Jim Boyce, an expert on wine and *baijiu* in China. Local vineyards, which sprang up around China in the early 2010s, mainly in the arid Ningxia province, are nursing a hangover: production fell from 1bn litres in 2017 to 143m litres in 2023.

Converting the Chinese to Western flavours has also proved difficult. They often prefer a pungent fermented form of tofu to roquefort. A Chinese cheesemaker told local media in October that households still find cheese unfamiliar. *Baijiu* makes up the bulk of China's $150bn in annual spirits sales—a banquet is deemed incomplete without a bottle of the stuff.

There is little Western whisky pedlars can do about Chinese consumer sentiment. But they are trying to make their products more agreeable to Chinese palates. Although many ingredients that go into The Chuan must be imported from Europe or America to create recognisable whisky flavours, Pernod Ricard uses some Chinese malts at its Sichuan distillery. Adding to the local character, some of the barrels are made of Chinese oak along with the more typical American or French variety.

At The Chuan's launch party, a gaggle of Communist Party officials, including a top leader of a nearby town, indulged heavily in the foreign spirit throughout the evening. Asked if he enjoyed it, one nodded woozily with a smile. But he also stuck out his tongue and fanned his mouth, as if to say it was not quite hitting the spot. ■

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Motor no-shows

Car shows in the West are in terminal decline

Chinese firms are keeping them on life support

Feb 29th 2024 | GENEVA

SHIFTING TRENDs in the car industry are best illustrated by the plight of Geneva's hoteliers. Securing a place to stay during the city's annual motor show once required booking at least a year ahead and paying an extortionate rate for even basic accommodation. This year rooms in the city were plentiful. Organisers' hopes for 200,000 visitors seem optimistic. An event that once no car firm could afford to miss, and that attracted crowds of over 700,000, was attended sparsely—chiefly, it seemed, by journalists who got a preview before the show opened to the paying public on February 28th. The few companies that turned up were characterised by one car executive as "China, China, China and Renault". They occupied less than a quarter of the floor space of previous years.

Geneva is not the only big car event in decline. Frankfurt and Paris, which took it in turns to host Europe's other big annual show, have dramatically downsized. The Paris jamboree of 2022 was a shadow of its former self. The

German bash moved to Munich and became smaller. In both cases domestic firms were outshone by Chinese rivals such as BYD and Great Wall Motor.

America's premier event in Detroit has also suffered an exodus of firms. A scheduling shift from the depths of Michigan's harsh winter to the summer months has failed to revive interest. It will now revert to its winter date in 2025. But the changing nature of cars, which rely on software to lure buyers as much as sleekly bent metal, makes events such as the Consumer Electronics Show in Las Vegas more appealing showcases for manufacturers.

Reduced relevance makes the high price tag of turning up at shows harder for carmakers to stomach. Elaborate stands cost millions to build and then reconstruct at the next event halfway across the world. Car firms started to question the logic of competing to unveil the latest models at a single event when they could command more attention with dedicated launches or significant announcements at a time and place of their choosing.

Often such occasions now coincide with motor shows. On the eve of Geneva's opening, Fiat (part of Stellantis, whose biggest shareholder part-owns *The Economist*'s parent company) released a video of its new Panda concept cars. (Reports on February 27th that Apple was abandoning its ten-year effort to build an electric car were probably not intended as a spoiler.) As a way of attracting buyers, cash can these days be far more effectively spent on marketing through other means, especially on social media.

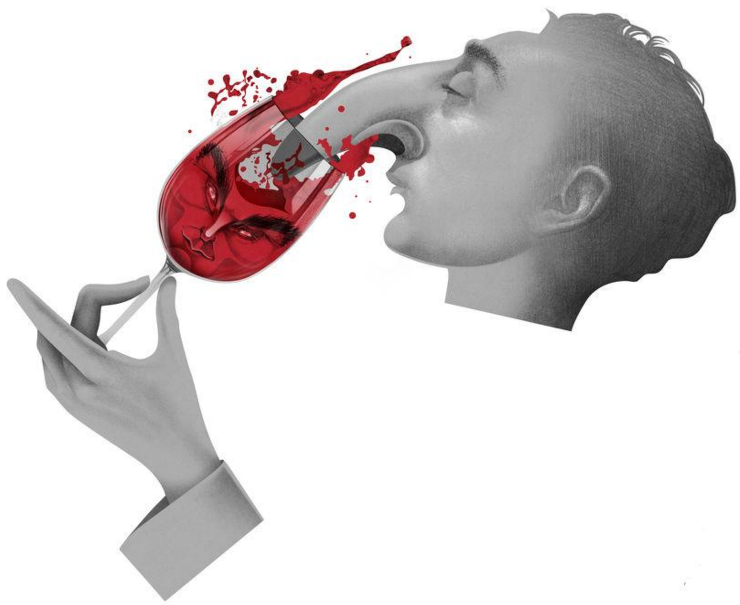
In the absence of prominent Western marques—many of which still bitterly resent the Swiss organisers for calling off the show in 2020 at the last minute as covid-19 was spreading and then refusing to issue refunds—the atmosphere in Geneva this year was dull even by Switzerland's exacting standards. Renault drummed up some buzz with its new electric Renault 5, an affordable, neatly styled runaround. Another company to make a splash was BYD, with the European debut of the Yangwang U8, a luxury hybrid SUV with the amphibious ability to move on water. These days it is mostly Chinese carmakers that are keeping Europe's big shows afloat. ■

Schumpeter

How Argentine businessmen size up Javier Milei

Is it time to invest in a spot of Malbec?

Feb 29th 2024



Brett Ryder

IF YOU EVER had a dream of chucking it all in and heading to the southern hemisphere to buy a vineyard, there are few places more alluring than the wine-growing regions around Mendoza, a charming tree-lined city in western Argentina. Your vines would be watered by snowmelt from the Andes mountains, which tower majestically overhead. You are on the doorstep of a city that is fast becoming a Napa-style mecca for wine-buffs and foodies from across Latin America. And because of repeated devaluations, your hard currency goes far. So far, in fact, that if you change dollars on the black market, you walk away with a sackful of pesos.

This is, moreover, the land that gave the world Malbec, a brand as Argentine as Maradona and Messi. Unlike so much else in Argentina, Malbec is a product of the free market. It first came to prominence globally in the 1990s when the country was enjoying an economic boom. After that experiment in economic orthodoxy ended in 2002, the industry survived the decades of Peronist interventionism, and failed stabilisation efforts that followed, mostly because of a fortuitous hedge: when the peso weakens, exports go up; when it strengthens, more bottles sell at home.

In short, settle in the province of Mendoza and you will find yourself in a pro-business environment not unlike next-door Chile. Its conservatism may explain why in November's presidential election a whopping 71% of *Mendocinos* voted in support of Javier Milei, the mop-haired libertarian promising shock therapy to stabilise the hyperinflation-racked country. Yet before you splash out on your oenological fantasy, talk to Patricio Santos, whose father, Ricardo, pioneered Malbec exports. He will quench your thirst, but also some of your enthusiasm for winemaking in his country. Though he supports Mr Milei, he and other vintners harbour reservations about whether his remedies will work.

Not for nothing is Mr Santos's wine labelled *Tercos*, or stubborn. Listening to him, it quickly becomes clear how doing business in Argentina requires mule-like determination—and rat-like cunning. Winemaking is a case in point. It is a long-term business. Between six and seven years elapse from planting a vine to bottling the juice. Money circulates slowly and margins are meagre, Mr Santos says. Argentine inflation is galloping at more than 20% a month, making it all the harder to invest in the future.

Exports help but are no nostrum. Before Mr Milei came to power, a hard-currency shortage meant exporters had to repatriate the dollars that they earned abroad at a central-bank rate far below the black-market one. Underbilling proliferated, but tax inspectors quickly caught on. To export, you often need imports, such as corks. For a while, the central bank had no dollars available for such purchases. An executive of one big winemaker says that as a workaround, his firm's American importer paid his Portuguese cork supplier on its behalf and was repaid in wine.

Transport in Argentina is also a nightmare of bad roads and high prices. Mr Santos says sending 10,000 bottles of wine on the one-day journey from Mendoza to the nearest port, which is in Chile, costs him almost a third more than sending it by boat from Chile to China. Moreover, with inflation out of control, trade finance is unavailable, so payments have to be cash on the nail. To cap it all, Mr Santos says, economic hardship is hitting consumption at home just as Malbec is losing some cachet abroad. No wonder he sought salvation in Mr Milei.

He continues to support the new president, he insists, while acknowledging that Mr Milei's first few months in office have been disconcerting. A 50% devaluation of the peso in December helped make exports more competitive, though import restrictions remain. A government proposal to slap export taxes on wine, as part of an "omnibus bill", provoked a strong backlash from the industry. It was shelved, winemakers say, before Mr Milei was forced to withdraw the entire package because of a lack of support in Congress. Nervousness persists. Mr Milei's priority is a draconian fiscal adjustment aimed at taming inflation and curbing the size of the state. The IMF, which backs Mr Milei's programme, notes that he continues to rely on "distortive measures" like trade taxes.

More worrying is the impact of the president's policies on society, Mr Santos says. "Things as violent as this often don't end well." March, when the summer holidays end in the southern hemisphere and reality kicks in, could be an excruciating month for Argentines. Electricity, gas and transport prices are expected to soar as real wages plummet. Social assistance to protect the vulnerable will be vital. According to press reports, the government is hinting that inflation fell sharply in February, though figures have not been released. Unless hyperinflation is suppressed quickly, the fear is that Mr Milei will lose popular support and his plan will fail.

Besides shock therapy, Mr Milei has one more weapon up his sleeve, Mr Santos thinks. Call it bread and circus. As an outsider whose party controls only about a tenth of seats in Congress, he uses social media to rally fans, either by vilifying political enemies in the legislature, the provinces and the unions, or by taking flamboyantly to the world stage. Mr Santos reckons this may help distract people from their harsh day-to-day realities.

Grape expectations

Some Argentine winemakers lap it up. They relished Mr Milei's recent speech in Davos, when he called business people "heroes". His radical message, they say, is stirring interest among foreign investors, including those in the wine trade. But others fear that his taste for sideshows has distracted him from legislative reforms that are critical for long-term stabilisation. "It is hard to tell whether there is a genius or a fool behind this," Mr Santos says. If it is the genius, that would benefit not only Argentina. It could send a pro-business message across Latin America. If it is the fool, say goodbye to free-market experiments in Argentina. And forget all about that vineyard. ■

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Finance & economics

Fly up to the sky

Stockmarkets are booming. But the good times are unlikely to last

Although AI is propelling valuations, there are deeper forces at work

Feb 25th 2024 | New York

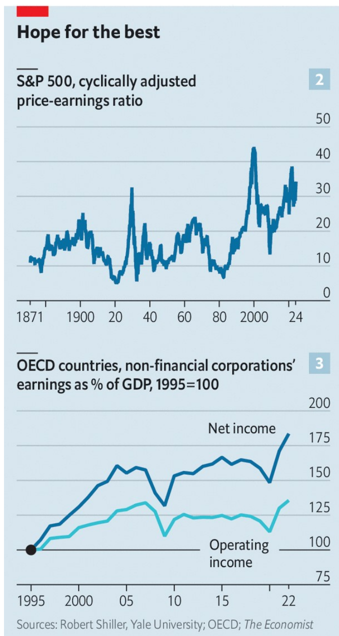
EVERYWHERE YOU look, stockmarkets are breaking records. American equities, as measured by the S&P 500 index, hit their first all-time high in more than two years in January, surged above 5,000 points in February and roared well above that level on February 22nd when Nvidia, a maker of hardware essential for artificial intelligence (AI), released spectacular results. The same day, Europe's STOXX 600 set its own record. Even before Nvidia's results had been announced, Japan's Nikkei 225 had surpassed its previous best, set in 1989. Little surprise, then, that a widely watched global stockmarket index recently hit an all-time high, too (see chart 1).

The Economist

This is quite a turnaround. Stocks slumped in 2022, when faced with fast-rising interest rates, and wobbled last March, during a banking panic. Now, though, both episodes look like brief interruptions in equities' long march higher. Despite middling economic growth and the covid-19 pandemic, stockmarkets have offered annual returns, after inflation, of more than 8% a year since 2010, including dividends (cash payments to shareholders, funded by company profits) and capital gains (when the price of a share increases). These returns have been better than those produced by bonds and housing. Indeed, they have been better than those produced by just about any other asset class.

If the boom has a home, it is America. A hundred dollars invested in the S&P 500 on January 1st 2010 is now worth $600 (or $430 at 2010's prices). However you measure them, American returns have outclassed those elsewhere. Almost 60% of Americans now report owning stocks, the most since reliable data began to be collected in the late 1980s. Many of them, as well as many professional investors, have a question. Is the stockmarket surge sustainable—or the prelude to a correction?

For as long as stockmarkets have existed there have been those predicting an imminent crash. But today, in addition to the usual doomsaying, a chorus of academics and market researchers argues that it will be tough for American firms to deliver the long-term growth required to reproduce extraordinary recent stockmarket returns. Michael Smolyansky of the Federal Reserve has written about the "end of an era", and warned of "significantly lower profit growth and stock returns in the future". Goldman Sachs, a bank, has suggested the "tailwinds of the last 30 years are unlikely to provide much boost in the coming years." Jordan Brooks of AQR Capital Management, a quantitative hedge fund, has concluded that "a repeat of the past decade's equity market performance would require a heroic set of assumptions."



The Economist

That is, in part, because valuations are already at eye-popping levels. The most closely followed measure of them was devised by Robert Shiller of Yale University. It compares prices with inflation-adjusted earnings over the previous decade—a long enough period to smooth out the economic cycle. The resulting cyclically adjusted price-to-earnings ratio, or CAPE, has never been higher than 44.2, a record reached in 1999, during the dotcom bubble. The previous peak was in 1929, when the CAPE hit 31.5. It now stands at 34.3 (see chart 2).

Rarely have corporate profits been valued so highly. And the outlook for the profits themselves is also challenging. To understand why, consider the fundamental sources of their long-term growth. We have employed Mr Smolyansky's methodology to examine national-accounts data for American corporations. Between 1962 and 1989 net profits increased in real terms by 2% a year. After that, profits accelerated. Between 1989 and 2019 they increased by more than 4% a year. We find similar trends across the OECD, a club of mostly rich countries. As a share of GDP, corporate profits were steady from the 1970s to the 1990s, then doubled (see chart 3).

Market of mirrors

Yet much of this strong performance is, in a sense, a mirage. Politicians have reduced the tax burden facing corporations (see chart 4). From 1989 to 2019 the effective corporation-tax rate on American firms dropped by three-fifths. Since companies were giving less money to the state, corporate profits rose, leaving them with more money to pass on to shareholders. Meanwhile, over the same period borrowing became cheaper. From 1989 until 2019 the average interest rate facing American corporations fell by two-thirds.

The Economist

Mirroring Mr Smolyansky, we find that in America the difference in profit growth between the 1962-1989 period and the 1989-2019 period is "entirely due to the decline in interest and corporate-tax rates". Extending this analysis to the rich world as a whole, we find similar trends. The surge in net profits is really an artefact of lower taxes and interest bills. Measures of underlying profits have grown less impressively.

Now companies face a serious problem. The decades-long slide in interest rates has reversed. Risk-free interest rates across the rich world are about twice as high as they were in 2019. There is no guarantee that they will fall back to those lows—let alone decline fairly steadily, as they tended to in the decades before the pandemic.

As for taxes, the political winds have changed. True, Donald Trump may see fit to cut America's corporation-tax rate if he wins in November. But our analysis of 142 countries finds that in 2022 and 2023 the median statutory corporate-tax rate rose for the first time in decades. For instance, in 2023 Britain increased its main rate of corporation tax from 19% to 25%. Governments have also established a global minimum effective corporate-tax rate of 15% on large multinational enterprises. Once it has bedded in, such companies will probably pay between 6.5% and 8.1% more tax, leaving a smaller pool of net profits.

What needs to happen, then, for American stocks to keep offering exceptional returns? One possibility is that investors stretch valuations even more. In a world where interest and tax bills remain constant for the next decade while real earnings grow at 6% a year—an optimistic scenario—America's CAPE would need to rise to 51 to reproduce the overall returns seen between 2013 and 2023. That would be higher than it has ever gone before.

Now make things grimmer and assume that valuations revert towards their mean. The CAPE drifts towards 27, near the average since the end of the dotcom bubble. Assume, too, that interest and tax bills rise. Rather than clocking in at 25% of earnings, they drift up to 35%, or around the level in the first half of the 2010s. In this more realistic world, to generate even half the returns equity investors enjoyed since 2010, real earnings would have to grow at 9% a year. Only twice in the post-war period has America achieved this sort of growth, according to Mr Brooks, and in both cases the economy was rebounding from busts—once from the dotcom bubble and once from the global financial crisis of 2007-09.

Many investors hope AI will ride to the rescue. Surveys of bosses suggest great enthusiasm for tools that rely on the technology. Some firms are already adopting them, and claim they are producing transformative productivity gains. If deployed more widely, the tools may allow companies to cut costs and produce more value, juicing economic growth and corporate profits.

Play the fool

Needless to say, this is a heavy burden for a technology that is still nascent. Moreover, technological developments are far from the only trend that will affect business in the coming years. Companies face an uncertain geopolitical climate, with global trade flat or declining depending on the measure. In America both parties are sceptical of big business. The battle against inflation is also not yet won: interest rates may not fall as far or as fast as investors expect. In recent decades you would have been foolish to bet against stockmarkets—and timing a downturn is almost impossible. But the corporate world is about to face an almighty test. ■

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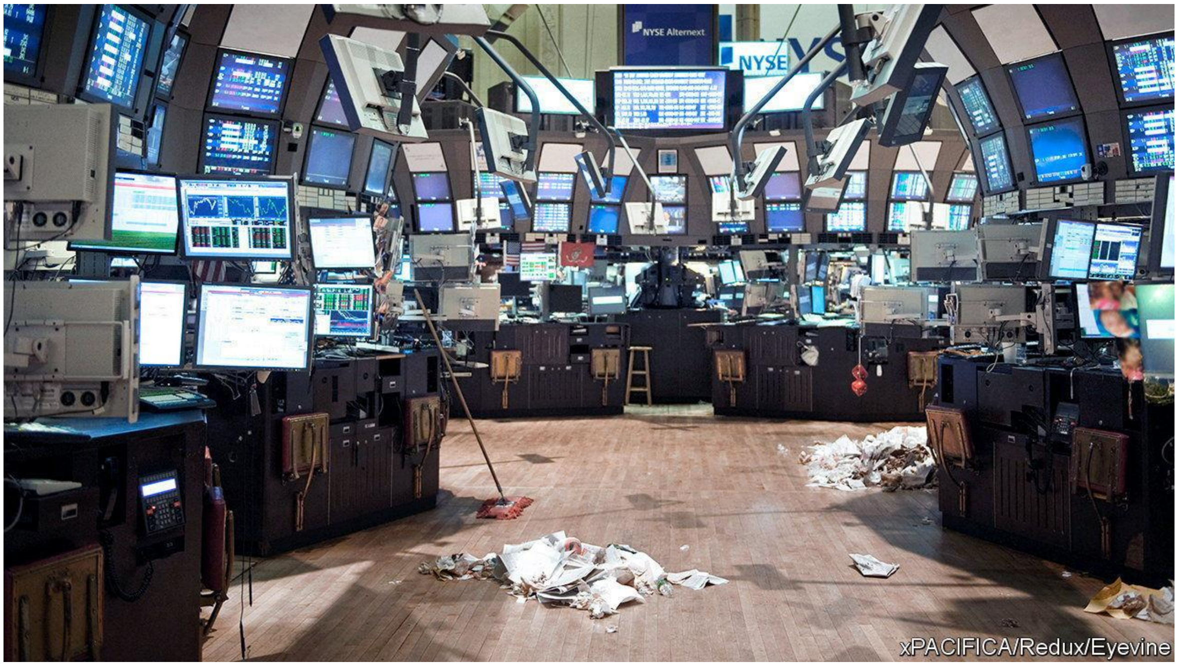
Too efficient

Are passive funds to blame for market mania?

They have killed off many of those willing to bet on a downturn

Feb 29th 2024



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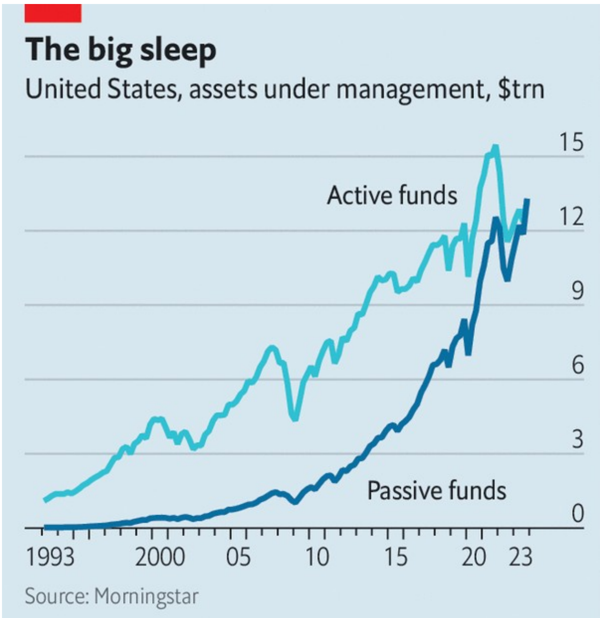
THE YEAR is 2034. America's "magnificent seven" firms make up almost the entirety of the country's stockmarket. For Jensen Huang, the boss of Nvidia, another knockout quarterly profit means another dizzy proclamation of a "tipping point" in artificial intelligence. Nobody is listening. The long march of passive investing has put the last stockpickers and stock-watchers out of a job. Index mutual and exchange-traded funds (ETFs)—which buy a bunch of stocks rather than guessing which ones will perform best—dominate markets completely. Capitalism's big questions are hashed out in private between a few tech bosses and asset managers.

In reality, the dystopia will probably be avoided: markets would cease to function after the last opinionated investor turned out the lights. However, that does not stop academics, fund managers and regulators from worrying about unthinking money, especially in times of market mania. After the dotcom bubble burst in 2000 Jean-Claude Trichet, a French central banker, included passive investment in his list of reasons why asset prices might detach from their economic fundamentals. Index funds, he argued, were capable of “creating rather than measuring performance”. America’s red-hot markets have brought similar arguments back to the fore. Some analysts are pointing fingers at passive investing for inflating the value of stocks. Others are predicting its decline.



The Economist

Such critics may have a point, even if some are prone to exaggeration. It seems likely there is a connection between the concentration of value in America’s stockmarket and its increasingly passive ownership. The five biggest companies in the S&P 500 now make up a quarter of the index. On this measure, markets have not been as concentrated since the “nifty fifty” bubble of the early 1970s. Last year the size of passive funds overtook active ones for the first time (see chart). The largest single ETF tracking the S&P 500 index has amassed assets of over $500bn. Even these enormous figures belie the true number of passive dollars, not least owing to “closet indexing”, where ostensibly active managers align their investments with an index.

Index funds trace their origins to the idea, which emerged during the 1960s, that markets are efficient. Since information is instantaneously “priced in”, it is hard for stockpickers to compensate for higher fees by consistently beating the market. Many academics have attempted to untangle the effects of more passive buyers on prices. One recent paper by Hao Jiang, Dimitri Vayanos and Lu Zheng, a trio of finance professors, estimates that due to passive investing the returns on America's largest stocks were 30 percentage points higher than the market between 1996 and 2020.

The clearest casualty of passive funds has been active managers. According to research from GMO, a fund-management firm, an active manager investing equally across 20 stocks in the S&P 500 index, and making the right call most of the time, would have had only a 7% chance of beating the index last year. Little wonder that investors are directing their cash elsewhere. During the past decade the number of active funds focused on large American companies has declined by 40%. According to Bank of America, since 1990 the average number of analysts covering firms in the S&P 500 index has dropped by 15%. Their decline means fewer value-focused soldiers guarding market fundamentals.

Some now think that this trend might have run its course. Students embarking on a career in value investing will consult "Security Analysis", a stockpickers bible written by Benjamin Graham and David Dodd, two finance academics, and first published in 1934. In a recently updated preface by Seth Klarman, a hedge-fund manager, they will find hopeful claims that the rising share of passive money could increase the rewards yielded by poring over firms' balance-sheets.

Fees charged by active managers have declined significantly; perhaps election-year volatility will even help some outperform markets. A few might gather the courage to bet on market falls. If they are right, their winnings will be all the bigger for their docile competition. But for the time being, at least, passive investors have the upper hand. And unless the concentration of America's stockmarket decreases, it seems unlikely that the fortunes of active managers will truly reverse. ■

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Stakeholders at the gate

Activist investing is no longer the preserve of hedge-fund sharks

ExxonMobil and Starbucks are victims of the latest trend

Feb 29th 2024 | New York

TRADE UNIONS rarely look to corporate raiders for inspiration. Yet the Strategic Organising Centre (SOC), a coalition of North American workers groups, is mounting the sort of campaign normally associated with hedge funds. The group's target is Starbucks, a coffee-shop chain with a market capitalisation of $107bn. Whereas traditional activist investors take a chunk of a company and pressure its management to change strategy, hoping to gain from a bump in the share price, the SOC owns a mere $16,000-worth of Starbucks shares, and ultimately wants to improve the lot of the firm's workers.

Its pitch is that the interests of shareholders and workers are, in fact, aligned. Starbucks is wasting money and alienating customers with its approach to "human-capital management", the group argues. Productivity would be higher, and spending on consultants lower, should Starbucks follow its workplace advice. Therefore it wants three of its candidates appointed to

Starbucks's 11-person board. The hot-drinks behemoth is less convinced. The board is already stocked with "world-class business leaders", says a representative, who adds that in the last fiscal year a fifth of profits went towards wage increases, training and new equipment.

Five years after the Business Roundtable, a 200-strong group of chief executives at some of America's biggest companies, embraced stakeholder capitalism, the mood is now rather different. Most bosses would prefer to leave politics to the politicians and avoid the boycotts and bad publicity that come with wading into culture wars. They are content to focus on shareholder returns, rather than trying to improve society at large. But although chief executives have mostly abandoned their flirtation with stakeholder capitalism, they are still living with its consequences.

This year's proxy season, which gets under way in the spring, will probably surpass even 2023's for proposals of non-binding resolutions. That year marked a record for environmental, social and governance (ESG) motions. At the large and small American companies that comprise the Russell 3000 index, 513 of the 836 proposals put to shareholders focused on such questions, according to the Conference Board, a think-tank. The increase reflected a legal shift. In 2021 the Securities and Exchange Commission (SEC), a regulator, said that it would no longer allow companies to exclude measures as irrelevant if they focused on a "significant social policy".

Conservatives are also mobilising. Last year's proxy season included 92 anti-ESG proposals, up from 54 the year before. On February 28th at the annual meeting of Apple, a tech giant, shareholders were asked to consider five such proposals, including one asking the firm to report on the risks of failing to consider "viewpoints" in its equal-opportunities policies. The supporting statement says there is evidence that conservatives may be discriminated against in Silicon Valley. Another two, submitted by conservative pressure groups, asked the company to report on how it arbitrates between government and consumer interests, in particular in its dealings with China. For their part, liberals offered only one resolution: asking Apple to change how it reports on racial pay gaps. The company recommended that shareholders reject every one, which they did.

Politics by other means

Will other campaigns find more success? In 2023 the average environmental proposal received the support of just a fifth of shareholders, down from a third the year before. Shareholders are being more disciplined, says Lindsey Stewart of Morningstar, a research outfit, only backing climate-change resolutions that are focused on the emissions over which companies have direct control or that they will have to disclose to satisfy regulators, rather than those in their supply chains. Financiers have realised that it is not their job to set energy or industrial policy, he explains. Meanwhile, anti-ESG proposals fare even worse: on average they receive the support of only 5% of shareholders.

Although such campaigns are rarely successful, they do matter. ExxonMobil, an oil supermajor, is taking the unusual step of suing its own shareholders who have put forward green proposals. Arjuna Capital, a hedge fund, and Follow This, a campaign group, used a stake of less than $4,000 to advance a non-binding proposal to accelerate greenhouse-gas reductions with targets and timelines. The proposal has been withdrawn, but Exxon is still pursuing the case. It says the underlying issue with the SEC's approach is still unresolved: clarity is needed about proxy-voting rules that "are increasingly being infringed by activists masquerading as shareholders". Many companies quietly agree.

And as the Starbucks case suggests, crusades are becoming increasingly ambitious. More shareholder-activist campaigns began in 2023 than ever before, according to Lazard, an investment bank. Smaller groups, including the SOC, have been helped by rules known as "universal proxy", which were introduced in 2022 by the SEC and mean that both a company's and its dissident shareholders' nominees to the board of directors must be on the same ballot. Instead of shareholders choosing one slate or the other, they can now mix and match with outsiders and insiders. The SOC has spent about $3m on its fight. The result will indicate whether unions can enlist Institutional Shareholder Services and Glass Lewis, which advise institutional investors, to their cause.

Other small shareholders are pursuing similar strategies. In Europe Bluebell Capital, a tiny hedge fund, has begun a battle with BP, another oil supermajor. The fund argues that BP should quit the offshore-wind business, which it says is destroying value for shareholders. It would prefer BP to increase oil and gas production, as well as to return money to shareholders, who could then invest in better green options, says Giuseppe Bivona, a partner at Bluebell, defending the fund's environmental credentials. "Contrary to probable superficial appearances, we believe BP is pursuing an 'anti-woke' strategy," the fund's letter to shareholders argues.

Dissident investors do not need to win board seats to achieve some sort of victory. After presenting its latest set of results to shareholders, BP increased the pace of buybacks to placate investors who are cool on its green-energy strategy. Meanwhile, the SOC hopes that Starbucks' defence against its campaign might include concessions. Traditional activist investors urge companies to break up, divest assets or return cash to shareholders. Even without campaigns being launched, boardrooms have come to do these things so as to avoid attracting the attention of corporate raiders in the first place. A new generation of corporate raiders, taking advantage of cuddly capitalism, will hope their campaigns have a similar impact. ■

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Still coupled

How Trump and Biden have failed to cut ties with China

It is hard to overcome economic incentives

Feb 27th 2024 | San Francisco and Singapore

DONALD TRUMP and Joe Biden do not agree on much, but they are of a similar mind when it comes to America's trade relations with China. They believe that the world's largest economy is simply too reliant on its second-largest. Thus American officials travel the world touting the benefits of "friendshoring"—or shifting production out of China and into less risky markets. Business leaders make positive noises, and are sincerely worried by China's weak economic growth, not to mention its volatile politics. The number of comments in earnings calls referring to "reshoring" has exploded.

Yet how much of this is anything more than talk? Last year *The Economist* argued that lots of the supposed decoupling between America and China is in fact illusory. Look closer, we wrote, and the two countries' economic relationship is holding strong, even if this fact is masked by tricks on both sides. Since then a growing body of evidence confirms, and strengthens, our original findings. The economies of America and China are not coming apart. Indeed, some changes to supply chains may be binding the two countries even closer together.

Of TikTok and solar panels

A complete picture of Chinese-American trade would cover trade in services, including America's use of Chinese apps and China's love of American films. But these flows are difficult to track, meaning that economists have focused their attention on trade in goods, which customs officials measure reasonably accurately. Here, the headline figures will cheer Messrs Biden and Trump. Last year Mexico overtook China as America's largest source of imports. Since 2017 the share of America's imports coming from China has fallen by a third to around 14%, according to American figures. A chunk of that decline came after Mr Trump implemented high tariffs in 2018. Another chunk reflects growing worries about China's territorial ambitions: if China invades Taiwan, many Asian supply chains will become unworkable.

The Economist

The headline figures do not tell the whole story, however. To understand why, start with Mr Trump's tariffs, which Mr Biden has largely kept in place. Before their introduction in 2018, American statistics suggested that America received many more imports from China than did Chinese statistics. Now the opposite is true. China reports that its exports to America rose by $30bn between 2020 and 2023, whereas America says its Chinese imports fell by $100bn. If China's data are correct, the country's share of American imports has still declined, but by much less.

What accounts for the gap between the measures? Adam Wolfe of Absolute Strategy Research, an advisory firm, suggests that the switch reflects the fact that American importers have an incentive to underreport how much they are buying from China in categories covered by tariffs. Mr Wolfe estimates that, as a consequence, America now understates its imports from China by 20-25%. At the same time, in recent years the Chinese government has cut taxes on exporters, reducing the incentive for domestic businesses to undercount goods leaving the country.

Other data provide additional reason for scepticism about decoupling. "Input-output" tables, as published by the Asian Development Bank, show the share of a country's economic activity that can be traced back to others. Examining 35 industries, we calculate that in 2017 the Chinese private sector contributed on average 0.41% of American firms' inputs. That may not sound like much, but it beat the 0.38% that came from Germany and the 0.24% from Japan. By 2022 China's share had more than doubled to 1.06%, a larger proportional increase than for either Germany or Japan. It is hard to know exactly what is behind this trend. America's attempts to build clean-energy infrastructure could be one factor, making imports of Chinese electrical equipment much more important. American service-sector firms also appear to be increasingly reliant upon intellectual property owned in China. Whatever the cause, the figures are hard to square with supposed decoupling.

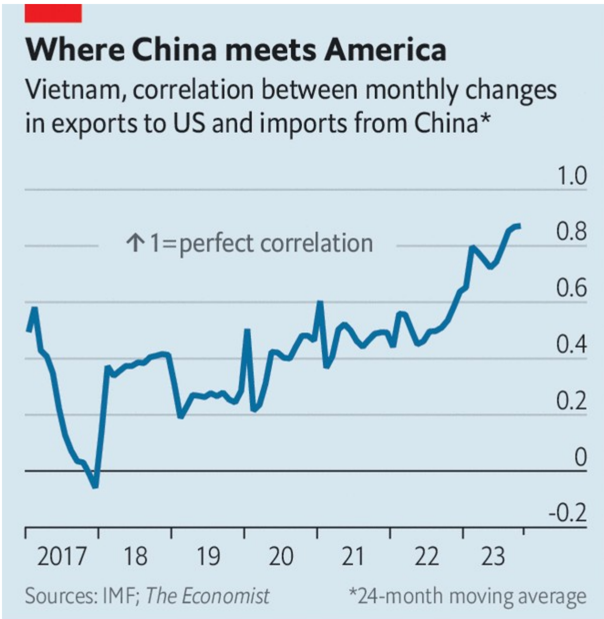
Developments on the Chinese side also push against decoupling. China's leaders have no intention of relinquishing their country's role in global supply chains, even as its biggest trading partner is half-heartedly trying to cut it off. In December the Central Economic Work Conference, China's agenda-setting economic council, made expanding trade in intermediate products (those used to make finished goods) a priority. State banks are redirecting credit from property to manufacturing, raising the prospect of a glut of Chinese exports. And many of the new titans of Chinese industry, like Contemporary Amperex Technology, a battery firm; BOE Technology

Group, a producer of organic light-emitting-diode displays; and LONGi Green Energy Technology, which makes components for solar panels, are well placed to benefit from this strategy.

Green with envy

Indeed, the growth of these sorts of companies is already having an impact. We estimate that since 2019 China's global exports of intermediate goods have risen by 32%, compared with a rise in other sorts of exports, such as finished goods, of only 2%. The surge is driven by exports to countries such as India and Vietnam, which are two of the American government's preferred trading partners. American trade with these countries is, in turn, increasing—from 4.1% of its goods imports in 2017 to 6.4% today. In combination, these trends imply that the two countries often act as something akin to packaging hubs for goods made with Chinese inputs that are destined for America's shores.

Across the world, many such arrangements are emerging. Take the case of India, where the government is trying to build up its manufacturing base. Following the introduction of subsidies, mobile-phone exports have soared, suggesting that India is eating China's lunch. However, in a recent paper Rahul Chauhan, Rohit Lamba and Raghuram Rajan, three economists, point out that the import of mobile-phone parts, such as batteries, displays and semiconductors, has also jumped. India appears to be more of a mobile-phone go-between than it does a smartphone powerhouse.



The Economist

Vietnam's trade with America is booming. But its production remains deeply intertwined with Chinese supply chains, meaning that much of the increase may be accounted for by products with little Vietnamese content. In the most extreme cases, Vietnamese exports are essentially rerouted from China, as America's Department of Commerce occasionally gripes. The correlation between Vietnam's exports to America and its imports from China is now significantly higher than it was before Mr Trump's tariffs were put in place. This suggests that that the South-East Asian manufacturing high-flyer increasingly plays a role as a conduit, matching Chinese production to American demand.

In Mexico the situation is a little more complicated. Standards established by the United States-Mexico-Canada Agreement require a higher "regional-value content", meaning that exports are scrutinised to ensure production was conducted in North America. In some industries where Mexican exports to America are booming, such as the production of cars, the growth is difficult to attribute to decoupling, since China has never exported large quantities of vehicles and parts to America: in 2018 it was the source of just 6% of American imports of such goods. All the same, Mexico's imports of Chinese industrial supplies have surged, rising by about 40% since 2019. Even in America's backyard, decoupling is not going to plan.

The overall picture is therefore clear: Chinese supply chains may be less visible, but they remain extremely important to the American economy. Will they retain their pivotal role? Mr Trump has threatened enormous tariffs on all Chinese products should he become president in November. Such levies may be enough to encourage some companies to move out of China for good. Aggression from Xi Jinping—whether in Taiwan or elsewhere—could have a similar impact. Over decades, some countries that currently act as a final step in production lines may develop more impressive industrial capabilities, and challenge China's position.

In the absence of dramatic shifts in American or Chinese policy, do not expect much to change any time soon. Many countries are more than happy to play both sides—receiving Chinese investment and intermediate goods, and exporting finished products to America. Economic efficiency, provided by China's huge scale and manufacturing expertise, is a powerful force in favour of the status quo. Decoupling may be strong rhetoric, but that is not quite the same thing. ■

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Buttonwood

Uranium prices are soaring. Investors should be careful

The metal has a history of meltdowns

Feb 29th 2024

IT IS, BY now, a familiar story. A metal previously only traded in a sleepy corner of commodity markets becomes vital for the energy transition. Constrained supply and geopolitical jockeying meet forecasts for ever-rising demand. Prices surge as investors foresee a crunch. The only wrinkle in the story is that this time the metal is not used in electric vehicles or solar panels; it is used in the decades-old technology of nuclear reactors. Uranium prices are blowing up.

Hoarding uranium oxide—which, once processed and enriched, is the main fuel for nuclear bombs and reactors—might seem like a strategy more suitable for supervillains than investors. But speculators now have a number of ways to gain exposure. Stockmarket darlings include Yellow Cake, a firm that buys and stores the stuff, whose share price is up by 160% over the past five years, and Sprott Physical Uranium Trust, a fund that does the same and has enjoyed returns of 119% since its launch in 2021. Hedge funds have got in on the action, too, reportedly stockpiling the metal and buying options on uranium from banks.

According to UXC, a consultancy, prices on the spot market have more than tripled from $30 a pound in January 2021 to a recent peak of over $100, the highest in 16 years. An initial rise was spurred by speculation that Western governments would impose sanctions on Rosatam, a Russian firm. A coup in Niger in July prompted another rise. Then in September Kazatomprom, the world's biggest supplier, warned that a shortage of sulphuric acid would reduce production.

At the same time, Western countries are trying to build their own supply chains, since Rosatom currently has more than half the world's enrichment capacity. In December America, Britain, France and Japan together committed $4.2bn to build facilities to separate uranium-235 isotopes, the only naturally occurring material that can undergo fission, from the more common uranium-238.

The world needs reliable low-carbon electricity and nuclear power is one of the few options available. Governments have announced plans to expand capacity: Sweden has pledged another two reactors by 2035 and the equivalent of ten more by 2045; last year Japan restarted three that had been mothballed; America recently connected its first new reactor in eight years. All of this is small-bore compared with China, which plans to build another 150 reactors over the next decade. Little wonder that investors are pouring in.

Yet there are reasons for caution, which start with the supply crunch. Although Niger's coup was dramatic, the country is only the seventh-largest uranium supplier and it is not clear that there will be a permanent reduction in output. Moreover, many governments have stockpiles, often acquired for defence purposes, which can be released for civilian use. Investors can only guess how much policymakers will be willing to let out. And energy firms have stockpiles of their own, which are often sufficient to keep them going for a few years.

Then consider demand. Nuclear's history is one of false starts: it has never delivered the too-cheap-to-meter power once promised. During oil shocks in the 1970s uranium prices rose more than sixfold, reaching a peak of $44 in 1979, equivalent to $198 today. Owing to subsequent falls in oil prices, uranium prices had halved by 1981. Later, in the 2000s, a bubble grew. Prices jumped from $10 in 2003 to $136 in 2007 as investors forecast a nuclear renaissance thanks to “peak oil”, a supply crunch and dwindling Russian stockpiles. Things went wrong during the global financial crisis of 2007-09; Japan’s Fukushima accident in 2011 appeared to be the final nail in the coffin.

For a happy ending this time, nuclear power must finally come good. Demand—from energy firms, not just speculators—must rise, which will require someone to pay nuclear’s colossal upfront costs or make the power source cheaper. Both are plausible: net-zero targets might mean governments are willing to spend big; a number of startups are working on small modular reactors, which would lower construction costs if successful. China, which has the most ambitious plans to build capacity, has so far managed to contain costs.

But return to the example of other metals. When prices surge, more supply is almost always found and customers discover cheaper alternatives. That is what happened with cobalt, lithium and nickel. High prices are the solution to high prices, goes the saying in commodity markets. How confident can investors really be that uranium is different? ■

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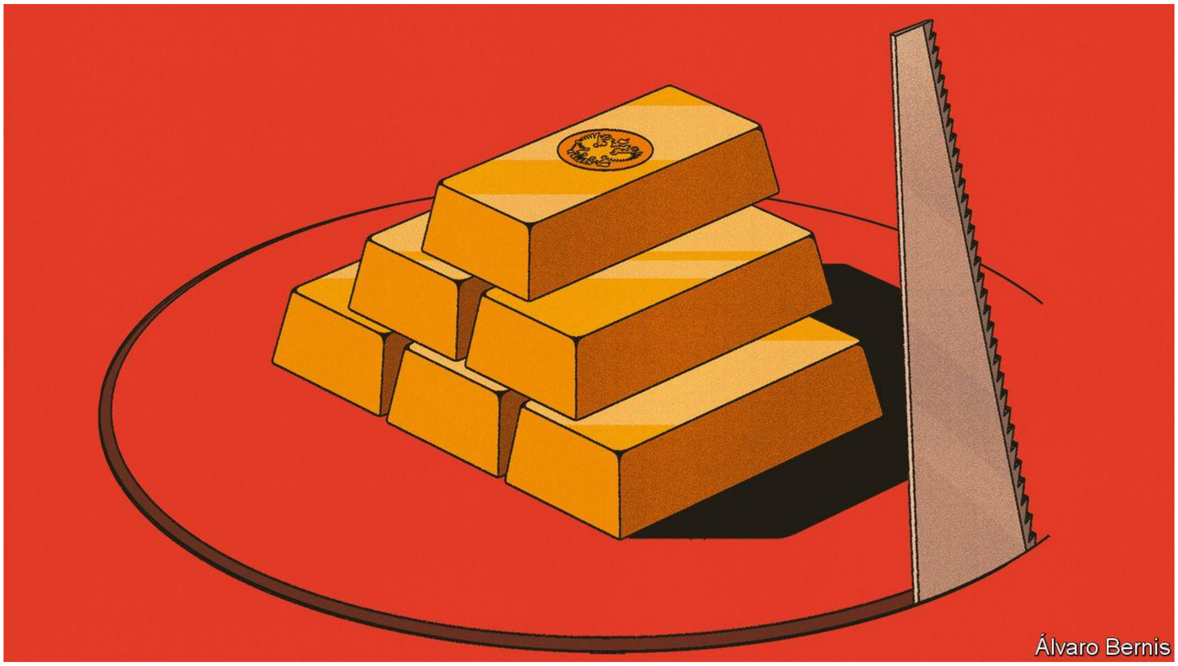
Free exchange

What do you do with 191bn frozen euros owned by Russia?

The question that now confronts Western policymakers

Feb 28th 2024


Álvaro Bernis

IN ECONOMIC TERMS, an asset has value because an owner might derive future benefits from it. Some assets, like cryptocurrencies, require a collective belief in those benefits. Others, like wine, will undeniably provide future pleasure, such as the ability to savour a 1974 Château Margaux. Still others, like American Treasuries, represent a claim on the government of the strongest economy in the world, backed by a formidable legal system.

To derive such benefits, however, an owner must be able to access their assets. And that is where the Central Bank of Russia struggles. Much like every other central bank, the CBR stores reserve assets abroad. After Vladimir Putin's invasion of Ukraine in 2022, the G7 froze these assets and prohibited financial firms from moving them. Of the $282bn of Russian assets immobilised in Japan and the West, some $207bn (€191bn) are held at Euroclear, a clearing-house in Belgium. When coupon payments on Russia's assets come due or bonds are redeemed, Euroclear puts the cash into a bank account. This account is now home to roughly €132bn. Last year it earned a return of €4.4bn, which conveniently belongs to Euroclear, as per the clearing-house's terms and conditions.

Western policymakers are now considering whether these assets can be used to help Ukraine. Russia might one day have to compensate the country for war damages, which the World Bank already puts at more than $480bn. Ukraine needs more money and weapons to push back Russian advances, as well as to maintain its state and economy. At the same time, Western governments are increasingly struggling to find room in their budgets to support the war effort, and to get approval from legislatures for such spending. On February 26th Dmytro Kuleba, Ukraine's foreign minister, once again argued that Russia's assets should be confiscated. A day later Janet Yellen, America's treasury secretary, called on her colleagues "to unlock the value" of those funds. Ursula von der Leyen, president of the European Commission, wants to use Euroclear's windfall to buy military equipment for Ukraine.

How exactly could this be done? Taking assets from someone usually requires a court order, but in international law things are a little more complicated. The International Court of Justice would only be able to rule on the matter should Ukraine and Russia agree to let it decide upon reparations, which is unlikely at present. The UN Security Council has the ability to pass binding resolutions, over which Russia unfortunately holds a veto.

Some, including Lawrence Summers, a former American treasury secretary, want to make use of states' right to take so-called countermeasures. These are otherwise unlawful actions that are sometimes allowed in response to unlawful acts. That Ukraine is entitled to deploy countermeasures is undisputed. How broadly the same rules apply to those acting in support of Ukraine is more controversial. Sanctions and asset freezes fall under the category, and have been widely used against Russia. Asset confiscations do not, at least in most interpretations of international law. That is because they are irreversible and would seek to punish Russia, rather than to induce a change in its behaviour.

As Lee Buchheit, a veteran of international law, notes, the problem reflects a geographical mismatch. Ukraine has strong claims on Russia, but no frozen Russian assets it could use to settle them. The West has no claims but plenty of assets. Thus the challenge is to find a way to match these assets and claims.

In a recent paper, Mr Buchheit and co-authors suggest just such a way. They argue that the West could provide a loan to Ukraine, in return for which Ukraine could offer its claims on Russia as collateral. The West would agree to use only this collateral for redemption of the loan. When Russia inevitably refuses to pay up, the West would then be able to foreclose on the collateral.

Would this work? One difficulty is that an international body would still have to determine precisely how much Ukraine is owed. Perhaps the UN General Assembly could enlist the World Bank to crunch the numbers. But this would require careful diplomacy on behalf of the West, as well as the support of France and Germany, which have so far been unimpressed by suggestions involving creative interpretations of international law. Mr Buchheit argues the shift in approach is not quite as big as it might appear at first. The West has already gone quite far by freezing assets and making clear that it will not give them back unless reparations are paid. As he notes: "Russia won't pay reparations. War reparations are paid by the vanquished to the victor, and this situation does not end with the Ukrainian flag flying over the Kremlin." In effect, he argues, the West has already taken the assets.

A second difficulty is posed by Belgium, which has access to most frozen Russian assets and would therefore need to receive most of the claims against Russia from Ukraine. It might be reluctant to play such a pivotal role, given the potential for retribution. It would also be unfair to expect a country of its size to be the main provider of the initial loan to Ukraine. In order to overcome this difficulty, Mr Buchheit suggests that the initial loan to Ukraine is set up in a syndicated manner with a sharing clause, which would enable lending countries to group together both when providing the money and receiving collateral. Such an approach was adopted to fund emerging-market governments in the 1970 and 1980s before bond-financing markets took over. Just as is the case now, a mechanism was needed to share risk and access to collateral.

Gold rush

But perhaps there is no need to seize Russian assets after all. Indeed, the EU is already planning to implement a windfall tax on any profits they accrue. If returns continue to be siphoned off indefinitely, the difference between confiscating the asset and confiscating the income becomes smaller and smaller. In economic terms, the West is already the owner of Russia's assets. All that is left now is to fund Ukraine's fight. ■

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Science & technology

- **AI models make stuff up. How can hallucinations be controlled?**
- **Scientists want to tackle multiple sclerosis by treating the kissing virus**
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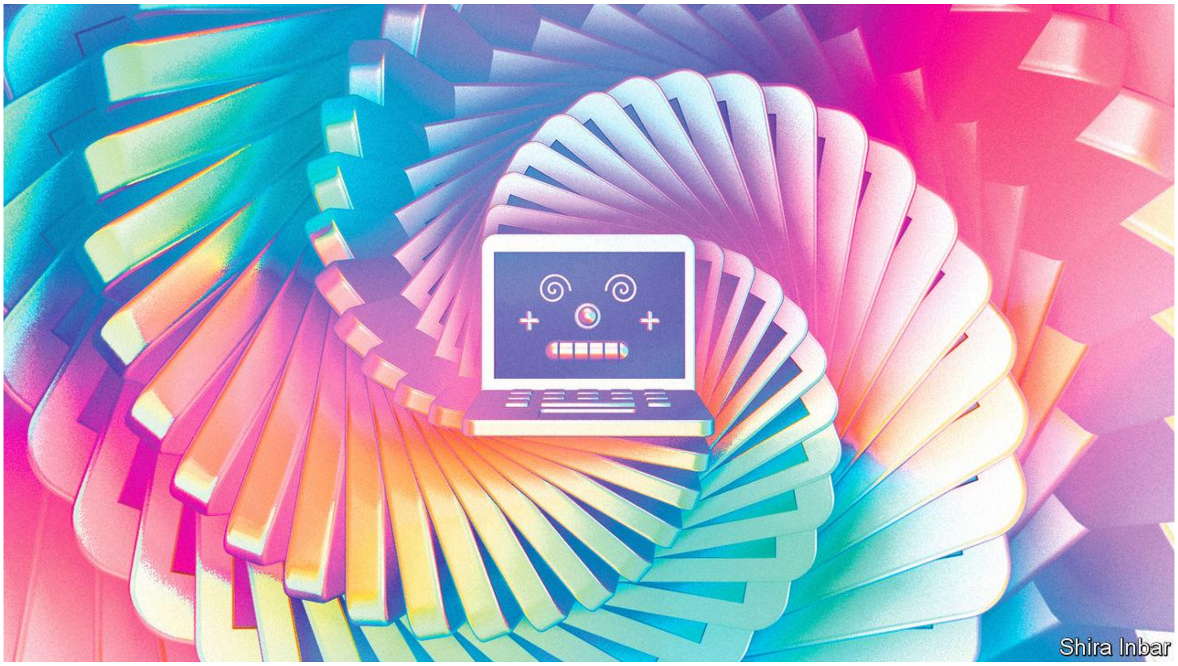
Silicon dreamin’

AI models make stuff up. How can hallucinations be controlled?

It is hard to do so without also limiting models’ power

Feb 28th 2024



IT IS AN increasingly familiar experience. A request for help to a large language model (LLM) such as OpenAI’s ChatGPT is promptly met by a response that is confident, coherent and just plain wrong. In an AI model, such tendencies are usually described as hallucinations. A more informal word exists, however: these are the qualities of a great bullshitter.

There are kinder ways to put it. In its instructions to users, OpenAI warns that ChatGPT “can make mistakes”. Anthropic, an American AI company, says that its LLM Claude “may display incorrect or harmful information”; Google’s Gemini warns users to “double-check its responses”. The throughline is this: no matter how fluent and confident AI-generated text sounds, it still cannot be trusted.

Hallucinations make it hard to rely on AI systems in the real world. Mistakes in news-generating algorithms can spread misinformation. Image generators can produce art that infringes on copyright, even when told not to. Customer-service chatbots can promise refunds they shouldn't. (In 2022 Air Canada's chatbot concocted a bereavement policy, and this February a Canadian court has confirmed that the airline must foot the bill.) And hallucinations in AI systems that are used for diagnosis or prescription can kill.

All the leaves are brown

The trouble is that the same abilities that allow models to hallucinate are also what make them so useful. For one, LLMs are a form of "generative" AI, which, taken literally, means they make things up to solve new problems. They do this by producing probability distributions for chunks of characters, or tokens, laying out how likely it is for each possible token in its vocabulary to come next. The mathematics dictate that each token must have a non-zero chance of being chosen, giving the model flexibility to learn new patterns, as well as the capacity to generate statements that are incorrect. The fundamental problem is that language models are probabilistic, while truth is not.

This tension manifests itself in a number of ways. One is that LLMs are not built to have perfect recall in the way a search engine or encyclopedia might. Instead, because the size of a model is much smaller than the size of its training data, it learns by compressing. The model becomes a blurry picture of its training data, retaining key features but at much lower resolution. Some facts resist blurring—"Paris", for example, may always be the highest-probability token following the words "The capital of France is". But many more facts that are less statistically obvious may be smudged away.

Further distortions are possible when a pretrained LLM is "fine-tuned". This is a later stage of training in which the model's weights, which encode statistical relationships between the words and phrases in the training data, are updated for a specific task. Hallucinations can increase if the LLM is fine-tuned, for example, on transcripts of conversations, because the model might make things up to try to be interesting, just as a chatty human might. (Simply including fine-tuning examples where the model says "I don't know" seems to keep hallucination levels down.)

Tinkering with a model's weights can reduce hallucinations. One method involves creating a deliberately flawed model trained on data that contradict the prompt or contain information it lacks. Researchers can then subtract the weights of the flawed model, which are in part responsible for its output, from those of the original to create a model which hallucinates less.

It is also possible to change a model's "temperature". Lower temperatures make a model more conservative, encouraging it to sample the most likely word. Higher temperatures make it more creative, by increasing the randomness of this selection. If the goal is to reduce hallucinations, the temperature should be set to zero. Another trick is to limit the choice to the top-ranked tokens alone. This reduces the likelihood of poor responses, while also allowing for some randomness and, therefore, variety.

Clever prompting can also reduce hallucinations. Researchers at Google DeepMind found that telling an LLM to "take a deep breath and work on this problem step-by-step" reduced hallucinations and improved problem solving, especially of maths problems. One theory for why this works is that AI models learn patterns. By breaking a problem down into smaller ones, it is more likely that the model will be able to recognise and apply the right one. But, says Edoardo Ponti at the University of Edinburgh, such prompt engineering amounts to treating a symptom, rather than curing the disease.

Perhaps, then, the problem is that accuracy is too much to ask of LLMs alone. Instead, they should be part of a larger system—an engine, rather than the whole car. One solution is retrieval augmented generation (RAG), which splits the job of the AI model into two parts: retrieval and generation. Once a prompt is received, a retriever model bustles around an external source of information, like a newspaper archive, to extract relevant contextual information. This is fed to the generator model alongside the original prompt, prefaced with instructions not to rely on prior knowledge. The generator then acts like a normal LLM and answers. This reduces hallucinations by letting the LLM play to its strengths—summarising and paraphrasing rather than researching. Other external tools, from calculators to search engines, can also be bolted onto an LLM in this way, effectively building it a support system to enhance those skills it lacks.

Even with the best algorithmic and architectural antipsychotics available, however, LLMs still hallucinate. One leaderboard, run by Vectara, an American software company, tracks how often such errors arise. Its data shows that GPT-4 still hallucinates in 3% of its summaries, Claude 2 in 8.5% and Gemini Pro in 4.8%. This has prompted programmers to try detecting, rather than preventing, hallucinations. One clue that a hallucination is under way lies in how an LLM picks words. If the probability distribution of the words is flat, ie many words have similar likelihoods of being chosen, this means that there is less certainty as to which is most likely. That is a clue that it might be guessing, rather than using information it has been prompted with and therefore "knows" to be true.

Another way to detect hallucination is to train a second LLM to fact-check the first. The fact-checker can be given the "ground truth" along with the LLM's response, and asked whether or not they agree. Alternatively, the fact-checker can be given several versions of the LLM's answer to the same question, and asked whether they are all consistent. If not, it is more likely to be a hallucination. NVIDIA, a chipmaker, has developed an open-source framework for building guardrails that sit around an LLM to make it more reliable. One of these aims to prevent hallucinations by deploying this fact-checking when needed.

Although such approaches can decrease the hallucination rate, says Ece Kamar, head of the AI frontiers lab at Microsoft, "it is unclear whether any of these techniques is going to completely get rid of hallucinations." In many cases, that would be akin to self-sabotage. If an LLM is asked to generate ideas for a fantasy novel, for example, its output would be disappointing if limited to the world as it is. Consequently, says Dr Kamar, her research aims not to get rid of all hallucinations, but rather to stop the model from hallucinating when it would be unhelpful.

Safe and warm

The hallucination problem is one facet of the larger "alignment" problem in the field of AI: how do you get AI systems to reliably do what their human users intend and nothing else? Many researchers believe the answer will come in training bigger LLMs on more and better data. Others believe that

LLMs, as generative and probabilistic models, will never be completely rid of unwanted hallucinations.

Or, the real problem might be not with the models but with its human users. Producing language used to be a uniquely human capability. LLMs' convincing textual outputs make it all too easy to anthropomorphise them, to assume that LLMs also operate, reason and understand like humans do. There is still no conclusive evidence that this is the case. LLMs do not learn self-consistent models of the world. And even as models improve and the outputs become more aligned with what humans produce and expect, it is not clear that the insides will become any more human. Any successful real-world deployment of these models will probably require training humans how to use and view AI models as much as it will require training the models themselves. ■

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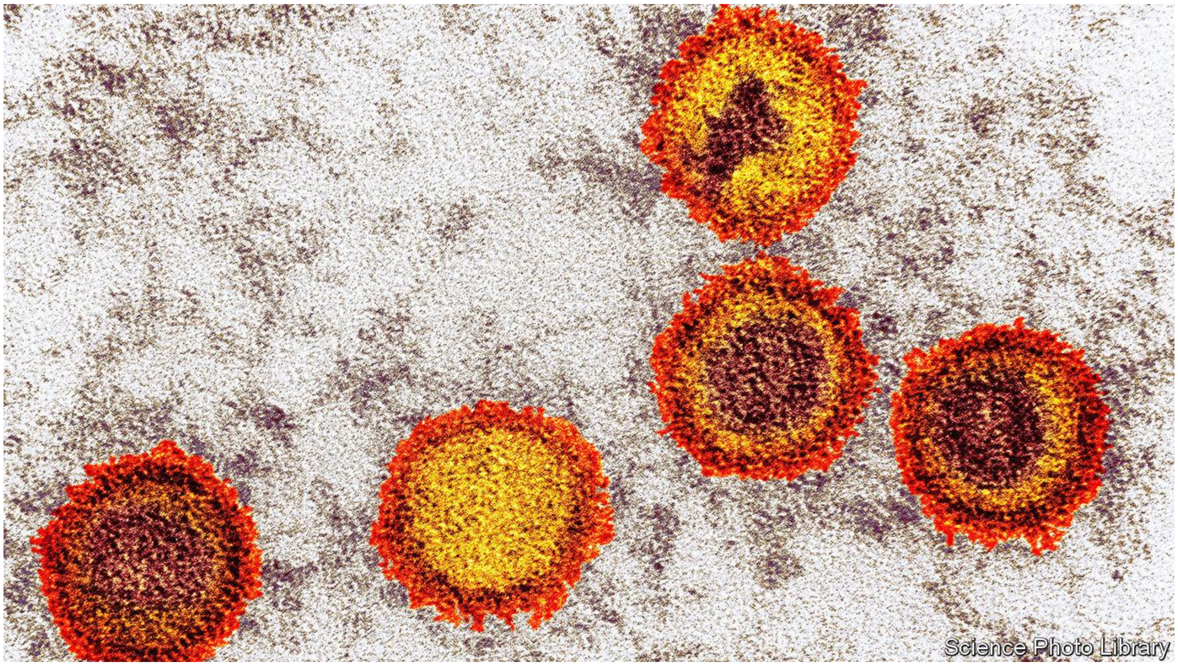
A kiss and a cure

Scientists want to tackle multiple sclerosis by treating the kissing virus

Vaccines and antivirals are already undergoing trials

Feb 28th 2024



MULTIPLE SCLEROSIS (MS) affects around 1.8m people worldwide. Symptoms include fatigue, blurred vision, and trouble walking. Eventually, some people become severely disabled and complications from the condition can lead to death. There is currently no cure, and few treatments for advanced stages of the disease. But a series of recent findings have led to a tantalising idea—could a vaccine against a common virus finally consign MS to the history books?

MS occurs when a patient's immune system attacks their myelin, the fatty tissue that insulates the nerve cells of their brain and spinal cord and which enables those cells to pass on electrical signals. Most existing treatments focus on modulating or suppressing a patient's immune system. Trials of a new type of immunotherapy, for example, known as CAR-T, have recently begun. The treatment, which scientists hope could stop the progression of

MS, involves removing a patient's immune cells, editing the DNA within, and then reinjecting the cells.

In 2022 scientists identified the reason why the immune system attacked myelin in people with MS: Epstein-Barr virus (EBV), the cause of mononucleosis or glandular fever (also known as the "kissing disease"). This opened up new treatment options for MS and trials of antivirals and vaccinations against EBV are now under way.

Almost all MS patients show signs of EBV infection, but so do around 95% of healthy adults. Roughly half the population catch the virus in childhood and, in most people, it lingers harmlessly in the immune system and cells of the throat. Of those who encounter EBV after childhood, around half contract mononucleosis.

To prove the link to MS, a group of researchers led by Alberto Ascherio at Harvard University tracked more than 10m American military employees who were given regular blood tests for HIV. During the study, 955 of the soldiers were diagnosed with MS. The scientists then went back and tested the blood samples taken before the soldiers' diagnoses, for signs of EBV infection. All but one had antibodies for the virus, a rate far higher than would be expected by chance.

The next step was to understand how, in a small number of people, the virus can turn a patient's own immune system against them. A paper published in *Nature* in 2022 showed that a protein produced by EBV shares a similar structure with a protein in human cells crucial for the production of myelin. In some people, antibodies created to destroy EBV inadvertently attacked the nervous system too. A handful of genetic variants that significantly increase the probability of this confusion were identified in December 2023.

Antiviral therapies could reduce the amount of EBV circulating in patients' immune systems. A large international study published in December found that people living with HIV, and taking antiviral drugs, were less likely to be diagnosed with MS than the general population. But full-scale clinical trials are yet to justify this optimism. A small study of the antiviral drug Famciclovir, published in January, found that the drug had no effect on the levels of EBV in the saliva of MS patients. Other trials are under way in Boston and Norway.

Meanwhile, vaccines against EBV are also in development. Two are being trialled in people—one by Moderna, a pharmaceutical company, and a second by the National Institute of Allergy and Infectious Diseases (NIAID) in America. Both are designed to train the body to attack an EBV protein known as gp350, which enables the virus to invade immune cells.

Even if these vaccines can protect against EBV it will be many years before researchers know their impact on MS—people develop the disease years after infection with EBV. But there is a lot of hope. "You can compare this to the HPV vaccine," said Jessica Durkee-Shock, who is leading the NIAID trial, "We had to wait more than ten years before we proved that it protected people from cervical cancer." The HPV vaccine has virtually eliminated cervical cancer in the women who received it as children. Scientists hope MS will be next. ■

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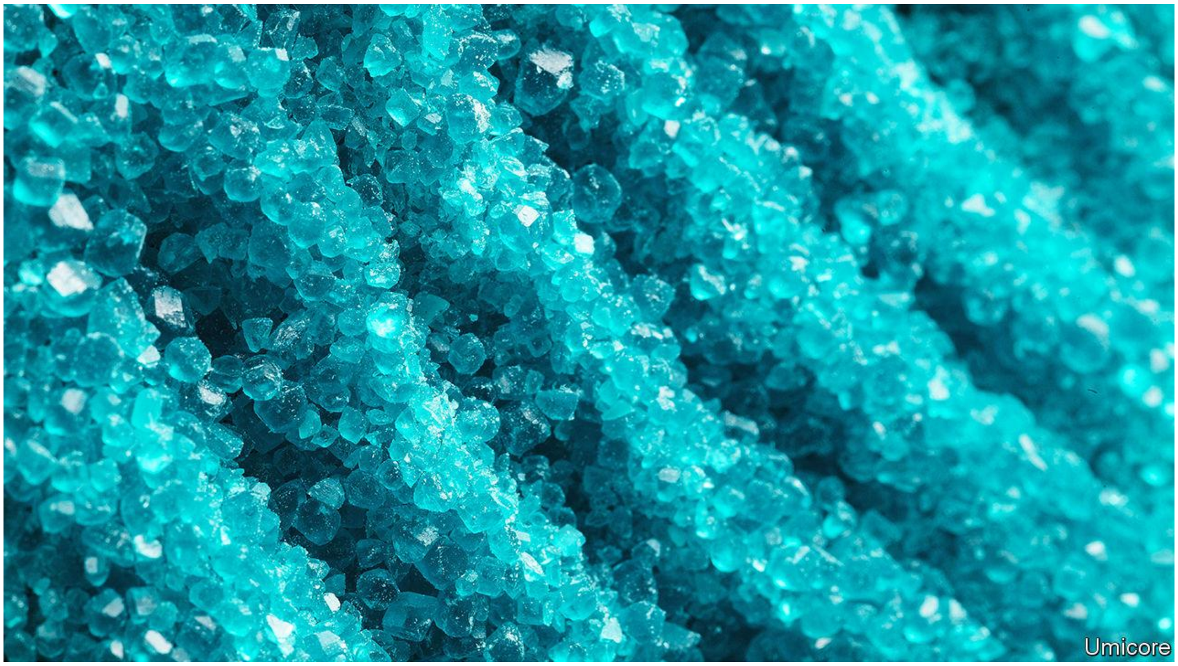
At the heart of the battery revolution

A variety of new batteries are coming to power EVs

All use different chemistries for cost or performance

Feb 28th 2024 | Nysa



THE TALL grey buildings covering an industrial complex at Nysa, in south-west Poland, look like a modern car factory has been teleported into the surrounding farmland. The plant, though, does not make cars, but it is a new and vital part of the automotive supply chain for electric vehicles (EVs). These rely on batteries containing materials that can be expensive, hard to come by and are mostly processed in China. The plant at Nysa is the first to produce those materials at scale in Europe.

The lithium-ion (Li-ion) batteries that power most EVs are their single most-expensive component, typically representing some 40% of the price of the vehicle when new. The materials these batteries are made from define its performance, hence they help determine how far an EV can travel on a single charge, how fast it can go and how long its battery will last. In turn, the most critical component in those batteries are its cathodes, accounting for around half their value. The Nysa plant makes cathode materials, which puts it at the heart of a battery revolution.

As sales of EVs slow in some markets, carmakers are hoping to rev up sales with both cheaper and more-powerful batteries. Cheaper materials, however, can provide a reduced level of performance, so these are likely to be used in shorter-range city cars. The more costly high-performance versions are aimed at luxury and sports cars. And somewhere in the middle are versions of both. What all this means is that EVs will be using many different types of battery, and each version will need a different concoction of cathode active material (CAM).

Nysa shows how the industry is preparing for this multi-battery future. “We are not backing one horse,” says Mathias Miedreich, the boss of Umicore, a Brussels-based materials group which owns the Nysa operation. This strategy is reflected in the plant’s design. Most factories are configured in a linear way, with raw materials progressing along a production line as operations are carried out. Umicore’s existing CAM factories in China and South Korea operate this way. At Nysa, however, production is arranged in a modular fashion. Different processes are carried out in separate buildings, with materials transported between them in giant sack-like containers. This allows production to be switched quickly to making alternative battery chemistries according to demand, and for new processes to be introduced more easily as technologies evolve. This arrangement is being used as a template for a CAM plant the company is building in Canada.

At present, the main raw material entering the Nysa plant is lithium, which mostly comes from mines in Chile and Australia. After tests, it is blended with various combinations of nickel, manganese and cobalt before being cooked in giant furnaces. It is then sieved, cleaned and dispatched to battery-makers to produce so-called NMC battery cells. The exact methods used at Nysa are complex and highly proprietary. Visitors and staff are relieved of their phones along with other items, including jewellery (some of the equipment uses sensitive magnetic forces).

Horses for courses

Battery-makers coat CAM onto a metal foil to form cathodes. When a battery is charged, electrons are stripped from lithium atoms on the cathode, creating charged particles called ions. The ions migrate through a liquid electrolyte to a second electrode, called an anode, which is often made from carbon. The electrons, prevented from taking this route by a separator material, travel instead along the wires of the charging circuit to the anode where they are reunited with the ions and stored. When the battery discharges, the process reverses, powering devices like an electric motor in the process.

Most carmakers are trying to use less cobalt, or eliminate it completely. Not only is it expensive, toxic and rare, but cobalt mining has been linked to labour abuses in the Democratic Republic of Congo, its primary source. For this reason, Umicore uses a monitoring process to exclude unethical practices. Such traceability is becoming increasingly important, not least in the EU where "battery passports" will be required for EVs from February 2027. These will detail the source and nature of the materials used in their production.

A cheaper alternative to NMC cells use lithium-iron phosphate (LFP). These do without cobalt and nickel, but have a lower energy density. For some uses this might not matter. In China LFP-powered vehicles are proving popular with urban motorists who travel shorter distances. Some standard-range Teslas also use LFP cells.

Another alternative for lithium is sodium, which despite being heavier is inexpensive and easy to obtain. Sodium batteries can use cathodes made from relatively cheap metals, such as manganese and iron, but these too have a lower level of performance than NMC cells. A number of battery-makers including China's CATL, the world's biggest, are already setting up production lines for sodium cells. IDTechEx, a firm of analysts, thinks they could be 20-30% cheaper than Li-ion batteries. One potentially huge market is storing renewable power on the grid, where increased weight is less of a problem.

At the same time, Li-ion batteries are improving too. Powerful solid-state versions, which do without a liquid electrolyte, are on the horizon. Toyota, among others, are developing these. They will be smaller and lighter, doubling the range of existing EVs and cutting recharging times to a few minutes. At first these will be expensive and likely to appear in luxury and sports models. Umicore has started producing solid-state batteries at a purpose-built prototyping centre in Olen, Belgium, for testing in vehicles.

Still more battery chemistries are coming. Umicore is exploring DRX (disordered rock salt) which refers to a crystalline structure that could give Li-ion cells an energy density that matches cobalt and nickel, but with more readily available materials, such as manganese and titanium. Gerbrand Ceder and his colleagues at the University of California, Berkeley, reckon DRX batteries might be commercially available within five years.

Despite the patchy slowdown in EV sales, demand for battery materials is booming. The Nysa plant, which opened in September 2022, is already expanding and a second factory is being built next door in a joint venture with PowerCo, a company which combines the Volkswagen Group's battery activities. Combined, the two plants have the potential to produce over 200GWh of cathode material a year, enough for some 3m EVs.

On the other side of the battery, anodes are also starting to see more innovation. Group14 Technologies, a company based near Seattle, has begun manufacturing an anode material made from a silicon-carbon composite. Typically, anodes are made from graphite. Silicon, which is plentiful and inexpensive, can in theory absorb ten times more lithium ions than graphite. In doing so, though, silicon can swell to three or four times its size, which would make batteries using them prone to damage. Group 14's composite contains the expansion because it cages silicon in a "scaffold" made from carbon nanoparticles, explains Grant Ray, the firm's head of strategy. This will allow a silicon-composite anode to boost a battery's energy density by up to 50%. As the company scales up production the first batteries using silicon anodes are likely to have high-performance applications—Porsche, a German sports-car maker, is one of the firm's backers.

Exactly how all these rival battery technologies develop will depend on material prices. The increasing use of cheaper substances, like sodium, could alleviate pressure on supplies of lithium, nickel and cobalt. So will recycling, because an increasing amount of battery materials will come from a growing number of EVs reaching the end of the road. Picking winners will indeed be difficult. Like the factory at Nysa, the battery industry needs all the flexibility it can get. ■

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Your brain on music

Why recorded music will never feel as good as the real thing

The answer, according to neuroscience

Feb 28th 2024

IN A WORLD of music streaming services, access to almost any song is just a few clicks away. Yet, the live gig lives on. People still fill sweaty basements, muddy fields and gilded concert halls to hear their favourite musicians play. And now neuroscientists might know why: live music engages the brain's emotion centres more than its recorded counterpart.

Concerts are immersive social experiences in which people listen to and feel the music together through crescendos, key changes and drops. They are also dynamic—artists can adapt their playing according to the crowd's reaction.

It was this last difference that led neuroscientists, based at the Universities of Zurich and Oslo, to study the brain responses of people listening to music. In the "live" experiment, participants lay in an MRI scanner listening to the music through earphones, while a pianist was positioned outside the room.

The pianist was shown the participant's real-time brain activity as a form of feedback. In the recorded condition, participants listened to pre-recorded versions of the same tunes.

The scientists were interested in how live music affected the areas of the brain that process emotions. In the live condition pianists were instructed to try and modulate their playing in order to drive the activity in one of these regions known as the amygdala, an almond-shaped area deep inside the brain.

The results, just published in the journal *PNAS*, showed that live music had far more emotional impact. Whether the music was happy or sad, listening to the pianist playing in a dynamic way generated more activity in both the amygdala and other parts of the brain's emotion processing network. The researchers also found that participants' brain activity tracked the acoustic features of the music, like tempo and pitch, far more closely when it was played live.

The study was far from replicating the real experience of a gig, and the authors noted that the live music ended up sounding quite different from the recorded tracks, which may have driven some of the differences in participant's brain activity. But the results indicate that the ability of artists to change the way they play in response to the audience may be one aspect of what makes live music special. Some musical acts now attempt to recreate the real gig experience with everything but the artist—ABBA Voyage is a social, immersive show performed entirely by pre-recorded hologram avatars. But without Benny's ability to read the mood of the room, it will never quite match the real thing. ■

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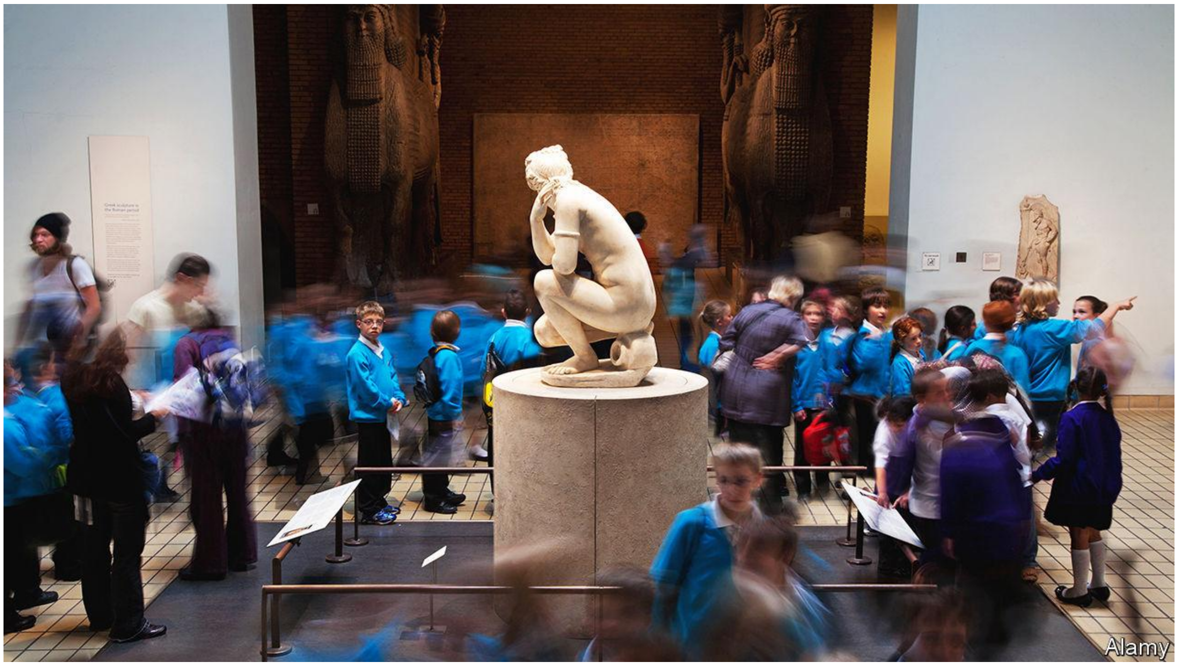
Culture

Money and the arts

Britain's arts still dazzle the world

But they are being diminished by a funding crisis

Feb 29th 2024



IT WAS A cruel and dramatic scene. (Cue the sombre score.) On February 15th, during the final performance of "The Handmaid's Tale", an opera based on Margaret Atwood's novel at the London Coliseum theatre, singers and members of the orchestra were handed redundancy notices by the English National Opera (ENO). The notices followed a deal the ENO had struck with its musicians, who had threatened to down fiddles and flutes over plans to cut work. (The ENO says staff will be rehired and offered new seven-month contracts to replace ten-month ones.)

Funding cuts are largely to blame. In 2022 Arts Council England (ACE), which distributes money from the government and is the ENO's biggest funder, removed the opera company from its national portfolio and said it must leave London to qualify for future cash, as it tries to bolster groups outside the capital. (ACE says it has concerns about the ENO's business model.) Facing uncertainty over its future, the ENO has had to postpone several productions.

Financial troubles are squeezing Britain's arts sector. As is the case in many Western countries, audience and visitor numbers remain stuck below pre-pandemic levels. In both Britain and America government funding during covid prevented the arts from collapsing completely. Yet it is becoming apparent that many people's cultural habits may have changed irrevocably. Britain—where the arts, at their best, still dazzle the world—must decide how much it wants to invest to remain a magnet for artistic innovation and performances.

It does not require someone with Ms Atwood's imagination to divine what has gone wrong. Stagnant wages, coupled with high living costs, mean many Britons are disinclined to go out to places that cost more than the pub or cinema. Cuts to central government funding during austerity (in 2010 ACE's budget was slashed by 30%) have been followed in recent months by regional cuts, as local authorities go bust.

Recently Melvyn Bragg, a broadcaster and baron, warned the House of Lords that Britain was "sleepwalking into permanent mediocrity" and criticised ACE's big shake-up of central government funding. To raise the fortunes of poorer regions, ACE is channelling cash away from world-famous institutions, including the Southbank Centre and the University of Cambridge museums, to lesser known (although often excellent) ones farther afield. Giving arts groups outside the capital more money is good, but taking funds from London's institutions is "cultural vandalism", he says.

To cash in on this trend and to save itself the ENO plans to move to Manchester by 2029. ACE points out that cash is going to a greater number of recipients. But critics say it is still not nearly enough to transform the arts outside London. Meanwhile, great institutions that have long contributed to London's—and thus Britain's—global prestige and tourism revenue are being weakened by short-sightedness.

Politics have played a leading role. Arts in Britain have long been subsidised by the government. Even commercially successful plays benefit from public spending on theatres and human capital. Such investment makes sense: the arts contribute to economic growth. In 2020 every £1 ($1.27) generated in the arts and culture supported another £1.23 in turnover in the wider economy, according to a study by the Centre for Economics and Business

Research, a consultancy, on behalf of ACE. That is because musicals, plays and art shows are popular, including among overseas tourists, who go to the theatre more than they do sporting events.

The Labour government of 1997-2010 spent generously on the arts (among other things). The Conservatives who followed have been more circumspect. Between 2010 and 2023 ACE's expenditure on the arts fell by 10% in real terms, amounting to a nearly 20% cut per person (factoring in population growth). Britain has had 12 culture secretaries since 2010.

Will the next Labour government take culture more seriously? Money will remain tight, but some who work in the arts note optimistically that the shadow culture secretary, Thangam Debbonaire, is a cellist and has played in a professional orchestra.

The national picture is important, but local authorities have long been the biggest public funders of the arts in Britain, running festivals and building and maintaining museums and theatres, says Jack Gamble, director of Campaign for the Arts, a charity. Now, as more councils declare bankruptcy, arts funding is being reduced or scrapped. The amounts are paltry in terms of overall council budgets yet can leave valuable organisations close to the edge. Once they are lost, restoring them later is impossible.

Some may argue it is appropriate for local governments to reduce their investment in the arts, if basic social services are also threatened. But cutting arts funding can also damage local economies, where relatively small public investments in the arts bring outsized returns. Take Nottingham, where the council declared itself effectively bankrupt last November. It is likely to scrap arts funding soon, which amounts to less than visitors to Nottingham Playhouse contribute in parking-meter payments, says Stephanie Sirr, the theatre's boss. With these cuts, local authority funding to the award-winning theatre will have fallen from £433,000 in 2010 to nothing in 2024.

Diversification into food, stand-up comedy and co-productions (run as joint ventures with arts companies) has helped the theatre cope. "The Kite Runner", a play based on the novel by Khaled Hosseini, was incubated by Nottingham Playhouse and is currently touring America.

This suggests that financial woes can unleash inventiveness. Arts organisations are becoming more commercially minded. The Victoria and Albert Museum in London, for example, has formed partnerships with tech companies for education initiatives. The National Health Service works with theatres on “social prescribing”, sending people with mental-health difficulties to see a play. The link between happiness and the arts is established by research. The arts’ effect on young people’s literacy and oracy is especially valuable.

Some hope the central government will step in and ensure that local authorities are able to support arts groups (just as it does with adult social care). But for now the mood is rather grim. In February ACE warned that organisations it funded should be careful about making “statements including about matters of current political debate”. Fury and claims of censorship followed. ACE responded with an assurance that it believed “unequivocally in freedom of expression”, but many remain sceptical. The fiasco has been a distraction from more important issues, such as how the country can maintain its leading position in the arts after Brexit.

Off-stage drama

Demographic trends suggest more reasons to be worried about the arts’ future. Fewer students are taking art and music in state schools or at GCSE, exams written by 14-16-year-olds, because the government has underinvested in arts and music lessons. With exposure increasingly limited to those whose families can afford it, further declines in audience numbers could be in store. Nor is private patronage assured to make up for government shortfalls. Younger generations will not necessarily step into the shoes of prominent art patrons, including Jacob Rothschild (who died on February 26th).

The effects of arts groups’ disappearance, here and there, will be largely invisible, says Douglas Rintoul, artistic director of the New Wolsey Theatre in Ipswich, which will soon lose its local-authority funding. He grew up poor before he became a playwright. But if he were growing up today, “there’s no way I’d consider” a career in theatre, he says. This should be heard as a warning. The arts help contribute to Britain’s economy—and its global standing. Theatre incubates content that can appear, lucratively, on television and cinema screens later. Britain still has the edge in such endeavours. But it risks losing it. ■

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Back Story

"The Picture of Dorian Gray" points to the future of theatre

A triumphant one-woman show relies on Sarah Snook, daring tech and your imagination

Feb 29th 2024

Marc Brenner

AT LEAST SINCE 1998, when a critic described Nicole Kidman's turn in "The Blue Room" as "pure theatrical Viagra", the appearance of screen stars on the London stage has stirred complex feelings. Casting A-listers—including, recently, Sarah Jessica Parker, Matthew Broderick and Woody Harrelson—is a reliable way to shift tickets. To some, though, it is a cynical shortcut to success; a victory of marketing over art.

The same goes for the use of screens themselves on stage, to complement the action or relay it in close-up. It suggests plays are "apologising for not being films", a British critic once grumped. Screens have proliferated nonetheless.

"The Picture of Dorian Gray", an adaptation of Oscar Wilde's novel now at the Theatre Royal Haymarket, is, in a sense, a culmination of both trends. It has only one actor—Sarah Snook, best known as icy Shiv Roy in "Succession"—and lots of screens. Purists might see it as stagecraft's capitulation to celebrity and gimmicks, or as a sign of theatre's desperation to attract younger, tech-addled punters. They would be wrong. The dizzying show is a vision of theatre's future, and, at the same time, a study in its most basic age-old power.

In Wilde's story a beautiful youth, Dorian Gray, wishes that a portrait of him could grow old while he remains young. This Faustian bargain is granted. As he descends from romantic betrayal to opium dens to murder, his vices scar the painting but leave his body unblemished. It raises big questions—Is morality a sham? Can you outrun your past?—but in truth the book is as much a compendium of witticisms as a novel. Lord Henry Wotton, a hedonistic toff, delivers most of the one-liners. "It is only shallow people who do not judge by appearances," he quips, and "the only things one never regrets are one's mistakes."

The start of the adaptation, first produced in Australia in 2020, duly has an air of stand-up. Accompanied by a camera team, Ms Snook begins to narrate Wilde's tale, her image appearing on a large screen suspended above the stage. She switches between Dorian, Lord Henry and other parts by turning to different cameras and swapping costumes and wigs. It is an amusing if simple trick, you think.

But, like instruments in a jazz ensemble, soon more characters, cameras, screens and Snooks join in. The screens relay both live shots of the actor and pre-recorded snippets of her in assorted roles (she plays 26 in all). The taped Snooks interact with the live one and each other in a *tour de force* of dramatic timing. As Lord Henry she shares a table with five on-screen diners; as Dorian she is chased through a forest by a virtual nemesis.

Rather than being a distraction, the technology underlines Wilde's themes. He thought the main characters were all refracted versions of himself; the one-woman format hints that they are jostling facets of a fractured personality. And the screens emphasise the link between Dorian's vanity and the narcissism of the selfie era, in which many people hide a version of themselves offline. Theatre, said the great director Peter Brook, is "a phoenix that has to be constantly brought back to life" with the techniques of the moment. Today's include photo filters, with which, phone in hand, Ms Snook makes her projected image look youthful or grotesque.

Through a mix of virtuoso tech and Ms Snook's talent, the play crackles with the electricity and risk of live performance. In form it is unlike anything you are likely to have seen before. But theatregoers may well see other plays like it in the future, with slim casts fleshed out by convincing digital avatars and portable kit (just as some music gigs already feature virtual bands).

Yet in a deeper way "The Picture of Dorian Gray" recalls two other 21st-century productions that were hits in London and New York. In "War Horse", the horse is a puppet operated by an onstage crew, which by the end seems magically to have come to life. In "The Lehman Trilogy", three actors somehow depict more than 160 years of history without changing clothes. By the finale of "The Picture of Dorian Gray", the distinction between the live and digital Snooks, artifice and reality, has crumbled.

Like those shows, this one is at bottom about the power of theatre to suspend your disbelief and make you see the world anew. In pulling off that ancient alchemy, the key is not the size of the cast, nor the fame of the actors, nor the sophistication of the props and sets. Rather it is theatre's oldest asset: the faith and imagination of the audience. ■

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How should cinema tackle the horror of the Holocaust? (Jan 16th)

Also: How the Back Story column got its name.

An artist's artist

Why did a once-revered painter, Frans Hals, fall out of favour?

A new show at the Rijksmuseum pays tribute to an often overlooked Dutch master

Feb 29th 2024 | Amsterdam


Rijksmuseum/Albertine Dijkema

IN THE LATE 19th century, a pilgrimage became fashionable for Impressionist painters and other artists, who were striving to liberate painting from the stifling tradition of exactitude. Mary Cassatt, Edouard Manet and John Singer Sargent took the Netherlands' first train line to Haarlem. There, in a small museum attached to the town hall, they could admire and copy the works of that city's greatest artist, who more than 200 years earlier had achieved a freedom of style they strove to emulate, with bold strokes, rough fields of colour and a vivid sense of movement.

Vincent van Gogh rhapsodised over the artist's colours, claiming to have identified 27 shades of black. James McNeill Whistler stayed late and persuaded a guard to let him touch one of the most famous works, a portrait of "regentesses".

The artist was Frans Hals, who is the subject of a new exhibition at the Rijksmuseum in Amsterdam. (A different version was previously shown at the National Gallery in London.) Hals, who died in 1666, was among the most celebrated portraitists in Holland. He was renowned for his technique, which created shimmering effects at a distance but left his dynamic brush strokes visible from up close—a style resembling that of Rubens (whom he knew) and, later, Rembrandt.

Such roughness fell out of favour, but in 1868 Hals's reputation was resurrected by Théophile Thoré-Bürger, an influential French journalist. Around the same time Thoré-Bürger wrote effusively about a then little-known Dutch artist whose work he had seen in The Hague: Johannes Vermeer.

At the turn of the 20th century Hals, Rembrandt and Vermeer were considered equals, the "big three" of the Dutch Golden Age. Yet Hals does not have the same standing today. Most people know Rembrandt's "The Night Watch" and Vermeer's "Girl with a Pearl Earring"; few would recognise "The Regentesses". Following big exhibitions of Rembrandt and Vermeer, the Rijksmuseum's show of Hals's paintings tries to repair that neglect. Its 50-odd works include rarely seen paintings from private collections and several portraits of couples that normally hang separately.

Hals's burghers grin, smirk and exchange knowing glances. In one double portrait, a merchant and his wife emerge from the woods glowing with suggestive joy. Another merchant wryly tilts his chair back on two legs. The sumptuously clad nobleman known as the "The Laughing Cavalier", whose portrait helped resurrect Hals's fame when it was bought in 1865 for a then extravagant 51,000 French francs (roughly $230,000 in today's money), looks down with amused satisfaction.

Why did Hals's reputation ever wane? One explanation is that in an age of ubiquitous snapshots, people had less appreciation for one of Hals's great strengths: his ability to convey fleeting expressions, especially smiles. These are tricky to pull off, with wrinkled eyes and curled lips, and most artists of the period avoided them.


The Lute Player, Musée du Louvre, Paris.

This skill with momentary gestures appealed to the Impressionists. Hals spent a lot of time in bars, and his actors, musicians and street types boast swinging arms and gap-toothed grins. Scans show Hals used no preliminary sketches. But the camera may have made his extraordinary technique seem less valuable, according to Taco Dibbits, the Rijksmuseum's director: "Photography and film took over the need to depict movement."

Hals's choices were often revolutionary, says Tamar van Riessen, the exhibit's co-curator. In a study of a child playing the flute, the subject gazes out of frame, ignoring the viewer entirely; so does a jester playing the lute (pictured). Hals could create conventional, polished works, too: of sober Mennonites in black cloth, their lace ruffs evoked in meticulous detail. Yet he could also render those frills in what looks like a whirlwind of virtuosic brushstrokes. From a distance his portraits of officers, like Rembrandt's, are convincing tableaux of strutting musketeers and shimmering fabric. Approach closer, and a silk bustle is a field of furious scribbles.

To the Impressionists it felt as though they had looked back centuries and discovered a hidden modernist. To today's viewers it feels the same way. ■

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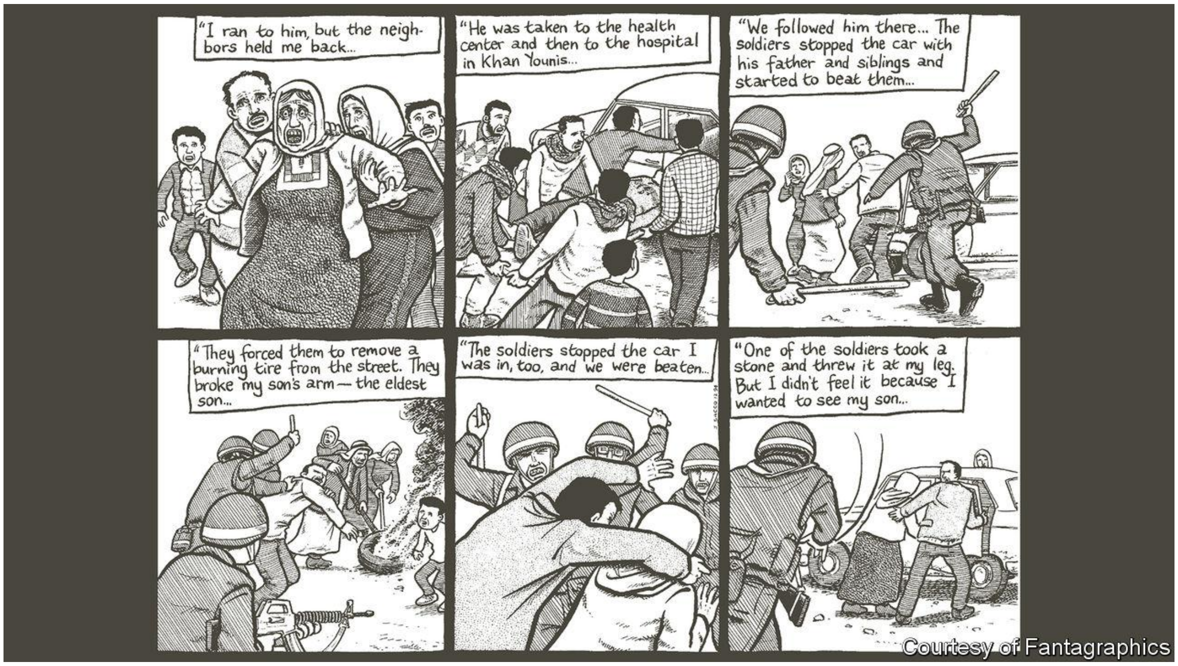
Cartoon gloom

“Palestine”, an old graphic novel, is making a comeback

Interest in Joe Sacco’s graphic novel is the highest it has been in 20 years

Feb 29th 2024



Courtesy of Fantagraphics

IN THE WINTER of 1991, around the time of the first intifada, Joe Sacco, then a young cartoonist and journalist, arrived in Gaza with no particular aim except “to see what’s going on”. He suspected that the version of the Israeli-Palestinian conflict he saw portrayed in the media was not the full story. For two months he travelled through the West Bank and the Gaza Strip, talking to wounded children, bereaved mothers and broken men. A Palestinian man urged him to write “something about us”. Mr Sacco promised, “I will alert the world to your suffering! Watch your local comic-book store.”

Readers expect comic books to be fun and fantastical, and they usually are, from the serial adventures of Asterix and Tintin to the heroic exploits of Batman, Superman and Wonder Woman. There may be hardship, but good always triumphs over evil. Even “Maus”, Art Spiegelman’s dark, Pulitzer-prizewinning graphic novel about the Holocaust, ends with the liberation of the camp's survivors. Mr Sacco's "Palestine", a graphic novel that examines the lives of Palestinians under occupation, offers no such comforts.

When the issues were first published in the 1990s, readers were mostly uninterested. Now, 30 years later, demand is so high that "Palestine" has been out of stock both online and in shops. The publisher, Fantagraphics, says interest surged after October 7th, when Hamas terrorists murdered 1,200 people in Israel. Google searches for the comic book shot up to their highest level since 2004, during the second intifada. As the conflict rages on, the book—a 285-page volume collecting all nine issues—has been rushed back into print in America and 11 other countries.

"Palestine" is considered a landmark work of graphic non-fiction, or comics journalism, combining the techniques of eyewitness reporting with the visual storytelling of comics. The form has its roots in coverage of the American civil war, when photography was not advanced enough to capture battles, and newspapers sent illustrators to the scene instead.

The cartoons are startling and graphic. A Palestinian boy shot by an Israeli settler bleeds to death in his parents' arms because a curfew imposed by Israeli soldiers prevents them from taking him to hospital. An old woman watches soldiers bulldoze her home.

As Mr Sacco travelled from refugee camp to refugee camp, families offered him tea and told him their stories. The old cartoons feel startlingly current. In one, Mr Sacco waits at roadblocks, where Israeli soldiers brandish M16s. In hospitals, children show him their injuries and nurses tell how soldiers invaded the operating theatres, interrogating the wounded.

Again and again the familiar, bespectacled figure of Mr Sacco pops up in his images. His presence reminds readers that this story is being told through a particular lens—the perspective of a bewildered visitor trying to make sense of it all. He does not pretend to have the answers. He just watches, listens and bears witness.

Today Mr Sacco lives in Oregon and still draws cartoons for newspapers and books. He says that "Palestine" remains relevant "because the fundamental features of the Israeli occupation haven't really changed in 30 years, but they express themselves with a violence I couldn’t have imagined during the first intifada.”

The story does not draw to any neat conclusion. As an old man in Jenin tells Mr Sacco, the situation “will go on for ever and for ever”. More settlements, more soldiers, more houses demolished and lives uprooted, more abuse and humiliation, more wandering within the narrow confines of the camps, more waiting. “What about the peace process,” Mr Sacco wonders aloud? The old man just laughs: “It was dead before it was born.” ■

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Colour by numbers

Can a dozen shipwrecks tell the history of the world?

Historical listicles are in vogue

Feb 27th 2024

A History of the World in 12 Shipwrecks. By David Gibbins. *St Martin's Press; 304 pages; $32. W&N; £25*

A SPECTRE IS haunting history—the listicle. You know the formula: a history of something enormous in an intriguingly specific number of unexpected things. In 2023 alone readers were met with new books about the history of baseball in 50 moments, the West in 14 lives, the information age in five hacks, women in 101 objects and the world in eight plagues, ten dinners or 50 lies. Call it history-by-numbers, or, if you must, the "histicle".

The oldest histicle of all may be the seven wonders of the world, a list of marvels from around 300BC. But the modern vogue for history-by-numbers began in 2010, when Neil MacGregor's "A History of the World in 100 Objects" became a bestseller. Mr MacGregor, who was then director of the British Museum, highlighted treasures from the collection.

Breaking down history is appealingly accessible—no need to read a tome to understand the Silk Road, just look at this Korean roof tile. But without care and a certain amount of panache, it risks giving the impression that history is merely, as Arnold Toynbee, a historian, characterised the views of less diligent colleagues, "One damned thing after another." Or one damned roof tile after another.

Fortunately "A History of the World in 12 Shipwrecks" does not fall into that trap. The book works in no small part because it is more modest than its title suggests, sailing between the Scylla of exaggeration and the Charybdis of triviality and avoiding a wreck along the way. For starters, it is not a history of the world. Rather, it is a series of interconnected essays on notable shipwrecks. But in recounting maritime misadventure, David Gibbins paints a picture of how various people—from sailors in Britain in 2500BC, to Muslims in the ninth century and British merchant mariners in the 20th—pushed the borders of their known worlds.

The book's itinerary through the flotsam and jetsam of history is avowedly idiosyncratic and makes no claim to objectivity or completeness. Mr Gibbins is best known for writing historical fiction, but he is also a professional maritime archaeologist. The skeleton of the book mirrors Mr Gibbins's own career: he has worked on more than half of the 12 wrecks he writes about. His descriptions of snaking through kelp and sucking up sand to fish out lost treasure are vivid. Shipwrecks are "catastrophic events", he writes, but the challenge of diving them is "life-affirming". (After he swims into the "dead pool" off the Cornish coast, though, you may prefer to take him at his word.)

The sailors' misfortune aside, a shipwreck serves as a lucky stroke for a historian, especially if it is left intact. Each wreck is a microcosm of a lost world. As Mr Gibbins writes of the *Mary Rose,* Henry VIII's flagship vessel that sank off the Isle of Wight in 1545, a wreck "can be seen as an unfolding series of contexts", giving details not just of how ships were run, but of what its sailors took with them, and, in the cargo hold, what its culture needed or prized. For King Henry's sailors, it might have been the wooden tankards in which they drank their gallon of weak beer a day.

In the case of the *Santo Cristo di Castello*, a Genoese ship that sank in 1667 on the way from Amsterdam to England, Mr Gibbins discovered that the precious cargo included the studies for two paintings by Rembrandt—an artist who himself benefited from maritime trade and the wealthy class of collectors it created.

Ships are not just miniatures of the worlds they sailed from. Many were the engines of history themselves, carrying not just people and goods but ideas, religions and technologies. The wreck of an Arabic ship near Indonesia disclosed a cargo of Tang porcelain, as well as an inkstone, suggesting the ship might have been carrying early paper back from China.

Diving for shipwrecks, then, is an extreme version of what any historian does: plunging into the darkness to discover the missing links between events and cultures. And what is history if not a network of wrecks, accidents, hidden treasures and unexpected consequences? At its best, history-by-numbers embraces the fact that historical narratives, like history itself, are always somewhat arbitrary. This is history not "as it actually happened", as Leopold von Ranke, a German historian, famously put it, but history as it happened to happen.

This vision of the past as a loosely connected chain of events lacks the storybook comfort of beginning, middle and end. But, at the same time, the historical list offers solace: it suggests that history is finite, knowable and manageable. The list does not just appeal to modern brains, fed on news from BuzzFeed. It also appeals to a desire for control, promising that history can be broken down into discrete parts and understood, and that five or 100 things is all you need to know. This approach to the past suits the present perfectly. ■

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Go big or go home

Cinemas may be dying. But IMAX and the high end are thriving

IMAX’s success points to a growing niche in a shrinking industry

Feb 28th 2024


Getty Images

THE BOX OFFICE has a bad case of long covid. Worldwide takings last year were a quarter below their pre-pandemic peak. Americans, who went to the cinema more than five times each in 2000, last year went fewer than three times. As streaming services keep audiences glued to the small screen, theatre chains including Cineworld, the world’s second-largest, have entered administration.

Yet the biggest of the big screens are thriving. IMAX, whose screens are as large as 38 metres (125 feet) wide with denture-rattling sound systems, had worldwide box-office takings of $1.1bn last year and its biggest-ever haul in America and Canada. On February 27th IMAX reported that its annual revenue was up by a quarter, and it expects to install up to 150 new screens in 2024.

IMAX's improbable success exemplifies a trend: as cinema-going changes from a regular habit into an occasional treat, the fanciest theatres are prospering. Features such as heated, reclining seats and waiter service pushed the average price of admission in America above $10.50 last year, from around $9 before the pandemic. Cinema chains have tried to tempt audiences out of the house with outdoor, moonlit screenings (blankets and cocktails are sold separately) and speed-dating events in the lobby.

The luxury-cinema trend is not limited to America. IMAX's share of the international box office (excluding China) rose from 1.7% in 2019 to 2.1% last year. CGV, a South Korean chain with branches across Asia, has rebranded its multiplexes as "cultureplexes", offering music, gaming and dining alongside films. Auditoriums feature wind, rain and scents, as well as "sweetbox" seats for young couples, who want privacy from parents that living-room couches do not offer. Vox Cinemas, an Emirati chain, has a VIP menu featuring wagyu beef wrapped in gold leaf, for $119.

Theatre operators must hope audiences are hungry for these add-ons; this year's movie menu is limited. Strikes last year in Hollywood have delayed titles, including "Mission: Impossible" and "Avatar" sequels, to 2025. Successful cinemas will treat a trip to the movies as the rare luxury it is fast becoming. ■

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Economic & financial indicators

- **Economic data, commodities and markets**

Indicators

Economic data, commodities and markets

Feb 29th 2024

Economic data
1 of 2

	Gross domestic product % change on year ago: latest		quarter*	2023†	Consumer prices % change on year ago: latest		2023†	Unemployment rate %	
United States	3.1	Q4	3.2	2.5	3.1	Jan	4.1	3.7	Jan
China	5.2	Q4	4.1	5.2	-0.8	Jan	0.3	5.2	Jan‡§
Japan	1.0	Q4	-0.4	1.9	2.1	Jan	3.3	2.4	Dec
Britain	-0.2	Q4	-1.4	0.2	4.0	Jan	6.8	3.8	Nov††
Canada	0.5	Q3	-1.1	1.1	2.9	Jan	3.9	5.7	Jan
Euro area	0.1	Q4	0.2	0.6	2.8	Jan	5.4	6.4	Dec
Austria	-1.8	Q3	-2.1‡	-0.7	4.3	Jan	7.7	5.6	Dec
Belgium	1.5	Q4	1.4	1.4	3.6	Feb	2.3	5.7	Dec
France	0.7	Q4	-0.1	0.9	3.4	Jan	5.7	7.3	Dec
Germany	-0.2	Q4	-1.1	-0.1	3.1	Jan	6.0	3.1	Dec
Greece	1.8	Q3	0.1	2.2	3.2	Jan	4.2	9.2	Dec
Italy	0.5	Q4	0.7	0.7	0.9	Jan	5.9	7.2	Dec
Netherlands	-0.5	Q4	1.3	0.1	3.1	Jan	4.1	3.6	Jan
Spain	2.0	Q4	2.5	2.5	3.5	Jan	3.4	11.7	Dec
Czech Republic	-1.0	Q3	0.8	-0.4	2.3	Jan	10.7	2.7	Dec‡
Denmark	3.2	Q4	8.2	0.9	1.2	Jan	3.3	2.9	Dec
Norway	0.5	Q4	6.2	0.4	4.7	Jan	5.4	3.9	Dec††
Poland	1.0	Q4	nil	0.5	3.9	Jan	11.4	5.4	Jan§
Russia	5.5	Q3	na	3.0	7.4	Jan	5.9	2.9	Jan§
Sweden	-0.5	Q4	0.4	-0.3	5.4	Jan	6.0	8.5	Jan§
Switzerland	0.3	Q3	1.1	0.8	1.3	Jan	2.1	2.2	Jan
Turkey	5.9	Q3	1.1	4.5	64.9	Jan	53.9	8.9	Dec§
Australia	2.1	Q3	0.9	1.9	4.1	Q4	5.6	4.1	Jan
Hong Kong	4.3	Q4	1.8	3.4	1.7	Jan	2.1	2.9	Jan‡‡
India	7.6	Q3	8.6	6.9	5.1	Jan	5.7	6.8	Jan
Indonesia	5.0	Q4	na	5.0	2.6	Jan	3.7	5.3	Q3§
Malaysia	3.0	Q4	na	3.8	1.5	Jan	2.5	3.3	Dec§
Pakistan	nil	2023**	na	nil	28.3	Jan	30.8	6.3	2021
Philippines	5.6	Q4	8.7	5.6	2.8	Jan	6.0	4.2	Q4§
Singapore	2.2	Q4	4.8	1.2	2.9	Jan	4.8	2.0	Q4
South Korea	2.2	Q4	2.5	1.3	2.8	Jan	3.6	3.7	Jan§
Taiwan	5.1	Q4	8.8	1.4	1.8	Jan	2.5	3.4	Dec
Thailand	1.7	Q4	-2.3	2.5	-1.1	Jan	1.2	0.8	Dec§
Argentina	-0.8	Q3	11.3	-1.0	254	Jan	134	5.7	Q3§
Brazil	2.0	Q3	0.6	2.9	4.5	Jan	4.6	7.4	Dec§‡‡
Chile	0.6	Q3	1.3	nil	3.2	Jan	7.6	8.4	Jan§‡‡
Colombia	0.3	Q4	0.1	1.1	8.3	Jan	11.7	10.0	Dec§
Mexico	2.5	Q4	0.3	3.2	4.9	Jan	5.5	2.8	Dec
Peru	-0.4	Q4	0.9	-0.4	3.0	Jan	6.3	8.5	Jan§
Egypt	2.7	Q3	na	3.8	29.8	Jan	33.9	6.9	Q4§
Israel	-4.1	Q4	-19.4	1.7	2.6	Jan	4.2	3.2	Jan
Saudi Arabia	-0.9	2023	na	-0.9	1.6	Jan	2.3	5.1	Q3
South Africa	-0.7	Q3	-1.0	0.6	5.4	Jan	6.1	32.1	Q4§

Source: Haver Analytics. *% change on previous quarter, annual rate. †The Economist Intelligence Unit estimate/forecast. §Not seasonally adjusted. ‡New series. **Year ending June. ††Latest 3 months. ‡‡3-month moving average. Note: Euro area consumer prices are harmonised.

The Economist

Economic data
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	Current-account balance % of GDP, 2023†	Budget balance % of GDP, 2023†	Interest rates 10-yr gov't bonds latest, %		change on year ago, bp	Currency units per $ Feb 28th	% change on year ago
United States	-3.0	-6.3	4.3		35.0	-	
China	1.7	-3.8	2.2	§§	-50.0	7.20	-3.6
Japan	3.6	-5.2	0.7		19.0	151	-9.7
Britain	-2.9	-3.9	4.2		37.0	0.79	5.1
Canada	-0.4	-1.3	3.5		18.0	1.36	nil
Euro area	2.4	-3.3	2.5		-18.0	0.92	2.2
Austria	1.6	-2.2	2.9		-33.0	0.92	2.2
Belgium	-0.9	-4.5	3.0		-30.0	0.92	2.2
France	-1.1	-4.9	2.9		-10.0	0.92	2.2
Germany	7.2	-2.2	2.5		-18.0	0.92	2.2
Greece	-5.7	-2.1	3.4		-106	0.92	2.2
Italy	0.5	-5.4	3.9		-56.0	0.92	2.2
Netherlands	9.4	-2.1	2.7		-21.0	0.92	2.2
Spain	2.1	-4.0	3.3		-24.0	0.92	2.2
Czech Republic	-0.6	-3.9	3.8		-113	23.4	-5.2
Denmark	10.5	2.2	2.5		-32.0	6.88	2.0
Norway	17.2	10.6	3.9		37.0	10.6	-2.2
Poland	1.7	-4.7	5.4		-120	3.99	11.3
Russia	2.5	-1.9	12.3		141	91.4	-17.9
Sweden	5.4	-0.3	2.5		-15.0	10.3	0.8
Switzerland	10.9	-0.7	0.8		-60.0	0.88	6.8
Turkey	-4.0	-5.0	25.2		1,527	31.2	-39.5
Australia	0.5	0.7	4.2		38.0	1.54	-3.9
Hong Kong	7.2	-1.7	3.9		-5.0	7.83	0.3
India	-0.6	-5.8	7.1		-39.0	82.9	-0.3
Indonesia	0.4	-2.5	6.6		-29.0	15,685	-2.8
Malaysia	1.5	-5.1	3.9		-5.0	4.77	-5.9
Pakistan	0.2	-8.0	14.3	†††	-126	280	-7.0
Philippines	-2.8	-6.3	6.3		-7.0	56.3	-1.6
Singapore	18.7	-0.7	3.1		-22.0	1.35	nil
South Korea	2.1	-2.9	3.4		-31.0	1,334	-0.8
Taiwan	13.2	-0.1	1.2		4.0	31.6	-3.5
Thailand	0.8	-2.7	2.8		4.0	36.0	-2.0
Argentina	-3.5	-6.0	na		na	842	-76.6
Brazil	-1.2	-7.5	10.8		-246	4.96	5.2
Chile	-3.4	-2.4	5.6		-20.0	982	-15.2
Colombia	-3.4	-4.2	9.9		-330	3,934	23.1
Mexico	-0.8	-3.3	9.2		-13.0	17.1	7.3
Peru	-0.8	-2.7	6.8		-105	3.79	0.5
Egypt	-1.1	-6.3	na		na	30.9	-0.9
Israel	5.6	-4.1	4.2		13.0	3.59	1.7
Saudi Arabia	2.7	-2.1	na		na	3.75	nil
South Africa	-2.0	-5.2	10.2		8.0	19.3	-4.7

Source: Haver Analytics. §§5-year yield. †††Dollar-denominated bonds.

The Economist

Markets

In local currency	Index Feb 28th	% change on: one week	% change on: Dec 29th 2023
United States S&P 500	5,069.8	1.8	6.3
United States NAScomp	15,947.7	2.4	6.2
China Shanghai Comp	2,957.9	0.2	-0.6
China Shenzhen Comp	1,651.5	1.4	-10.1
Japan Nikkei 225	39,208.0	2.5	17.2
Japan Topix	2,675.0	1.8	13.0
Britain FTSE 100	7,625.0	-0.5	-1.4
Canada S&P TSX	21,243.8	0.3	1.4
Euro area EURO STOXX 50	4,883.8	2.3	8.0
France CAC 40	7,954.4	1.8	5.5
Germany DAX*	17,601.2	2.8	5.1
Italy FTSE/MIB	32,618.0	1.9	7.5
Netherlands AEX	847.5	0.1	7.7
Spain IBEX 35	10,068.6	-0.4	-0.3
Poland WIG	81,661.4	0.3	4.1
Russia RTS, $ terms	1,114.9	4.4	2.9
Switzerland SMI	11,414.4	-0.1	2.5
Turkey BIST	9,062.4	-2.7	21.3
Australia All Ord.	7,917.1	0.7	1.1
Hong Kong Hang Seng	16,536.9	0.2	-3.0
India BSE	72,304.9	-0.4	0.1
Indonesia IDX	7,328.6	-0.3	0.8
Malaysia KLSE	1,545.6	-0.4	6.3
Pakistan KSE	63,703.5	3.5	2.0
Singapore STI	3,138.9	-2.4	-3.1
South Korea KOSPI	2,652.3	nil	-0.1
Taiwan TWI	18,854.4	1.0	5.2
Thailand SET	1,382.1	-0.8	-2.4
Argentina MERV	998,835.2	-3.9	7.4
Brazil BVSP*	130,155.4	0.1	-3.0
Mexico IPC	55,350.6	-2.9	-3.5
Egypt EGX 30	28,876.5	-1.4	16.0
Israel TA-125	1,964.2	1.8	4.1
Saudi Arabia Tadawul	12,611.4	-0.2	5.4
South Africa JSE AS	72,204.5	-1.1	-6.1
World, dev'd MSCI	3,322.6	1.5	4.8
Emerging markets MSCI	1,018.7	-0.2	-0.5

US corporate bonds, spread over Treasuries

Basis points	latest	Dec 29th 2023
Investment grade	110	154
High-yield	359	502

Sources: LSEG Workspace; Standard & Poor's Global Fixed Income Research. *Total return index.

The Economist

Commodities

The Economist **commodity-price index**

2020=100	Feb 20th	Feb 27th*	% change on month	% change on year
Dollar Index				
All Items	127.7	126.2	-2.5	-5.8
Food	131.7	133.1	1.6	-7.0
Industrials				
All	124.4	120.4	-5.4	-4.7
Non-food agriculturals	133.5	135.3	7.1	2.8
Metals	122.1	116.6	-8.6	-6.7
Sterling Index				
All items	129.6	127.8	-2.7	-10.1
Euro Index				
All items	134.9	132.9	-2.6	-7.9
Gold				
$ per oz	2,026.7	2,032.7	nil	11.3
Brent				
$ per barrel	82.3	83.2	0.5	-0.9

Sources: Bloomberg; CME Group; Fastmarkets; FT; LSEG Workspace; LME; NZ Wool Services; S&P Global Commodity Insights; Thompson Lloyd & Ewart; Urner Barry; WSJ. *Provisional.

The Economist

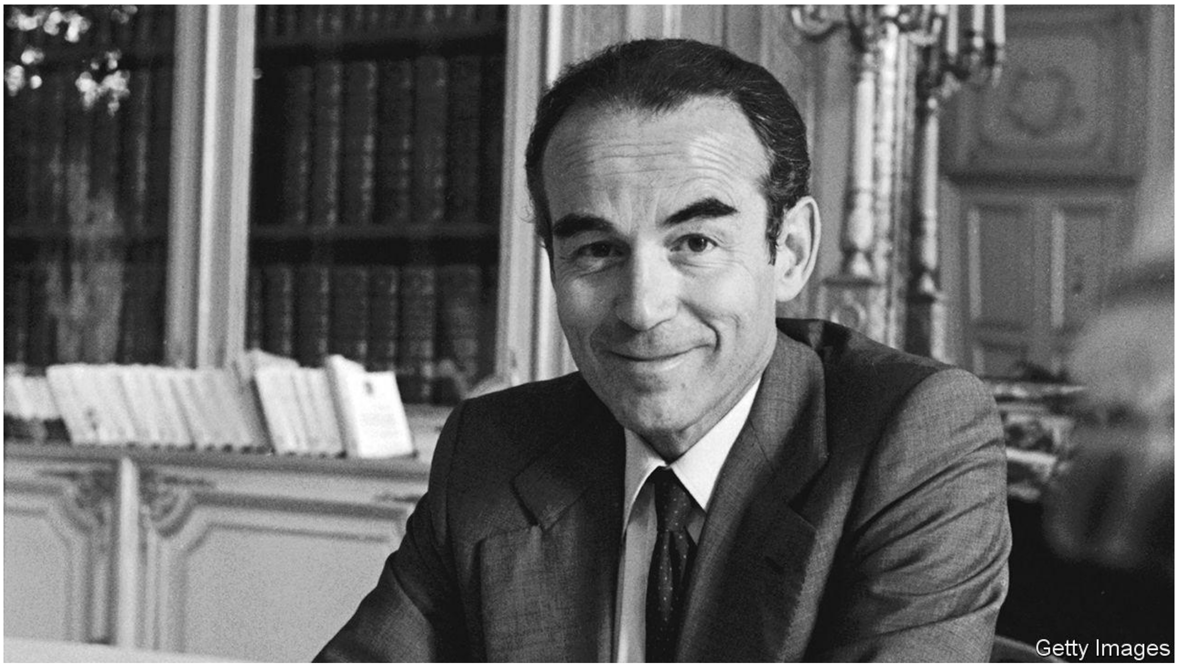
Obituary

His old enemy

Robert Badinter persuaded France to abolish the guillotine

The man who fought to abolish the death penalty in France died on February 9th, aged 95

Feb 29th 2024



WHAT CLOTHES do you wear to be killed in? What clothes do you wear to witness someone die? This was what was worrying Robert Badinter as he dressed on that cold, dank November morning in 1972. It was 3am and he was going to La Santé prison to witness his client, Roger Bontems, be guillotined. Ridiculous, really, to worry about clothes. They cut the collar off the condemned man's shirt anyway: it helped the blade to fall better. And yet he hoped Bontems would get his own shirt back. To die in that hideous prison suit seemed somehow terrible. Badinter chose his own clothes with care, too: a dark suit. A pale shirt. A plain tie. For a lawyer to witness his client be guillotined, a little *politesse* was surely necessary.

Though by the end of that terrible morning he was, he felt, no longer his client's "lawyer". You cannot advocate for a corpse. Once your client has been sliced in two, you cease to be their lawyer and become instead "a man who remembers, that's all". Badinter was being modest. That was not all. From that day on, and for the rest of his life—first as a lawyer, then as justice minister, then finally as France's moral conscience—he campaigned against the death penalty. And in France, successfully so: on October 9th 1981, France abolished it. Badinter had defeated the guillotine—"my old enemy". He could not defeat the memories of that morning. For the rest of his life he would remember the sound of the blade as it had fallen: not with a hiss, or a swish, but a single, sharp, crack.

He had never expected to hear it, when he took on the case. He had been certain that his client Bontems—a prisoner who was complicit in the murder of a warder and a nurse but who had himself killed no one—would be acquitted. Badinter had been brought up by his Jewish father to love France, and its justice system. His father had fled to France from revolutionary Russia, arriving in 1919 with little more than his book-learned French, a fondness for "La Marseillaise", and a conviction that France was the finest country in the world. And for a time, for him, it was. Soon, he had a young bride and enough money to buy his young family a fancy new apartment in a fancy arrondissement: his son Robert could see the Eiffel Tower from his bedroom. The whole family loved this land of "prosperity, freedom and peace".

His father had adored France with an intensity that no Frenchman could match, giving his sons French names and making them read 19th-century novelists like Victor Hugo. His love didn't even waver when some Frenchmen started making terrible, antisemitic speeches; nor when his sons found graffiti—"Death to Jews"—scrawled on the walls. He had reassured them. This, he said, was just a false note; France was a wonderful country. When his father had applied for a form of naturalisation, the official had asked him why he wanted it. He had said: "Because of my feelings towards France." They would arrest his father in February 1943. He died in the Sobibor extermination camp.

Hatred was never so frightening as when it wore the mask of justice. Badinter had seen enough of hatred to know that; all men of his generation had. And he always mistrusted the mob. As a teenager, he had watched two armed men drag a shorn, half-naked girl through the streets because she was a "fille à Boches"—"a girl of the Germans". The men were despicable—but so too were the crowd. The mob played a part in his case, too. France wanted Bontems dead: a poll showed that most French supported the death penalty. But Badinter was not worried. The French mob might be angry but, like his father, he had faith in French justice: you could not kill a man who had not killed. He said so to Bontems: You have nothing to fear, he said. You'll be pardoned, that's for sure.

But clemency never came. And so, on that cold Tuesday morning Badinter had set out to go to the prison in his well-chosen suit. The suit was ridiculous. But then his client had worried about his appearance, too. A few weeks before, Badinter had gone to visit him in prison and had been struck by how well his client had looked. "Oh, I do gymnastics, sir," Bontems had replied. "I keep myself in shape." That remark had struck Badinter as terrible. The death penalty made everything ridiculous. On the morning of the execution, before Bontems was led away, he had asked for a moment to do "a little grooming". Then, ready for his beheading, he had carefully combed his hair.

La Guillotine herself had been not absurd but grotesque. Badinter had seen the scaffold as soon as he had walked into the prison courtyard on that dark morning. The sight had shocked him: he had expected his old enemy would be hidden away, in some secluded courtyard. But there she was, in the open. He was not wholly surprised by his reaction: like his father, he adored Victor Hugo, the great abolitionist author. Hugo had famously written that the guillotine was so sinister it felt almost animate. That no one could look at the guillotine and remain neutral.

He certainly had not. After the execution, and his client was cut in two, he had left La Santé swearing that he would fight the death penalty for the rest of his life. His first chance to attack it came soon enough. In 1977 he took on a case in which a man had killed a young boy. Ostensibly, it was the man who was on trial; but Badinter turned it into a trial of the death penalty itself. Justice—and the jury—were in the dock. The jury could sentence his client to death, he told them. But if they did then they should know that his death was on their hands. "You are alone, and there will not be any presidential pardon." They would all be guilty, each and every one of them: "You, and you, and you."

He had won that vote. And then, a few years later, in 1981, he had won another when the French parliament had voted overwhelmingly to abolish the death penalty. La Guillotine, his old enemy, was finally defeated. She would now be relegated to the museum. When that vote was over, he had walked over to Victor Hugo's seat in the Senate. He placed his hand on the commemorative plaque and he thought: "It is done." And then he had walked out, into another Parisian morning. This time, it was a beautiful day. ■

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