

The Economist

Germany: sick man of Europe again?

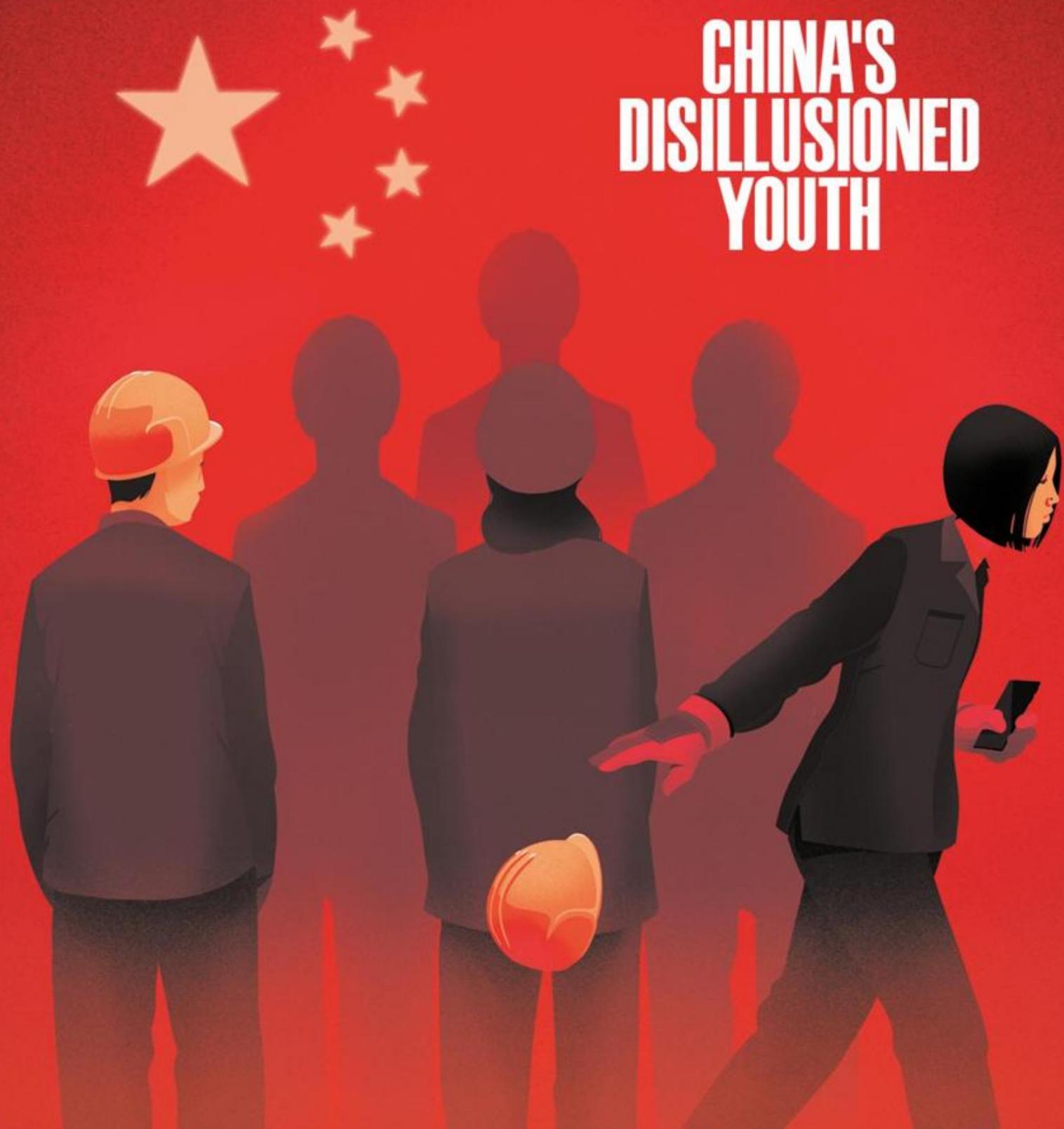
Fixing India's decrepit cities

The BRICS bloc party

Football: sex differences matter

AUGUST 19TH-25TH 2023

CHINA'S DISILLUSIONED YOUTH



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The world this week

Politics

Aug 17th 2023



Getty Images

Donald Trump was hit with a fourth indictment. The front-runner in the Republican primary faces a total of 91 criminal charges. The latest blow comes from [Georgia](#), where the former president and 18 others are accused of trying to overturn the swing state's election result in 2020. Fani Willis, Fulton County's district attorney, accuses Mr Trump of violating a racketeering act, more often used to ensnare mob bosses. He calls the indictment a "witch hunt".

The death toll from [Hawaii's wildfires](#) passed 100, making them America's deadliest in more than a century, and over 1,000 people remain missing. Thousands are homeless. The blaze was probably sparked by a knocked-down power line which remained live; residents sued Hawaiian Electric, the island's main utility.

A federal appeals court in New Orleans upheld restrictions on access to mifepristone, an **abortion pill**. It stopped short of banning the drug, as a lower court in Texas did in April. Before the order goes into effect it will probably return to the Supreme Court.

In one of the strongest legal decisions on **climate change** yet, a court in Montana ruled in favour of activists accusing the state of violating their constitutional right to a healthy environment. The plaintiffs, aged five to 22, blamed the state for favouring fossil fuels over renewables.

Javier Milei, a libertarian, took the most votes in a primary in [Argentina](#), in which voters chose candidates to compete in presidential and legislative elections scheduled for October 22nd. Mr Milei, an economist who was only elected to Congress in 2021, presents himself as an anti-establishment choice. He wants to dollarise the economy and “blow up” the country’s central bank. Its response to the poll result was to devalue the peso by 18%, and raise its policy interest rate by 21 percentage points, to 118%.

Italy announced plans to cap high-season **air fares** from the mainland to the islands of Sicily and Sardinia at 200% of their average prices. Europe’s largest low-cost carrier, Ryanair, called the measure illegal. Airlines demanded that the European Commission step in. Markets were already jittery after Italy’s hard-right government unveiled a surprise windfall tax on banks last week. Georgia Meloni, the prime minister, later took “full responsibility” for that decision, which shaved a tenth off the value of Italian bank stocks and was rolled back a day later.

Ukraine’s president, Volodymyr Zelensky, fired all heads of regional recruitment centres in a crackdown on corruption. More than 30 officials face criminal charges for accepting bribes and smuggling people out of the country to avoid conscription.

Taking a grain check

The first loaded cargo ship passed through Ukraine’s new humanitarian corridor in the **Black Sea** from the besieged port of Odessa. Russia has threatened to treat merchant ships as military targets. Earlier in the week a Russian warship entered Bulgarian waters to harass a Turkish freighter heading to Ukraine. Russia is also targeting Ukrainian ports on the Danube, which now handle a third of Ukraine’s agricultural exports.

Germany’s cabinet approved a plan to legalise the personal use and growing of **cannabis**. If the bill passes parliament, it will be one of the most liberal

regimes in Europe. Adults would be allowed to possess 25 grams. The original plan was to let stores sell the drug, but distribution was scaled back to non-profit social clubs.

Iran released five Iranian-American citizens into house arrest in Tehran, the capital. They are expected to be freed when **America** unfreezes \$6bn of Iranian assets and lets go several jailed Iranians. Iran said the prisoner swap could pave the way for an opening in other areas. The deal comes as the two countries remain unable to reach an agreement on Iran's nuclear programme.



A tanker adrift in the **Red Sea** since 2015 was drained of one million barrels of oil, averting the threat of a disastrous spill. The vessel was dumped off the coast of Yemen when war broke out in the country.

In **Mali** violent clashes were reported between Tuareg separatists and the army, backed by the Wagner Group of mercenaries. A peace agreement signed in 2015 is at severe risk as the UN peacekeepers supporting the deal are withdrawing—at the Malian junta's request.

Army chiefs of countries in the Economic Community of West African States (ECOWAS) were due to meet on August 17th to consider using force to reverse a military coup in **Niger**. The junta said it is charging Mohamed Bazoum, the deposed president, with treason.

Police in **Zimbabwe** have arrested 40 members of the opposition Citizens Coalition for Change ahead of a general election scheduled for August 23rd. Opposition meetings have also been banned.

North Korea acknowledged its custody of **Travis King**, an American soldier and criminal who dashed across the border from South Korea in July. The regime said he was escaping “inhuman maltreatment and racial discrimination” in America’s army.

Thailand’s Move Forward party, which won the country’s parliamentary elections in May, had its hopes of leading the next government dashed. The constitutional court rejected its appeal of a decision by the military-controlled senate to block the progressive party’s leader, Pita Limjaroenrat, from becoming prime minister. Move Forward refuses to back its former coalition partner and runner-up, Pheu Thai. The verdict clears the way for parliament to pick a new leader next week.

Typhoon Lan wreaked havoc in Japan. Nearly 900 flights were cancelled as it made landfall on Tuesday and 240,000 people were evacuated; power was cut off from 90,000 homes in central and western Japan.

A drop in the ocean

Britain removed 39 migrants from the *Bibby Stockholm*, a barge intended for 500 occupants that is moored off Dorset, after a lung-infecting bacteria was found in its water system. The debacle with the barge is mostly of symbolic importance. A backlog of 172,000 applications from asylum-seekers, 50,000 of whom are being housed in hotels, needs clearing. More than 100 migrants cross the Channel on a typical day.

Average **water temperatures** in the Gulf of Mexico reached 31.1°C (88°F), the hottest on record. Coastal cities are suffocating. Warmer waters could produce a busier hurricane season, now approaching its peak weeks.

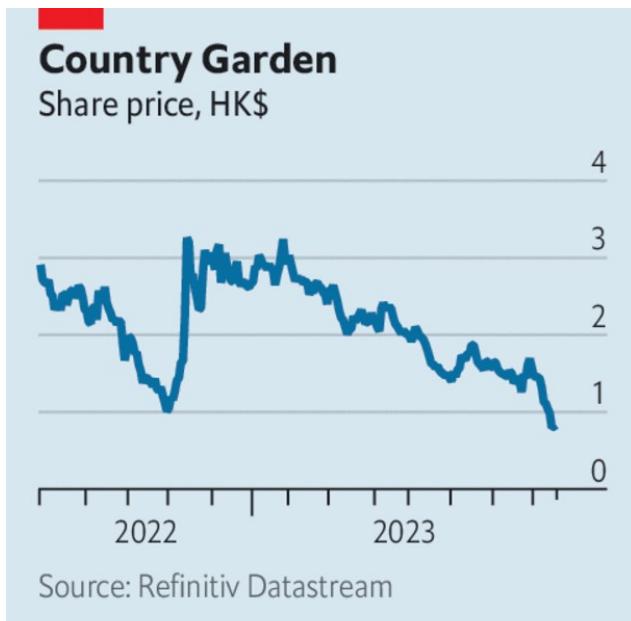
The world this week

Business

Aug 17th 2023



China's central bank unexpectedly [cut interest rates](#) as new data shed light on the country's flagging economy. Industrial production and retail sales during July both fell short of predictions. Nationwide unemployment increased to 5.3% and authorities suspended reporting of figures on youth unemployment, which stood at 21.3% in June.



The Economist

In a sign of further distress in China's property sector, [**Country Garden**](#), one of the country's largest developers, sank into crisis. The firm expects to post a loss of up to 55bn yuan (\$7.5bn) for the first half of 2023 and suspended trading in some of its bonds, having missed coupon payments earlier this month.

Britain's annual rate of **inflation** stood at 6.8% in July, down from 7.9% in June. Lower household energy bills contributed to the sharp drop. Core inflation, which strips out energy and food prices, was unchanged at 6.9%. Annual wage growth was 7.8% during the three months to June, the highest since comparable records began in 2001.

A big scrap

Bidders are circling **United States Steel**. The 122-year-old American industrial firm rejected an approach from Cleveland-Cliffs, another big steelmaker. Esmark, a privately held conglomerate, also announced an offer to buy the firm for \$7.8bn.

In the latest example of dealmakers falling foul of geopolitical tensions between America and China, **Intel** axed its acquisition of Tower Semiconductor after failing to secure necessary approvals from Chinese

regulators. The American chipmaker will pay Tower Semiconductor, an Israeli firm, a \$353m fee for terminating the transaction, which was announced in February 2022.

Russia's central bank raised interest rates by 3.5 percentage points to 12%. The move followed a [collapse in the rouble](#), which fell past the value of 100 to the dollar. Consumer prices rose at an annualised rate of 7.6% during the past three months, above the bank's target of 4%.

Occidental agreed to buy Carbon Engineering, a Canadian startup. The energy firm, which counts Berkshire Hathaway as its largest shareholder, will pay \$1.1bn for the carbon-capture concern.

VinFast, a Vietnamese electric-vehicle manufacturer, made its stockmarket debut on the Nasdaq. Shares in the lossmaking firm surged in a debut reminiscent of headier times for American equity markets. VinFast listed by merging with a special-purpose acquisition company and counts Pham Nhat Vuong, Vietnam's richest man, as its controlling shareholder.

The American arm of **BDO**, an accountancy firm, abandoned its traditional partnership structure. The firm tapped Apollo, a private-markets giant, for funding as part of the reorganisation. In another example of private equity's interest in professional-services firms, **EY** reportedly rejected a proposal by TPG, a private-equity firm, to invest in its consulting arm after abandoning a plan to spin off the business earlier this year.

UBS terminated an agreement with the Swiss government designed to protect the bank against losses stemming from its acquisition of Credit Suisse. The agreement, which was signed before the deal closed in June, required authorities to shoulder up to SFr9bn (\$10.2bn) of potential losses. UBS also ended a SFr100bn liquidity agreement with Switzerland's central bank and agreed to pay American authorities \$1.4bn to settle a long-running case relating to its legacy mortgage-backed securities business.

Tencent reported a 41% year-on-year increase in profits during the second quarter. Despite a surge in income from online advertising, revenue growth at China's biggest internet firm, of 11%, fell short of expectations.

America's Commerce Department said that its measure of national **retail sales** increased by 0.7% in July, compared with a month earlier, as consumers continued to hold up better than expected. Investors also pored over minutes from the July meeting of the Federal Reserve's rate-setting committee, during which some participants voiced concerns about risks to economic activity.

Target posted better than expected quarterly results. However, the retailer still reported a 5.4% decline in sales compared with the previous year, driven partly by a customer backlash against the firm's Pride Month products. The firm also lowered its profit guidance for the year.

Aussie rules

Industrial action by workers in Australia threatened to disrupt the global supply of liquefied natural gas. Talks between workers and **Woodside Energy Group**, an Australian supplier, are ongoing. The threat of disruption was enough to cause a spike in the price of natural-gas futures.

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The world this week

KAL's cartoon

Aug 17th 2023



Economist.com

Kal

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

[Donald Trump's racketeering indictment is the most sweeping yet](#)

[Why was RICO, a mafia-targeting act, used to charge Donald Trump?](#)

[Only politics, not the law, can stop Donald Trump](#)

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

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The world this week

This week's covers

How we saw the world

Aug 17th 2023

SOME WEEKS, including this one, we publish more than one cover. In most of the world, we depicted China's disillusioned youth. They are disenchanted with their prospects and full of angst. This is bad for their country—and perhaps the world. When Xi Jinping plays down their individual aspirations in favour of the collective interest, he adds to their gloom.



Leader: [Why are China's young people so disillusioned?](#)

Briefing: [China's defeated youth](#)

In Europe, we asked whether Germany has become the sick man of Europe again. This is not 1999, but Germany's ailments are more serious than its politicians admit. The German economy used to inspire envy. But it has failed to adapt to a changing world, turning from a growth leader into a laggard.



Leader: [Is Germany once again the sick man of Europe?](#)

Finance & economics: [The German economy has gone from European leader to laggard](#)

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Leaders

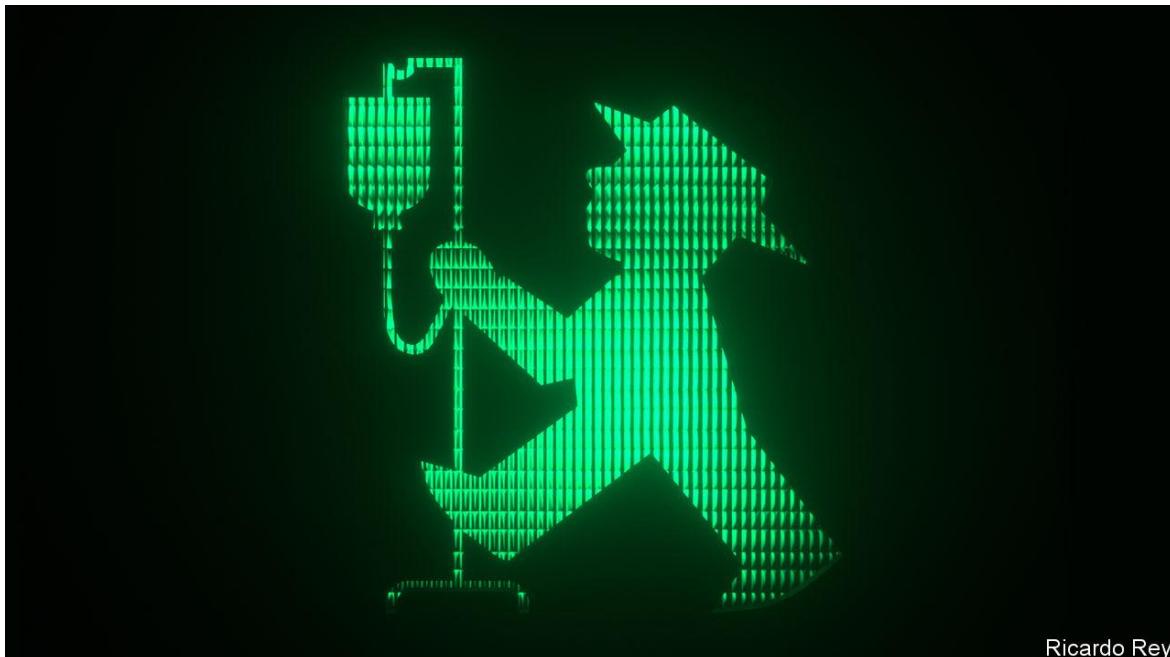
- Is Germany once again the sick man of Europe?
- Why are China's young people so disillusioned?
- To reach its economic potential, India must abandon protectionism
- Britain should scrap its green belt
- Why sex differences matter in football

Economic malaise

Is Germany once again the sick man of Europe?

Its ills are different from 1999. But another stiff dose of reform is still needed

Aug 17th 2023



Ricardo Rey

NEARLY TWENTY-FIVE years ago this newspaper called Germany the sick man of the euro. The combination of reunification, a sclerotic job market and slowing export demand all plagued the economy, forcing unemployment into double digits. Then a series of reforms in the early 2000s ushered in a golden age. Germany became the envy of its peers. Not only did the trains run on time but, with its world-beating engineering, the country also stood out as an exporting powerhouse. However, while Germany has prospered, the world has kept on turning. As a result, Germany has once again started to fall behind.

Europe's biggest economy has gone from a growth leader to a laggard. Between 2006 and 2017 it outperformed its large counterparts and kept pace with America. Yet today it has just experienced its third quarter of contraction or stagnation and may end up being the only big economy to shrink in 2023. The problems lie not only in the here and now. According to

the IMF, Germany will [grow more slowly](#) than America, Britain, France and Spain over the next five years, too.

To be sure, things are not as alarming as they were in 1999. Unemployment today is around 3%; the country is richer and more open. But Germans increasingly complain that their country is not working as well as it should. Four out of five tell pollsters that Germany is not a fair place to live. Trains now run so serially behind the clock that Switzerland has barred late ones from its network. After being stranded abroad for the second time this summer as her ageing official plane malfunctioned, Annalena Baerbock, the foreign minister, has aborted a trip to Australia.

For years Germany's outperformance in old industries papered over its lack of investment in new ones. Complacency and an obsession with fiscal prudence led to too little public investment, and not just in Deutsche Bahn and the Bundeswehr. Overall, the country's investment in information technology as a share of GDP is less than half that in America and France. Bureaucratic conservatism also gets in the way. Obtaining a licence to operate a business takes 120 days—twice as long as the OECD average. Added to this are worsening geopolitics, the difficulty of eliminating carbon emissions and the travails of an ageing population.

The geopolitics mean that manufacturing may no longer be the cash cow it used to be. Of all the large Western economies, Germany is the most exposed to China. Last year trade between the two amounted to \$314bn. That relationship was once governed by the profit motive; now things are more complicated. In China German carmakers are losing the battle for market share against home-grown competitors. And in more sensitive areas, as the West “de-risks” its ties with China, some may be severed altogether. Meanwhile, a scramble for advanced manufacturing and robust supply chains is unleashing a torrent of subsidies to foster home-grown industry that will either threaten German firms or demand subsidies inside the European Union.

Another difficulty comes from the energy transition. Germany's industrial sector uses nearly twice as much energy as the next-biggest in Europe, and its consumers have a much bigger carbon footprint than those in France or Italy. Cheap Russian gas is no longer an option and the country has, in a

[spectacular own goal](#), turned away from nuclear power (see Europe section). A lack of investment in grids and a sluggardly permit system are hobbling the transition to cheap renewable energy, threatening to make manufacturers less competitive.

Increasingly, too, Germany lacks the talent it needs. A baby boom after the second world war means that 2m workers, on net, will retire over the next five years. Although the country has attracted almost 1.1m Ukrainian refugees, many are children and non-working women who may soon return home. Already, two-fifths of employers say they are struggling to find skilled workers. That is not just grumbling: the state of Berlin cannot fill even half of its teaching vacancies with qualified staff.

For Germany to thrive in a more fragmented, greener and ageing world, its economic model will need to adapt. Yet whereas high unemployment forced Gerhard Schröder's coalition into action in the 1990s, the alarm bells are easier to ignore this time. Few in today's government, made up of the Social Democrats, the liberal Free Democrats and the Greens, admit to the scale of the task. Even if they did, the coalition is so fractious that the parties would struggle to agree on a remedy. Moreover, Alternative für Deutschland, a far-right populist party, is polling at 20% nationally and may win some state elections next year. Few in government will propose radical change for fear of playing into its hands.

The temptation may therefore be to stick with the old ways of doing things. But that would not bring back Germany's heyday. Nor would it quell the onrush of challenges to the status quo. China will continue to develop and compete, and de-risking, decarbonisation and demography cannot simply be wished away.

Instead of running scared, politicians must look ahead, by fostering new firms, infrastructure and talent. Embracing technology would be a gift to new firms and industries. A digitised bureaucracy would do wonders for smaller firms that lack the capacity to fill out reams of paperwork. Further permit reform would help ensure that infrastructure gets built speedily and to budget. Money also matters. Too often infrastructure has suffered as the government has made a fetish of its balanced-budget rules. Although Germany cannot spend as freely as it might have in the 2010s, when interest

rates were low, forgoing investment as a way of reining in excess spending is a false economy.

Agenda 2030

Just as important will be attracting new talent. Germany has liberalised its immigration rules, but the visa process is still glacial and Germany is better at welcoming refugees than professionals. Attracting more skilled immigrants could even nurture home-grown talent, if it helped deal with the chronic shortage of teachers. In a country of coalition governments and cautious bureaucrats, none of this will be easy. Yet two decades ago, Germany pulled off a remarkable transformation to extraordinary effect. It is time for another visit to the health farm. ■

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The danger of letting it rot

Why are China's young people so disillusioned?

Xi Jinping wants them to focus on the party's goals. Many cannot see why they should

Aug 17th 2023



THE CROWD did not seem excited to see George Michael and Andrew Ridgeley. When Wham! became the first Western pop group to perform in Communist China, the audience was instructed to stay in their seats. It was 1985 and, despite appearances, the young people in attendance were in fact joyous. The country around them was by no means free, but it was starting to reform and open up. Over the next three decades the economy would grow at a rapid pace, producing new opportunities. An increasing number of Chinese travelled and studied abroad. Even the Communist Party showed signs of relaxing (a bit). Those brought up during this period had high hopes for the future.

Today, reality is falling short of expectations. A dark cloud hangs over Chinese born in the 1990s and 2000s. Since [Xi Jinping](#) won power in 2012, the government has grown more [repressive](#) and society less vibrant. Censors have turned the internet into a drearier place, while letting nationalist trolls

drum in the state's talking-points. At university students must grapple with Mr Xi's forbidding personal ideology. Worst of all for some, China's economy is [stagnating](#). The unemployment rate for those aged 16 to 24 in cities is over 21%—a number so disheartening that earlier this month the government stopped publishing the data, pending a review.

For our [Briefing](#) this week, we talked to young Chinese men and women about how they feel. Plenty still have faith in the party and support Mr Xi's calls to make China strong. But many are suffering a deep sense of angst. University graduates are finding that the skills they spent years learning are not the ones employers want. Scarce jobs and punishing property prices have dashed their hopes of buying a home and starting a family. We scraped social media and found that the mood is growing darker. Disillusioned youth talk of *tangping* (lying flat) and *bailan* (letting it rot), synonyms for giving up.

China is hardly the only country where young people are gloomy. Nearly half of Americans aged 18 to 34 say they lack confidence in the future. When Chinese lie flat, Americans "quiet quit". Perhaps Gen Z and millennials the world over have a tendency to mope. Yet in China, where some 360m people are between the ages of 16 and 35, something more serious seems to be happening. The ladder to a better life is being lifted away. In response, many are choosing to abandon the rat race and turn inwards. For a country that Mr Xi promises to mould into a great power by mid-century, their ennui raises profound questions.

One is whether their malaise carries political risks. Frustrated young folk jolted China in the past, notably in 1989, when students converged on Tiananmen Square to demand more freedom and less corruption. Last year, fed up with the government's harsh covid-19 controls, young people gathered in cities across China. Some called for Mr Xi and the party to relinquish power.

Nobody can rule out the possibility of more unrest. But last year's protests were small and our reporting suggests that China's young are not bursting with revolutionary fervour. They have grown up with an internet bounded by the great firewall, limiting their access to uncensored news and information. Brought up on propaganda about the party's accomplishments, many

continue to support it wholeheartedly. Even hip young urbanites say the government ought to limit some freedoms.

The real question the party faces is more prosaic: not the threat of revolution, but a quiet rejection of its ambitions. In order to accomplish his goal of restoring China's greatness, Mr Xi needs the young to get married, have children and reverse the country's demographic decline. In order to refocus the economy on manufacturing and away from consumer-internet technology, he'd like them to study hard sciences, not dream of designing video games. And he wants more youngsters to work in factories, including the type that might produce weapons for China's growing armed forces. "Endure hardships" and "eat bitterness", Mr Xi tells the young. Many cannot see why they should.

The party is mindful of their disenchantment. Policymakers have taken steps to curb speculation in the property market in hope of bringing down prices. Firms have been pressed to treat their overworked young employees better. Under the banner of "common prosperity", Mr Xi has aimed to increase social mobility and reduce inequality. But much of this has backfired. In going after property developers, tech firms and the tutoring industry, he has harmed new graduates' most reliable employers.

That leads to the biggest question of all. China's leaders are fond of contrasting their one-party rule with what they tell their people is a flawed and dysfunctional West, a view stoked but not wholly fabricated by the official media. The unhappiness of young people sets the strengths and weaknesses of each system in clear relief. It is not a comparison that favours China.

Dropouts in America have alternatives to pursue. The country offers many routes to a fulfilling life. An ambitious few have even been able to harness their dissent to create great art, music or a multi-billion-dollar company. Mr Xi would like young Chinese to find enlightenment in their hardship, too, but not that sort. Advance comes exclusively through the Communist Party. China's artists are yoked to its message. Having been branded as the party's rivals, tech entrepreneurs have been humiliated.

A small but growing number of well-educated, high-potential young Chinese seem likely to abandon their country. Politicians in America and the wider West often say they are on the side of ordinary Chinese. They could prove it by ensuring Western universities and economies welcome young people who feel that their opportunities at home are limited.

Let them dream

However, most young Chinese will stay at home. When Mr Xi plays down their individual aspirations in favour of the collective interest, he adds to their gloom. He also ignores the role that dreams and choices in their hundreds of millions played in fuelling China's four decades of growth. The party needs to offer its disenchanted young new paths to peaceful prosperity. The alternatives, including the stoking of angry, militaristic nationalism, would pose a threat to China and the world. ■

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Beware the Licence Raj

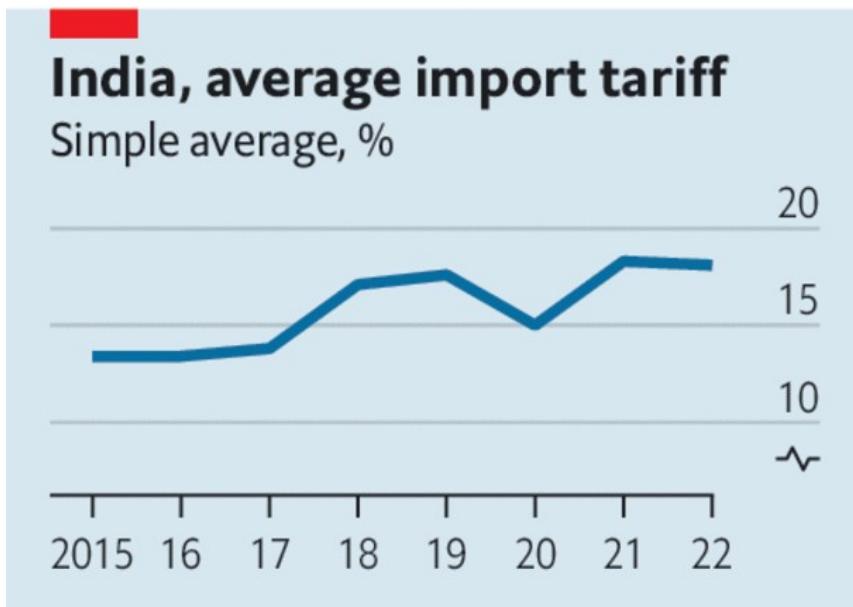
To reach its economic potential, India must abandon protectionism

High tariffs and licensing do not help development—they hurt it

Aug 17th 2023



IT IS NOT hard to see what enthuses the many evangelists for India's economy. Western companies are investing handsomely in the country as they diversify their supply chains away from China. So indispensable is India to America that their two governments say they are "among the closest partners in the world", even as India guzzles cheap Russian oil and attends anti-Western [gabfests](#). In a greying Asia, India's population—which this year became the world's largest—stands out for its youth. Recently the country discovered reserves of lithium, a metal that is crucial to making batteries. Surveys of purchasing managers suggest the economy is growing at its fastest pace for 13 years, even as China slows. Yet for all this potential, India has an enormous handicap: its suspicion of imports, which is only getting worse as the rest of the world turns away from free trade.



The Economist

India has a long tradition of protectionism, but in the 1990s and 2000s it opened up. It slashed its average tariff from over 80% in 1990 to about 13% in 2008. Then in 2014 the prime minister, Narendra Modi, came to power and launched the “Make in India” campaign. Tariffs began to rise. Today they average about 18%, well above those of peers like Indonesia and Thailand. Recently, like other big economies, India has thrown cash at semiconductors: central-government spending on just one Micron assembly facility equals a quarter of its entire annual budget for higher education. The latest trade-busting measure, announced on August 3rd, would require Indian companies to get a licence before they could import personal computers or tablets.

India’s government is convinced that reducing imports is necessary for its security and creating manufacturing jobs, and especially hopes to [reduce imports from China](#). Like America, it views China with suspicion, given its border disputes with the country. But it also envies China’s decades-long high economic growth, which many Indian policymakers think was achieved with state-led mercantilism.

Yet India’s strategy is not working. In 2022 value added in manufacturing accounted for 13.3% of India’s GDP, down from 15.6% in 2015 and the lowest since 1967; a scheme to produce mobile phones locally seems mainly

to have attracted low-value assembly work. In part this is because India is drawing the wrong lessons from China, which developed rapidly by becoming integrated in manufacturers' global supply chains—a process that tariffs inhibit. China has never been as suspicious of global commerce as India, which has declined to join either of the two big Asian trade deals struck in the past decade.

In any case, China's crisis-struck economy is starting to reveal the limits of state capitalism. A better example to follow is South Korea, which developed rapidly after 1970. It subsidised manufacturing exports but more often aimed for international competitiveness rather than self-sufficiency. It realised that restricting the inflow of capital goods is counter-productive, because importing the best inputs would benefit its manufacturers. One reason India's computer protectionism will prove self-defeating is that the country's IT services firms, which account for about a quarter of its exports, need lots of processing power.

Before the reforms of the 1990s India was known for its "Licence Raj". This imposed rules that made it impossible to get anything done without government permission, creating a class of favoured insiders who knew how to work the system. If India returns to those bad old days rather than opening up, then it will fail to take advantage of its moment of economic opportunity and its 1.4bn people will pay the price. ■

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England's green belt

Britain should scrap its green belt

It has a stranglehold over the economy and protects the wrong bits of land

Aug 17th 2023



FOOD RATIONING is over. People can swear on the BBC. Homosexuality is legal. Thank goodness Britain has left behind the dreary restrictions of the 1950s. Yet the [green belt](#)—16 rings around English cities dreamed up 70 years ago—not only persists but is growing. The belt doubled in size in the 1980s. Last year it grew by another 24,000 hectares, or 1.5%. The green belt was never meant to swallow up so much land, yet today makes up 12.6% of England. Another quarter is protected by national parks or other designations.

In its own terms the belt has been wildly effective. [English cities](#) do not sprawl. Just 9% of the country's land is [built on](#)—meaning that it is hardly the concrete jungle of popular imagination. These days the government says one point is to spur investment in cities. The green belt certainly makes city life more expensive. By one estimate, house prices in the south-east would be around a quarter cheaper without it. The policy remains terrifically popular. It summons up images of William Blake's “green and pleasant

land”, a place of natural beauty and abundant wildlife. Who could object to that?

The answer is anybody who would swap the 1950s for the 21st century. Despite its name, the green belt is not especially verdant: 7% of it is built-up land that happens to be designated as green belt and only a sliver is open for recreation. Two-thirds is for farming. The country’s remaining gaps of undeveloped land where houses, reservoirs or other infrastructure can be built are ever harder to find.

That helps explain chronic housing shortages inside cities, especially in productive places like Cambridge, London and Oxford. London, lacking brownfield sites, builds less than half of the 85,000 new homes it needs each year. In the countryside the belt leads developers to “leapfrog”, putting up housing for commuters farther away from the cities where the jobs are. The result is urban scattering instead of sprawl, with less agglomeration and a jammed-up labour market. Because many such places lack good public transport, residents spend more time in their cars, leading to more emissions. By some estimates all this costs about 0.5% of England’s GDP each year.

What can be done? Ideally, England would scrap the belt. True greenfield land—the sort the public treasures—could be just as well protected by designating more of it as national parks, or areas of outstanding natural beauty or special scientific interest and the like. More of the rest would then be open for development. Building on green-belt land within 800 metres of railway stations, for example, would provide plots for 850,000 homes. Giving up just 10% of the green belt would provide land for 5m homes. Boldest of all, England could plan whole new towns, just as it once did with Milton Keynes and Welwyn Garden City.

Unfortunately, even politicians who acknowledge that the green belt has a stranglehold over the most productive parts of the economy are unlikely to make such a radical case. Few even dare lay the foundations for reform by challenging popular misconceptions about the green belt’s true value.

Taboo or not taboo, that is the question

Even so, planning is likely to come up in the next election. The Conservatives, stung by their struggles to reform it in the past 13 years, say that building should mostly be on cities' brownfield sites. They would make it even harder to release green-belt land. To its credit, the Labour Party has said it would "take on the taboo" on the green belt. It claims that a lack of supply, notably of land, explains why British housing is shoddy and costly: developers don't compete to sell the best homes because desperate buyers will take anything available. Sir Keir Starmer has yet to put flesh on his party's plans for the belt once in government. But if he wants to preside over a stronger economy, one obvious measure would be to cut the green leash that holds it back. ■

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Substitution required

Why sex differences matter in football

Women are not simply men with long hair, even on the pitch

Aug 16th 2023



Getty Images

FOR HALF a century, between 1921 and 1971, the Football Association, which governs the sport in England, forbade women from playing on FA-affiliated pitches. “The game”, it opined, “is quite unsuitable for females.”

Tell that to the fans. The women’s World Cup, held this year in Australia and New Zealand, is gearing up for a final on August 20th between Spain and England, the reigning European champions. So far, more than 1.8m tickets have been sold, breaking the previous record of 1.3m in Canada in 2015. The television audience is likely to be double the previous record of 1bn. The level of play is higher across the board.

The struggle for women’s football to be taken seriously has, so far, meant fighting for equality with the men’s game. In terms of money and exposure, it still has a long way to go. Although women’s prize money has more than tripled since the previous [World Cup](#), it is still only 25% of men’s hauls. The disparity in club wages is cavernous. One reason is that women’s sport in

general accounted for just 13% of TV sports coverage in Britain in 2022, and 5% in America in 2019.

But on the field itself, football is scrupulously equal. Women play on the same-size pitch, with the same-size ball and the same rules as men. And yet in sport that sort of equality [is not always a good idea](#).

Feminists have long argued, correctly, that women are not just men with long hair. The unthinking assumption that men are the “default human” means that everything from drugs and smartphones to stab vests and airbags has been [designed](#) in ways that are inconvenient or dangerous for their female users.

Similar arguments apply to many sports, an irony given that they are the reason why women’s sport even exists as a separate category. Women’s bodies are smaller, on average, than men’s, even among elite athletes. One paper calculates that a pitch scaled for them would be two-thirds as big as it is now. Goals would be slightly smaller and the ball would be smaller and lighter. Expecting women to play on the same-size pitch as men, the researchers point out, means asking them to play a game that is different from the one the men play—and harder.

Another worry is the risk of injury. Until recently, making a women’s football boot meant little more than taking a men’s one and colouring it pink. Never mind the different shape and structure of women’s feet. Never mind that studs designed for a man’s weight might provide too much grip for a lighter woman. And never mind how that might increase the risk of knee injuries, to which women seem more prone. But it is not just knees. A 2018 study found that repeatedly heading a football seemed to harm women’s brains more than men’s. Having seen [brain damage](#) among American football and rugby players, the sport’s authorities have a duty to consider using a lighter ball.

Admittedly, such changes would be controversial. When World Rugby, the international governing body for rugby union, decided to test a smaller ball designed for women’s smaller hands, players were split. Some welcomed the removal of what they saw as a handicap. Others worried that anything which

looked like a concession risked undermining the prestige of the women's game.

That is a real risk, but it can be overstated. Plenty of other sports accommodate the physical differences between the sexes. In athletics, women's hurdles are lower and discs are lighter. Basketball uses a smaller ball; volleyball a lower net. Men and women should be treated equally in sport as in any other walk of life. But they are not physically the same, and it does no one any favours to pretend that they are. ■

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Letters

- [Letters to the editor](#)

On college costs, climate change, our double issue, ice cream, dragons on flags, harsh critics

Letters to the editor

A selection of correspondence

Aug 17th 2023



Cristina Spanò

Letters are welcome via e-mail to letters@economist.com

Paying for college

“[Sticker shocker](#)” (July 29th) correctly notes that the college-affordability crisis in America is at least partly illusory because so few students pay full price. You suggest that this gap exists so that colleges can play Robin Hood, charging full price to the rich and less to the poor. Elite universities have the market power to do this, but the typical college does not. They have more openings than qualified applicants to fill them.

Because non-profit colleges want the best students they can get (for rankings and other reasons), most give the biggest discounts to the best students. Because the best students so often come from rich families, the result isn’t much like Robin Hood at all. It is true, as you say, that college is not necessarily too expensive on average, but some students nevertheless pay a

king's ransom to attend colleges for which they are only marginally qualified.

Unlimited federal loans make this possible. Unaccountable schools take the money, students and families suffer the consequences, and soon it seems taxpayers will foot the bill.

DAN CURRELL

Deputy under-secretary, US Department of Education, 2018-21

Saint Paul, Minnesota



Reducing methane

Your otherwise excellent story on heatwaves jumps too quickly to the possible need for solar geoengineering to cool the planet quickly ("[Turning up the heat](#)", July 22nd). In terms of slower warming, our research shows that the best strategy over the next two decades is to cut methane, a super climate pollutant, which can avoid warming of up to nearly 0.3° Celsius by the 2040s. The International Energy Agency finds that the methane which leaks from oil and gas production could be reduced by 75% at no or low cost. A mandatory agreement to cut methane, starting with the oil and gas

sectors, should be a priority at the next global climate negotiation in the United Arab Emirates in December.

DURWOOD ZAELKE

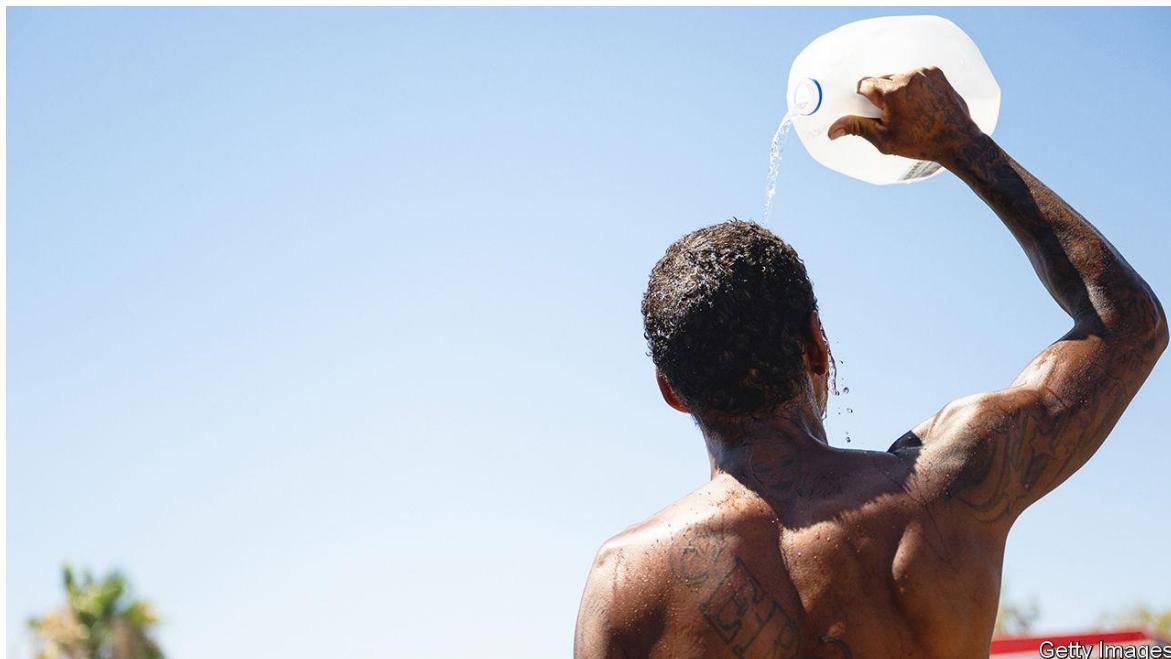
President

GABRIELLE DREYFUS

Chief scientist

Institute for Governance and Sustainable Development

Washington, DC



The real obstacle to cities responding effectively to soaring temperatures is money ("[Too darn hot](#)", July 22nd). It is often thought that cities are well resourced, but the reality is different. Only 11% of international funds for climate change go to cities. This is where city-resilience bonds could make a large difference. Through these bonds a city government or agency could raise money from capital debt markets for investment in building resilience. This instrument has been used to deal with a range of problems that cities face. For instance, America's Federal Reserve pledged to buy up to \$500bn in municipal bonds from small and medium-sized cities to finance their fight against covid-19.

In many developing countries with huge urban populations and extensive exposure to climate change, like Bangladesh and India, there are no major administrative or legal barriers preventing cities from issuing bonds. In a recent survey of major cities in India, 60% were found to be creditworthy. City bonds would help cities tackle climate change.

DR ADITYA BAHADUR

Principal researcher

International Institute for Environment and Development

London

Double trouble

As a consumer of the audio edition, I noticed the run time for your summer “double” issue to be eight hours and 55 minutes ([July 29th](#)). That compares with nine hours and 14 minutes the previous week and seven hours and 35 minutes the week before that. Given *The Economist*’s well-earned reputation for factual rigour, might I humbly suggest that a renaming of the “double” issue is in order?

MATT MAURO

Arlington, Massachusetts



The Economist/J.B.

Innovative ice cream

Speaking of avant-garde ice-cream flavours (“[Get to the pint](#)”, July 15th), I recall past garlic festivals held annually in July in Gilroy, California, that served garlic ice cream. The event is no longer held.

MARSHAL ALAN PHILLIPS
Hollywood, California

Fantastic beasts

The dragon on the flag of Wales may be “badass”, but it is not unique ([Letters](#), July 15th). The national flag of Bhutan features a white dragon, as does the flag of Moscow (although the dragon is pictured losing a fight to St George, so not so badass). Mythological creatures, badass and otherwise, can also be found on the flags of Atlanta (a phoenix), Tuscany (a pegasus) and the Pomeranian Voivodeship in Poland (a griffin).

The traditional flag of Tibet depicted two *gangs seng ge*, or snow lions, creatures so powerful that their roar can cause dragons to fall from the sky. Now that’s badass.

DANNY BOWLES
London



– María Jesús Contreras

Critics circle

Look at the demand side to understand the transition from the harsh tone of Victorian book reviews to today's fawning in the literary pages ("[The death of the hatchet job](#)", July 29th). In the 19th century literature was a mass entertainment, lowbrow and highbrow alike, and written to be read. It aspired to sell, and needed connoisseurs to write reviews to help consumers navigate the shelves. Reviews contributed to efficiency and were compensated.

The book market has changed. Most of today's books are often too lowbrow to be reviewed by serious publications. (How many Harry Potter books did *The Economist* review?) As for the highbrow stuff, literary prizes drive sales in that market. Book reviews in academic journals are risk-free and not informative, intended for tenure committees.

Mass entertainment is now dominated by film and television, where even highbrow productions are made to be watched and expect to make money. The critics are not getting less cruel, they just get paid for reviews in other mediums; you can still find harsh reviews aplenty.

YOAV SIVAN
New York

The most devastating hatchet job that I have come across is Q.D. Leavis's article published in *Scrutiny*, a quarterly periodical, in 1937. In the article she demolished Dorothy Sayers's reputation as a novelist, describing Sayers as "a combination of literary glibness and spiritual illiteracy".

H.P. DAVIS
Melbourne

It's hard to beat Truman Capote's take on Jack Kerouac: "That's not writing, that's typing". But Randall Jarrell did just that, opining that a book by Oscar Williams "gave the impression of having been written on a typewriter by a typewriter".

I'm not sure how Kerouac reacted, but Williams—who was a prolific anthologiser—then proceeded to leave any and all of Jarrell's poetry out of his editions. Touche!

DAVID PERRY
Chicago

I despair wading through eulogising prose. Is "profound" a euphemism for "pretentious and turgid"? Does "thought-provoking" mean "I couldn't follow it"?

For a review to be useful one wants the negative as well as the positive, and there is a place for the brutal. My favourite film review ended with this line: "If you watch this movie the sequel will be your fault."

SIMON GARRETT
Ashfield-cum-Thorpe, Suffolk

By Invitation

- [The AIIB's former communications chief on why he blew the whistle](#)
- [Hold Donald Trump and his allies accountable at every level, say Norm Eisen and Joanna Lydgate](#)

China's infrastructure bank

The AIIB's former communications chief on why he blew the whistle

China's bid to create its own version of the World Bank is a sham, says Bob Pickard

Aug 17th 2023



Dan Williams

Editor's note: After Bob Pickard's departure in June, the Asian Infrastructure Investment Bank conducted an internal review into his allegations and published it in July. The review concluded that the allegations were "incorrect and unsubstantiated" and "lack concrete evidence". The bank said that the investigation showed that "AIIB follows the highest standards of multilateral governance, that its governance is functioning as intended, and that there was no evidence of undue influence on decisions taken by the Board of Directors or Management."

WHEN XI JINPING proposed a China-led multilateral development bank in 2013, the idea attracted much media attention. It was soon dubbed "China's answer to the World Bank". But when the Asian Infrastructure Investment Bank (AIIB) opened in 2016, press coverage quickly soured. Questions

swirled about whether the Beijing-based bank was merely led by China or in thrall to its government. Some wondered if it would be an arm of Chinese statecraft, designed primarily to support the ballyhooed Belt and Road Initiative. Others questioned its claim to be an apolitical model of international governance, free from the clutches of the Chinese Communist Party (CCP).

The bank asked me to join as head of communications in 2021. Having previously worked for several big communications firms, including Burson-Marsteller and Edelman, I was well placed to help the AIIB deal with its public-relations challenges.

I had concerns about whether the bank was controlled by its largest shareholder, the Chinese government. AIIB's published governance structure, which stresses the bank's apolitical nature, allayed my concerns. I was also reassured by the list of shareholders, which included several Western democracies, including my own country, Canada. The bank's recruiters told me that AIIB was "world-class", a "new kind" of multilateral development bank "for the 21st century".

It didn't take me long to realise that the reality did not match the messaging. Inside the bank, CCP members wield power in many key positions. Systemic surveillance breeds pervasive mutual suspicion, which smothers opinions that might differ from the party line.

I learned this during my first few weeks, when pandemic policy was discussed at an executive-committee meeting. I made what I felt was an uncontroversial comment, that there would be no stopping the Omicron variant of covid-19 in China, as elsewhere. As CCP apparatchiks looked on, I was upbraided by the AIIB's president, Jin Liqun, who recited the party's dogma about Mr Xi's zero-covid policies.

On this and many other occasions, Mr Jin—himself a CCP member—would make a point of articulating Chinese government policy as if it were his own. As the bank's official spokesperson, I advised him that he should communicate his views as the leader of a multilateral organisation, and refrain from parroting the Chinese government's point of view.

I was taken aback when Mr Jin’s right-hand man, a CCP stalwart, told me that “your job is to tell the president what to say and how to say it” so that international audiences would not conclude that the bank represented China’s interests. I subsequently discovered that Mr Jin’s office was directly involved in crafting messaging for the domestic Chinese market—for instance statements heaping praise on Mr Xi—that differed from the bank’s messaging in English. At one point Mr Jin himself told me to be mindful of “the party radicals” (whom, it seemed, he found a constant irritant).

In my own department, a CCP member was assigned as my assistant, a role for which she was ill-suited. When I had her replaced I discovered that she had been secretly snitching directly to the most senior party member in Mr Jin’s office. This arrangement was well outside the bank’s supposed reporting lines.

In 2022 the CCP’s presence in the president’s office was bolstered by the arrival of a new colleague whose job description nobody seemed to know, except that he was, it was whispered, “the new party guy”. Not long after, Mr Jin’s office underwent a remodelling: security locks were installed, controlling the access of all AIIB staff. The bank’s vice-presidents—none of them Chinese—needed to be buzzed into this inner sanctum. No reason was given for this change.

This cocooning of the president caused much grumbling. Much of the information he receives and the issues he decides are filtered through the two AIIB officials whose offices are closest physically to his, inside this bubble. Both are reportedly party stalwarts. At the AIIB, nothing Mr Jin sees, says or does—including, for example, his presence at the recent China-Central Asia Summit convened by Mr Xi—happens without their involvement and guidance.

In one small but symbolic example of the AIIB’s Sino-centricity, these advisers ordered the posting of a statement of condolence on the bank’s website when Jiang Zemin, a former Chinese president, died in November 2022. This overruled the position of my department, which pointed out that despite AIIB having Australia, Britain, Canada and New Zealand as members, there had been no such notice after Queen Elizabeth’s death in September.

A few months into my job, I was cautioned by expatriate colleagues in my own department about the CCP members inside the bank, and told not to “mess” with them. I was also warned not to trust any of the bank’s information-technology channels and told that I had “no idea” how active the everyday surveillance could be. The IT department operated as if it were part of China’s security apparatus. Once it cut off my remote internet connection when I was using a VPN while travelling in America. At the AIIB technology was often used to block communication rather than to enable it.

To get big things done in the bank, such as funding the building of a multimedia studio, the cultivation of party members was essential. I would need to court them unrelentingly, pay them courtesy calls, take them to lunch and include them whenever possible in internal communication. I was hardly alone. There was a “suck-up” ethos, particularly to members in and around the president’s office and the powerful facilities and administrative-services department.

Externally AIIB claims to be apolitical, but internally the atmosphere is anything but, and often toxic. Political strife is commonplace between departments, several of which are “led” by well-paid expatriates who serve as letterhead names and invariably rely on the connections and capability of their Chinese teams, many of which are run by CCP members close to Mr Jin.

At AIIB, obedience to the diktats of the president’s office is valued more highly than any other virtue, including independent thinking or generating ideas. In this regard, this self-styled “modern” multilateral institution functions more like a traditional Chinese bank. The mindset is more that of an imitator than an innovator: during my time at the bank the most common question asked on just about anything new was “What is the World Bank doing?”

When I first resigned in May, citing my concerns about the CCP’s influence and the potential need to share this information with my country, Mr Jin did not accept my resignation. The bank neither denied nor confirmed my allegations. I was simply informed that the president’s office did not “like” my raising that subject.

Having consulted a Canadian government official over my concerns about being stopped from leaving China or detained, I left the country in a hurry. The bank finally accepted my resignation after I arrived in Japan. Then, after I shared my views more widely, Canada suspended its membership of the bank to review its participation (a process with which I have co-operated fully).

After accepting my resignation, the bank started attacking me personally. Journalists covering the news of my departure, some of whom I had known long before I joined the bank, told me that AIIB executives were trash-talking me off-the-record. AIIB hastily announced an investigation into my accusations of a subterranean concentration of CCP power inside the bank. It quickly concluded that they were “baseless”.

Hundreds of pro-CCP bots on Twitter targeted me with insults, accusing me of being an American agent, a white supremacist, a neo-colonialist or part of some nefarious Canadian government plot to embarrass China. When I pointed to links between the accounts targeting me and those most vocally supportive of the AIIB, the caustic tweets abruptly halted. Chinese state-affiliated media have carried several opinion columns, with messaging remarkably similar to the AIIB’s, calling my departure a “tempest in a teapot”.

When Mr Xi proposed the AIIB, he was a relatively new leader, still seen as a potential reformer. My own country proposed a free-trade deal with China a year later. But now, after so much political interference and wolf-warrior diplomacy—not to mention revelations about China’s secret police stations abroad and its kidnapping of two of our citizens—things look different. If the AIIB were founded today, would Canada and other Western countries join? ■

Bob Pickard was global head of communications at the Asian Infrastructure Investment Bank from March 2022 to June 2023.

American politics

Hold Donald Trump and his allies accountable at every level, say Norm Eisen and Joanna Lydgate

The pair believe that both state and federal investigations are necessary to protect American democracy

Aug 14th 2023



Dan Williams

Editor's note: A grand jury in Georgia indicted Donald Trump and 18 others on August 14th, after this article was published. They face a total of 41 charges, 13 of which are against Mr Trump. Fani Willis, Fulton County's district attorney, said she plans to try all 19 of the accused together.

A PROSECUTOR IN Georgia appears ready to unveil criminal charges against Donald Trump, for attempting to reverse his loss in that state in the presidential election of 2020. These charges will land not long after Jack Smith, the Justice Department's special counsel, filed his historic four-count indictment of the former president for trying to overthrow the entire national election and remain in power. And last month Dana Nessel, Michigan's attorney-general, filed conspiracy and forgery charges against the 16 people who pretended to be Michigan's representatives to the electoral college in order to vote for Mr Trump, even though Joe Biden won the state.

The federal indictment has rightly been interpreted as a grave legal threat to the former president (though he denies any wrongdoing). But the forthcoming charges in Georgia, the existing ones in Michigan and others which may follow are equally important to defend voters in those jurisdictions and to achieve true accountability.

With Mr Smith's federal case moving along at a brisk clip, eyes are now turning to the Georgia prosecutor, Fani Willis, the district attorney of Fulton County. As soon as this week, she is widely expected to go well beyond Mr Trump in her own charging documents; there are reported to be more than a dozen defendants, possibly including pro-Trump imposter electors and Georgia Republican Party officials. The federal indictment may yet expand, and the special counsel's investigation continues. But the 2020 plot had dozens of foot soldiers, and state and local prosecutors are pursuing consequences for them. An alleged crime that caused harm nationally and in numerous states deserves both a federal and a state-by-state response.

This is because state and local prosecutors have different goals. They swear oaths to uphold the laws of their own jurisdictions, on behalf of the people. That means defending people's right to have their votes counted, and defending the results of our free and fair elections. And it's why state and local prosecutors are justified in bringing charges for the pieces of the 2020 plot relevant to their own states.

Mr Smith has focused his federal case squarely on Mr Trump and the conspiracy he allegedly led to obstruct the electoral count and defraud the country. The special counsel has evidently done so because he wants a quick trial. That is for good reason: the American people deserve to know as soon as possible whether the former president—and leading candidate for a major party's nomination in 2024—is a felon.

However, the federal indictment also describes Mr Trump's attempts to subvert legitimate election results in seven states, including Georgia and Michigan. So it is fair to ask, as some observers have, whether we are now going to have seven separate state and local indictments on top of the federal one.

It appears not, as a number of states do not seem to be moving forward. But it is fair for different states to make different decisions—and if several decide to address the harm within their borders, that is fine, too. In the decentralised American system, elections are guided by state and local laws. State and local leaders, including attorneys-general and district attorneys, have a responsibility to defend those laws and the voters they represent.

In each of the seven states, Mr Trump and his associates were allegedly trying to take away the voices of voters—their freedom to decide elections for themselves. State and local prosecutors are defending that most fundamental freedom. By bringing charges, they are sending a message: don't try this in our state ever again.

Ms Nessel put it simply: the fake electors “plainly violated the laws by which we administer our elections in Michigan”. It would be dereliction of duty, she explained, to fail to address “overwhelming evidence of an organised effort to circumvent the lawfully cast ballots of millions of Michigan voters in a presidential election”.

Mr Trump disrupted the peaceful transfer of power for the first time in American history. We must make sure no future president tries anything like that ever again. Our guiding principles must be no tolerance of attacks on our elections, and accountability at every level. No dimension of this assault on democracy should be left unexamined.

As Mr Trump's indictments pile up, the numerous cases will inevitably collide with the 2024 political calendar. But as the judge in the federal election case wisely observed, the administration of justice must proceed regardless of any defendant's schedule or “day job”—even if that job is a presidential campaign.

If he is indicted in Georgia, Mr Trump may lean on the same defences he plans to use in the federal case. They don't hold up. He may claim, for example, that the First Amendment's free-speech protections apply to his phone call demanding that Georgia's secretary of state find enough votes to give him a victory. But criminal conduct, including the pressuring of state officials, is not protected speech. He may argue that he genuinely believed

the election was stolen from him in Georgia, but such a belief would not allow him to break the law.

Mr Trump and his enablers in the media may well react to any indictment in Georgia by claiming (once again) that it is part of a political feeding frenzy and attacking the credibility of duty-bound officials. But those attacks will be in bad faith. They are part of a strategy to threaten and scare state and local prosecutors into shying away from taking on tough cases like these.

This is not personal, and it is not political. It is not about getting Mr Trump at all costs. It's about taking every possible step to protect American democracy and the rule of law. Ms Willis will be the latest to take that step, and she will be walking on solid ground when she does—and paving the way for others. ■

Norm Eisen is a former special counsel and special assistant to President Barack Obama for ethics and government reform. He is co-founder and executive chair of the States United Democracy Centre. Joanna Lydgate is a former chief deputy attorney-general of Massachusetts and co-founder and CEO of the States United Democracy Centre.

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Briefing

- [China's defeated youth](#)

Generation Stagnation

China's defeated youth

Young Chinese have little hope for the future. Xi Jinping wants them to toughen up

Aug 17th 2023 | BEIJING AND HUIZHOU



Getty Images

IN THE SOUTHERN city of Huizhou an electronics factory is hiring. The monthly salary on offer is between 4,500 and 6,000 yuan (or \$620 and \$830), enough to pay for food and essentials, but not much else. The advertisement says new employees are expected to “work hard and endure hardship”. The message might have resonated with Chinese of an older generation, many of whom worked long hours in poor conditions to give their children a brighter future. But many of those children now face similar drudgery—and are unwilling to endure it. “I can’t sit on an assembly line,” says Zhang, a 20-something barista with dyed-red hair at a local tea shop. He scoffs at the idea of making such sacrifices for so little gain. The job at the tea shop pays just 4,000 yuan a month, but he enjoys chatting up customers.

Before you dismiss Zhang as just another Gen Z moper, consider that he has been working for seven years, including time spent in a factory. He sends

half of his wages after rent back home to support his parents. He sees no hope of buying a house or making enough money to get married and have children. Working at the electronics factory in Huizhou would not improve his situation by much; and in other ways it would make him miserable. “Hard work is important,” he says. “But eating bitterness will make you unhappy.”

Across China young people are disillusioned. They have been raised on stories of economic dynamism and social mobility. The Chinese economy more than doubled in size every ten years from 1978, when Communist Party leaders first adopted market reforms, until 2018. City kids could study hard, get into a good university and expect a white-collar job upon graduation. Lucky students from small towns or the countryside might do the same and make their way into the middle class. Less-educated young people had fewer options. But they could travel to cities, where rising wages in factories or on building sites were enough to start a family.

In the decades before Xi Jinping came to power in 2012, China had also been more open. Party leaders Jiang Zemin (1989-2002) and Hu Jintao (2002-12) were hardly liberals. But they left some space for civil society, intellectuals and the media to operate. Private enterprise flourished. Firms were encouraged to go out into the world and learn from the West. More and more Chinese travelled and studied abroad. A dynamic, aspirational, even hedonistic consumer and digital culture emerged.



The Economist

For young people today, though, the outlook is much gloomier. The economy is struggling and they are feeling the worst of it. Unemployment among urban Chinese aged 16 to 24 has been running at over 20% for months, about double the age group's pre-pandemic level (see chart 1). The official job numbers for this group are so stubbornly awful that China recently [stopped publishing](#) them altogether. Higher education is no longer a reliable ladder to a solid career. Our calculations show that in 2021 over 70% of those unemployed youngsters were graduates. Along with scarce jobs, they face sky-high property prices. Their modest dreams of finding work, buying a house and supporting a family seem increasingly out of reach.

To get a sense of how young people feel, we have interviewed dozens of them. Their message is strikingly consistent. "We have no hope," says a 27-year-old in Huizhou. The malaise felt by him and his cohort has led to the emergence of a new nihilistic vocabulary, featuring phrases such as [tangping](#) ([lying flat](#)) and *bailan* (letting it rot). Using sentiment-analysis tools to extract feelings from text on social media, we found that the mood of young Chinese is growing ever darker.

That should trouble officials in Beijing. Some 360m Chinese (a quarter of the population) are between the ages of 16 and 35. Their gloom has

profound implications for the future of China, its economy and the party's ambitions. But rather than soothe the young, the government tends to scold them. Last year Mr Xi said they must "abandon arrogance and pampering". Editorials in state media encourage them to "embrace struggle" and sacrifice their youth to the cause of national rejuvenation, as defined by the party. Repression is increasing. "Eat bitterness," Mr Xi tells youngsters. His admonition, though a worn Chinese cliché, is sure to strike a nerve among people such as the barista in Huizhou.

The grind

It is not as if young Chinese do not work hard. From an early age they face enormous pressure to do well in school and ace China's notoriously tough university-entrance exam, known as the *gaokao*. Nearly 13m youngsters took it this year. Many of them will have spent years cramming at the expense of other activities.

Yet there is a growing feeling among young people that no matter how hard they study or work, they will not be rewarded with a better quality of life. They speak of *neijuan*, or "involution", an academic word used to describe a situation in which extra input no longer yields more output. The idea was captured in "A Love for Dilemma", a popular TV drama released in 2021. In the show, two characters liken the competition in educational attainment to an unruly audience at a cinema: someone stands up to get a clearer view, which obliges everyone behind them to stand. Then people climb on seats and ladders. But in the end, despite all of their effort, no one is able to see the screen any better.

The data support this sense of *neijuan*. As the number of university graduates has increased, the number of jobs for which they are suited has not risen at anywhere near the same rate. It has not helped that a large number of youngsters who decided to extend their studies during the pandemic are also now joining the job market, creating an even bigger surfeit of graduates.

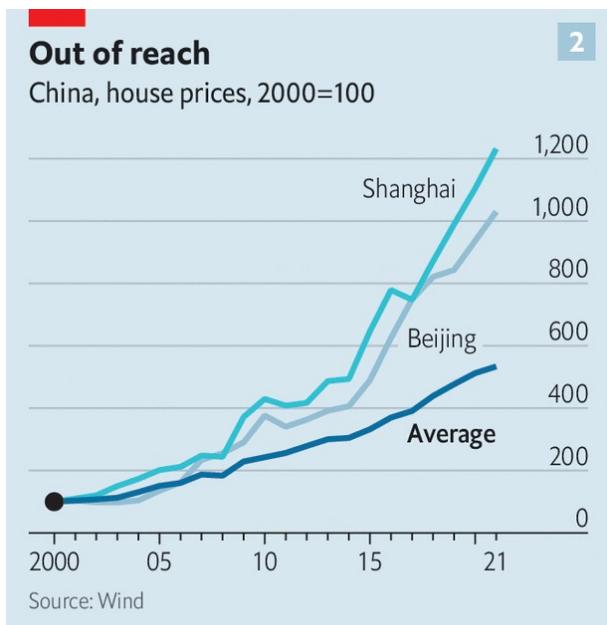
One problem is a mismatch between the skills that graduates are acquiring from school and those required by employers. According to one academic study of Zhaopin, a recruitment portal, 39% of job-seekers in first-tier cities had at least two surplus years of education, over and above those required by

the jobs they sought. Outside these big cities, the proportion was more like 70%. Tales abound on social media of educated young people taking low-skilled jobs, such as sorting trash. One cigarette-maker hired students with master's degrees for its production line.

Young Chinese once dreamed of being lucky enough to get jobs in tech. Jack Ma, the idolised founder of Alibaba, proudly espoused a "996" culture, referring to a work schedule of 9am to 9pm, six days a week, often without extra pay. But in recent years tech workers began to complain of feeling like drones with dim prospects (made dimmer more recently with lay-offs). During an online outpouring of grievances in 2019, Mr Ma responded, perhaps unconvincingly, that "being able to work 996 is a huge blessing."

Many young people now seek poorly paid but more stable government jobs that were once scorned by ambitious types. About 2.6m people sat exams for such positions last year, up from 1.4m a decade earlier. Only one in every 70 got one. Even jobs in provincial backwaters have become more attractive. Wu Xiaomei, 23, is from Guizhou, a remote mountainous province in the south-west. She complains that more people have been moving there from nearby provinces where the exams to gain work as a teacher are more competitive. That has made it tougher for locals to get such jobs. Ms Wu ended up teaching in a small-town school in another nearby province with less competition.

Those born in such places have the most difficult time moving up in the world. They have little chance of getting into a good university in a big city, where the admissions system favours locals. Most are stuck in low-skilled service jobs, such as delivering food in cities. The *hukou* system, a household registry, forces most who migrate to cities to live precarious lives, without access to local benefits like medical insurance. Since the mid-2010s, the wage growth of blue-collar workers has slowed significantly, according to a study led by Scott Rozelle of Stanford University.



The Economist

Whether their collars are white or blue, few youngsters earn enough to buy a house in a good location (see chart 2). Between 1998 and 2021 homes in Chinese cities became four times less affordable, judged by the ratio of average house prices to median disposable incomes. In the capital, Beijing, this ratio rose to 25 in 2021, more than twice that of London. While ruing their inability to afford a nice home, the young can also look forward to a growing burden of caring for their parents and grandparents, due to the demographic distortions wrought by nearly 40 years of the one-child policy (see chart 3).

He is heavy, he's my grandpa

3

China, dependency ratios, age-group populations as % of working-age population*



Sources: UN DESA; *The Economist*

*15- to 59-year-olds

The Economist

Meanwhile, the relatively open cultural atmosphere of the Hu and Jiang eras has vanished under Mr Xi. He has replaced it with an “empire of tedium”, to borrow a phrase from Geremie Barmé, a noted sinologist. Censorship has become far more heavy-handed. Chatter on the internet has turned into a dreary chorus of nationalist talking points. On Chinese television depictions of “effeminate men” and women’s cleavage have been banned. Video games have been deemed too much fun; authorities have ordered the removal of gore and tried to limit kids’ playing hours.

At entertainment venues, bands are asked to send authorities videos of their sets before gigs. Directors of plays know that in the audience there are people checking that actors stick to approved scripts. Comedians plead for their audiences not to record them. Earlier this year Li Haoshi, a Beijing-based comic, used an army slogan—“Forge exemplary conduct! Fight to win!”—in a joke about how his dogs eagerly chased a squirrel. That was deemed insulting to the armed forces. Media companies were told not to hire the comic. Police said he was under investigation for causing a bad influence on society.

Mr Xi has also tightened control over China’s education system. Foreign textbooks were banned in 2020. The same year, schools across the country undertook to remove books that authorities said could “damage societal

stability” or promote “deviant” values. Since 2021 students at primary and secondary schools have been assigned turgid texts devoted to Mr Xi’s personal ideology. Universities have been told to become “strongholds of the Communist Party’s leadership”. Several liberal scholars have been dismissed. Officials want Chinese history to be taught in a way that glorifies the party. To do otherwise is deemed “historical nihilism”. In 2021 a government hotline was set up for citizens to report such nihilism if they see it online.

The conservative turn has been especially hard on young women. Feminist activists are under close scrutiny. Authorities kept a tight lid on #MeToo activism. Sexism is rampant. In a survey by Zhaopin, the recruitment portal, 61% of women graduates said they were asked about their marriage and child-bearing status when applying for jobs, compared with just 32% of men. Women were also less likely to secure a job before graduation. A discouraging message about their future comes straight from the top. For the first time in decades the Politburo has no female member.

Let it rot

Dejected and demoralised, young people still find places to vent online. Baidu Tieba is a Reddit-like forum where discussions take place in various sub-groups organised by subject. We wrote a program to download posts from three sub-groups focusing on people born in the 1980s, 1990s and 2000s. We analysed over 150,000 contributions from 2019 to mid-2023, applying an algorithm to detect the presence of positive, negative or neutral words. Terms like *bailan* (let it rot), for example, are tagged as negative. Using this information, the algorithm then classified the posts as positive, negative or neutral in sentiment. The results show an improvement in the collective mood after the government lifted its draconian zero-covid restrictions in December. But, in general, China’s young people have been growing more pessimistic in recent years (see chart 4).



The Economist

Our findings come with caveats. We have focused on a single platform, which may not be representative of other social media in China. Indeed, our results could be subject to selection effects, where users of different dispositions flock to certain sites. Baidu Tieba tends to attract an older crowd. And algorithms have trouble detecting irony and sarcasm.

Nevertheless, the results are worthy of discussion. Take the differences across generations. Those born in the 1980s are the least glum. Growing up in hardship, they experienced the benefits of reform and opening and took advantage of the opportunities presented by China's economic boom. Those born in the 1990s, by contrast, are the most downbeat. They grew up during the boom years, in the heyday of globalisation, but are entering the workforce just as the economy stagnates and China turns inward. Some may once have entertained hopes of political liberalisation, which were gradually snuffed out as Mr Xi consolidated power.

Disillusioned youngsters commonly express feelings of exhaustion and resignation. Some talk of "lying flat", or dropping out of the rat race and abandoning material ambitions that do not seem attainable. The notion of "letting it rot" is even more nihilistic: it describes an attitude of self-indulgence. Those born in the 1990s used this phrase most often in our analysis. For a sense of what it means in practice, consider Qin, whom we

met in Huizhou. He is 30 and used to work in a factory. The pay was not enough for him to afford much of a life. Clutching a beer outside an internet bar, he says he now has a part-time job in construction. “I work a few days, then play a few days.”

Young people are pulling back in other ways, too. “Why would I get married? Why would I go on a date?” asks Qin, citing the cost of each. High house prices are a particular concern for young men because home-ownership is often seen as a prerequisite for marriage. Dowries, which more traditional families demand for marrying their daughters, have been increasing. Some ask for sums that would bankrupt prospective grooms and their families. Such economic burdens, along with changing societal views, have resulted in a decline in marriages. Around 6.8m couples got hitched last year, about half the number of a decade ago.

A surprising number of young couples are not even having sex. In a survey conducted in 2020, 14.6% and 10.1% of partnered men and women born between 1995 and 2003 reported having had no sex in the past year. A trio of scholars at Peking University and Fudan University, evaluating these figures, wrote, “Whether and why sex has lost its appeal for a large fraction of young people needs to be further studied.”

None of this bodes well for China’s dismal fertility rate (the number of children a woman can be expected to have in her lifetime). It fell to a historic low of 1.2 in 2021—far below the replacement rate of 2.1. Besides home prices, analysts point to the rocketing cost of child-rearing as a factor. YuWa Population Research, a think-tank in Beijing, calculated the average cost of raising a first child to the age of 18 at 485,000 yuan (\$67,000) in 2019. That equated to nearly seven times China’s GDP per person, one of the highest rates in the world.

Efforts to remedy the situation have been unsuccessful. In 2016 the government swapped the one-child policy for a two-children-per-couple limit. In 2021 it switched to a three-children policy, now more a goal than a cap. Incentives such as cash handouts, tax breaks and longer maternity leave have not made much difference. Last year, when a young man was told by police that the punishment for violating pandemic-control rules would affect his family for three generations, he responded, “We are the last generation,

thank you.” The exchange, caught on video, went viral, his defiant words transformed into another cynical meme (until it was censored).

Some young people who can afford to are looking to leave China. Last year netizens took to using a Chinese character that sounds like the English word “run” as a coded way of talking about emigration. Reports of well-heeled Chinese leaving for places such as Singapore are common. The number of Chinese trying to get to the United States via Latin America has surged.

Eat this

China’s leaders are not blind to these trends, but they are not wholly sympathetic. Mr Xi cites the gruelling hardships suffered by previous generations of youngsters as a model to emulate, not a nightmare to leave behind. He came of age during the Cultural Revolution, a period of Maoist madness from 1966 to 1976. (Mr Xi’s father was one of many officials deemed insufficiently loyal and tortured; his half-sister took her own life.) Only a teenager at the time, Mr Xi was sent to the countryside, along with millions of other city dwellers, to learn from the peasants. Unable to cope, he ran back to Beijing. But after being returned to the village, he learned the virtues of hard work, according to party lore. Mr Xi was supposedly the first to jump into the cesspool to shovel manure. He believes today’s youngsters should seek their own enlightening hardships.

Still, he has tried to respond to some of the underlying causes of young people’s despair. Policymakers have repeated the mantra that “housing is for living in, not for speculation”, a slogan that reflects concern for people priced out of owning a home by people who own several. Regulators have urged e-commerce firms like Meituan, a food-delivery company, to improve pay and conditions for gig workers, softening the algorithms that punish them for late deliveries. They also cracked down on private tutoring businesses after Mr Xi warned that the industry had become a “social problem”, exploiting the educational anxieties of China’s parents.

This regulatory storm, as it became known, was part of Mr Xi’s grander pursuit of “common prosperity”, an effort to narrow inequality and “improve the channels of upward mobility” that many disillusioned youngsters believe are blocked. Along the way authorities made examples of some of China’s

wealthiest business celebrities by arresting them or, as with Mr Ma of Alibaba, forcing them out of public life. Mr Ma gave up control of his company and now lives in relative obscurity.

But the government's moves have mostly backfired. The public humiliation of tech entrepreneurs was a punch in the stomach for ambitious youngsters inspired by their example (though young leftists have celebrated the party's humbling of billionaires). And the regulatory crackdowns on their companies, as well as on property developers, have hobbled some of the most reliable employers of China's university-educated youth.

Communist Party propaganda has played down the young generation's jobless woes. The *Economic Daily*, a party newspaper, said in July that many youngsters were simply choosing "slow employment"—a phrase that was widely mocked online. A recent report from the China Macroeconomy Forum, a think-tank at Renmin University of China, takes a dimmer view. It concluded the problem of youth unemployment may not abate for a decade, with potentially bigger ramifications for the country's leadership. "If it is not handled properly, it will cause other social problems beyond the economy, and it could even ignite the fuse of political problems," the report said.

Disaffected young people are a [recurrent wild card](#) in Chinese politics. In 1919 thousands of students took to the streets to protest against China's harsh treatment by its allies at the end of the first world war and to demand modernising reforms. During the Cultural Revolution, young people again took centre-stage when Mao Zedong unleashed his Red Guards, many of them teenagers. And in 1989 students flocked to Tiananmen Square in Beijing to demand more freedoms. Thousands may have been killed in the crackdown that followed.

Since then students have played a far more muted role in political life. Three years of harsh covid-19 controls pushed some to breaking point. In November, after deaths from a fire in Xinjiang were blamed on covid restrictions, young people [gathered in the streets](#) and on campuses across China to protest. They held up blank sheets of paper in a nod to China's curbs on free expression. But these protesters probably numbered in the hundreds, not thousands, in a country of 1.4bn. More broadly there appears to be no real sense of revolutionary zeal among today's youth.

No-motivation nation

The danger China's leaders face is not so much a social eruption as social erosion, an unspectacular but unremitting loss of the "vitality, stamina and hope" that Mr Xi claims the young can impart to Chinese socialism. This enervation might manifest itself in a variety of ways. Chinese women may give birth later or not at all, contributing to a decline in population. Forecasts for China's economy often assume rates of childbirth will enjoy a modest rebound, based on the record of other low-fertility countries. But most of those reference points are European countries with strong welfare systems that permit a better balance between family and career.

China is relying on increases in "human capital" (like education) to offset its decrease in humans. But the lying-flat phenomenon and high graduate unemployment show that is not enough. The tightening grip of the authorities over civil society, popular culture and entrepreneurs also would seem to discourage the risk-taking that marked earlier generations.

Some of China's best-educated youngsters will no doubt emigrate. Others are seeking a different kind of safe harbour. Applications for the civil service are expected to jump again this year. And the share of graduates ranking state-owned enterprises as their first-choice employer has increased for three years in a row, according to the survey by Zhaopin. These businesses offer stability and security over dynamism and ingenuity. If China is to become the more innovative economy Mr Xi demands, it cannot afford to lose too many of its best minds to its least efficient firms.



Phoning it in

Does Mr Xi understand this? His thoughts on how to achieve national greatness have evolved, along with his message to young people. A few months after coming to power in 2012 he met a group of young entrepreneurs, volunteers and students, telling them to “dare to dream, to bravely chase their dreams and to strive to fulfil them”. Their ambitions will make China great, he said. One beaming participant, who had recently climbed Mount Everest, said it was a good time to be young.

Now, though, Mr Xi says the “Chinese Dream” of national rejuvenation is to be achieved by focusing on collective goals, rather than by encouraging individual aspirations. He admonishes the young to obey the party and toughen up—to “engrave the blood of their youth on the monuments of history, just as our fathers did.” That is a message that relatively few young people are taking to heart. Told to eat bitterness, they prefer to let it rot. ■

Asia

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Power to the people

How to fix India's decrepit cities

Letting them look after themselves would help a lot

Aug 14th 2023 | BHUBANESWAR



AP

BHUBANESWAR HAS lots of greenery, a good bus system, scant signs of rubbish, and inviting public spaces around the ancient temple at its centre. The east Indian city, capital of the state of Odisha, recently acquired broad pavements, orderly parking and modern lighting. Soon it will have 24-hour drinkable tap water—a basic service that even the poshest corners of Delhi and Mumbai lack. Most Indian cities are not like Bhubaneswar.

They are more often decrepit, overcrowded and unprepared to be the engines of growth that India needs them to be. Most Indian cities—of which 59 have populations of over a million people—lack adequate housing, sanitation, clean water, health care, education, public transport, trees and shade. According to the UN, in 2020 roughly half of India's urban households lived in slums. This is a huge problem. India's cities accommodate about 700m people, or half the population, a share that is rapidly increasing as people flood in from rural areas, seeking refuge from poverty in sweltering fields and the added opportunities that cities provide.

India's urban centres generate 60% of its GDP. By 2036, according to an official estimate, 73% of Indian population growth will take place in urban areas. Workers in big cities command a wage premium of 122% over those in the countryside. Just 5% of Indian city-dwellers are “multidimensionally poor” (ie, very), compared with 19% of people in rural areas.

Recent governments have promised to address the problem. Most failed, in part because of countervailing demands from poor rural areas, where the other half of Indian voters live. The administration of [Narendra Modi](#) and its counterparts in several states are making a better fist of it. The Hindu-nationalist central government has poured money into urban housing, water, electricity, metro systems and other infrastructure schemes. “For the first time cities have become politically salient,” says Srikanth Viswanathan of Janaagraha, an NGO focused on urban governance.

India's long-standing neglect of its cities is rooted in Gandhian ideology as well as electoral exigency. Mohandas Gandhi, in some ways India's founding father, preached that “the soul of India lives in its villages”, a view that gave cities a poor footing in independent India from the start. The constitution sets out powers for the federal government and for states, but hardly mentions cities. Municipal authorities are therefore weak; state governments are mainly responsible for urban policymaking. Only one in eight Indian government employees works at the local level, compared with two in three in China. Where China boosted its urban centres by rewarding local governments for economic development, notes Nirvikar Singh of the University of California in Santa Cruz, no such mechanism exists in India.

Mr Modi's predecessor, Manmohan Singh of the Congress party, launched a big urban push—which Mr Modi has turbocharged. Since it took office in 2014 his government has ploughed 18trn rupees (\$220bn) into civic schemes. A new Urban Infrastructure Development Fund worth 100bn rupees a year was launched in July, aimed at second- and third-tier cities, where a lot of growth will happen. Many state governments are following suit.

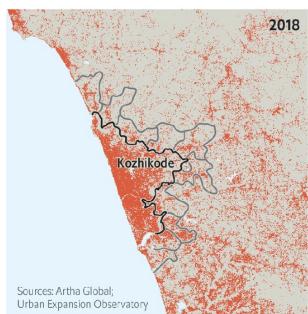
Bhubaneswar shows what is possible. Its approach stresses helping the poor and involving citizens in decision-making. “A large section of the population is completely deprived of access to infrastructure, amenities and services,”

says G Mathi Vathanan, who oversees urban affairs for Odisha. “Unless we address that, we cannot improve the overall urban landscape.” Odisha has given some 250,000 slum-dwellers title to the land on which they live. Once regularised, slums are given metered water connections, street lighting, rubbish collection and other services. The state has also recognised a “fourth tier” of government, to involve slum-dwellers’ associations in decisions that affect them. The idea is that they are best able to identify local problems and solutions.

Hundreds of officials from ten other Indian states have attended training programmes in Odisha to study its urban policies. Punjab has adopted the land-titling scheme and is rolling it out to 1.4m slum-dwellers. “The most important thing is to promote innovation across the board and then let cities copy each other,” says Bimal Patel, an architect and urban planner behind many high-profile projects, including India’s new parliament building.

Yet Bhubaneswar also illustrates what is holding Indian cities back. The core problem remains a lack of autonomy. The chief executive of any Indian city is an unelected bureaucrat answerable to the state government. Mayors are indirectly elected and have short terms and few powers. Owing to delays in civic elections, Mumbai has had no elected local representatives since March 2022. So minimal is their role in running the city, few Mumbaikars will have noticed. Odisha’s focus on a fourth tier of government is all very well; it would be better to create a more serious third tier.

In most cities, governance is widely dispersed among city, state and statutory authorities. Bhubaneswar’s tap-water promise is being fulfilled by a state body. Municipal authorities in Bangalore, India’s IT hub, and other cities do not control its water, sanitation, policing, public transport or urban planning. There is nobody you can throw out of office if the city is broken, says Mr Viswanathan, who lives there.



The Economist

Bhubaneswar is lucky to belong to a state that has prioritised cities. Elsewhere, cities can get resources from Mr Modi's urban-development schemes. But they can be used only within municipal boundaries, and most cities have sprawled far beyond them. The city of Kozhikode in southern India exemplifies the problem; its municipal government is unable to provide services throughout most of its extent (see map). Half of the 7,933 urban settlements recognised by the census are governed as rural entities. The central government has tried to tackle this by incentivising states to create more local governments.

A second downside to the top-down approach is that it tends to be piecemeal. Fixing cities "will require us to rethink our urban systems from the bottom up", writes Feroze Varun Gandhi, a BJP politician, in "*The Indian Metropolis*", a new book. That should start with giving cities more autonomy. Yet central and state government officials appear to think this would make cities "really fall apart", says Mr Patel.

It is not unusual for cities in rising economies to struggle. "There is one quarter" of New York, wrote Charles Dickens in 1843, "which, in respect of filth and wretchedness, may be safely backed against Seven Dials," then a notorious slum in central London. As recently as a decade ago, Beijing, not Delhi, was a byword for filthy air.

Now Beijing and New York are desirable places to live. If Mumbai, Delhi and Bangalore are to become so, Mr Modi must try to give them more power. As Odisha's Mr Mathi Vathanan tells his staff: "Trust the people. They are better than you." ■

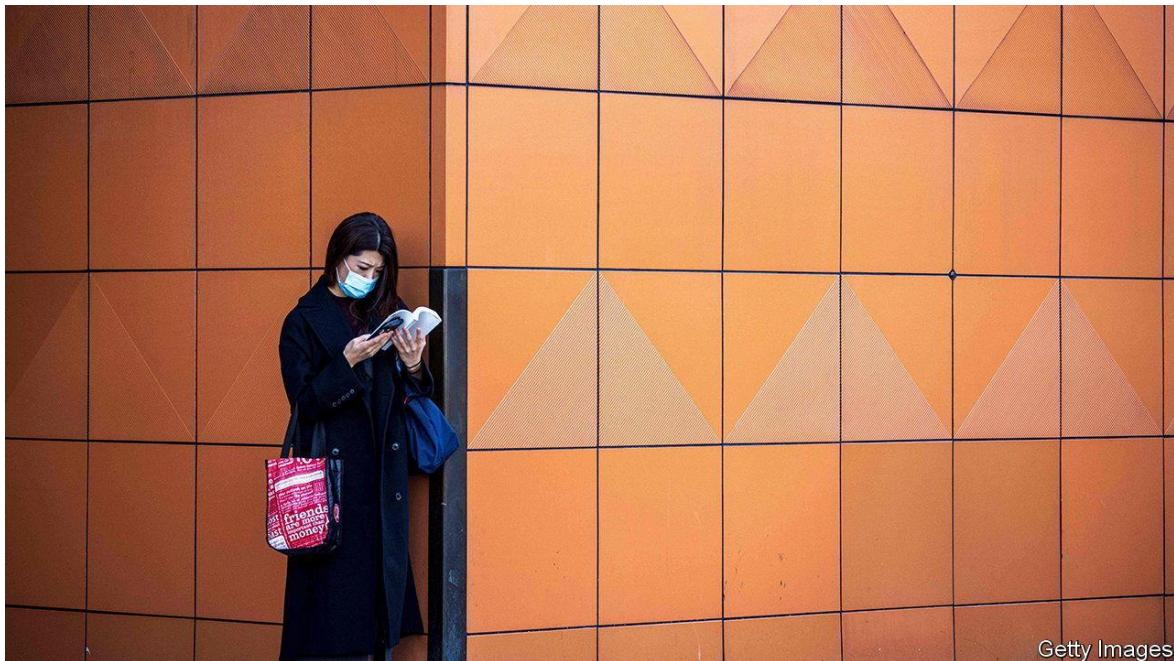
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Almost twins

South Korean literature is inspiring Japanese women

Korean feminist writers follow a trail blazed by K-pop stars

Aug 17th 2023 | TOKYO



WHEN OGASAWARA CHIAKI, a Japanese woman, read “Kim Ji-young, Born 1982”, a South Korean novel about sexism, she recognised the subject matter. Like the protagonist, Kim Ji-young, Ms Ogasawara was treated as inferior to her brother. When she read of Kim learning of hidden cameras in her workplace toilets, Ms Ogasawara recalled her experience of sexual harassment at work. “It didn’t feel like I was reading about another country.”

She is among the many Japanese readers—especially women—embracing South Korean literature. Translated literature in Japan was until recently mostly Western. Yet 210,000 copies of the Japanese edition of “Kim Ji-young” have been sold since its publication in 2018. Three times as many Korean books were translated into Japanese in 2021 as in 2019. In 2020 the Korean novelist Sohn Won-pyung became the first non-Japanese Asian writer to win the Japanese Booksellers’ Awards, for “Almond,” a coming-of-

age story. She repeated the feat in 2022 with “Counterattack at Thirty”, the story of a working-class woman.

This literary trend comes on the back of a boom in South Korean popular culture. Books read by K-pop stars were early hits. “I Decided to Live as Me”, a self-help book read by members of BTS, a Korean boy band, sold 550,000 copies in Japan. The number of Japanese studying Korean has soared. Japanese have discovered that South Korean culture and concerns, including sexism and stressful living, are similar to their own.

Though long estranged, Japan and South Korea are “almost like twins”, says Tsujino Yuki of the Research Centre for Korean Studies at Kyushu University in Japan. Yet Korean literature tends to be more explicit in its social critique than Japanese writing. That is refreshing for Japanese readers used to political apathy.

Saito Mariko, who translated “Kim Ji-young”, reckons such books encourage Japanese women to wear “feminist glasses”. Yano Marika, another Japanese fan, suggests Japanese women “haven’t quite processed” their experience of male chauvinism. Her reading of Korean books such as “My Crazy Feminist Girlfriend”, a novel, and “Reclaim the Language”, an essay on misogyny, helped her do so: “I felt sad and infuriated.” ■

This article was downloaded by zlibrary from <https://www.economist.com/asia/2023/08/17/south-korean-literature-is-inspiring-japanese-women>

South-East Asian syncretism

Indonesia wants to export moderate Islam

The world's largest Muslim-majority country enters the Islamic debate

Aug 16th 2023 | JAKARTA



Angga Budhiyanto/Zuma/Eyevine

ON CHRISTMAS EVE 22 years ago, jihadist terrorists planted bombs at churches in cities across Indonesia, killing 18 people. Every Christmas since then, members of the country's largest Muslim group, [Nahdlatul Ulama](#) (NU), have gathered outside churches in Indonesia to ensure that Christians can worship in safety. Now the powerful Islamic organisation has a more ambitious goal: to spread its moderate views across the Muslim world.

Despite being the world's most populous Muslim-majority country, Indonesia has long punched below its weight in the big Islamic debates. The dominant Muslim ideas, spiritual and political, long emanated from the conservative Middle East. This is apparent among Indonesia's 237m Muslims. Demonstrations of Middle-Eastern-style public piety have become much more common in recent decades. Many more women now wear a Muslim headscarf, or *hijab*. Yet most Indonesians still hew to the region's syncretic traditions. In East Java, NU's heartland, they mingle Islam with local Javanese beliefs called *kejawen*.

The country's state [ideology](#), known as *pancasila*, encourages such moderation. It forbids atheism but allows religious freedom. Indonesia has six official religions: Islam, Catholicism, Protestantism, Buddhism, Hinduism and Confucianism. Its main Muslim organisations are now pushing for a more inclusive, tolerant Islam that reflects the spirit of *pancasila*.

The views of NU, in particular, have heft. The group claims to have over 100m followers—including several members of President Joko Widodo's cabinet—and runs 23,000 Islamic boarding schools and over 250 universities. In February over a million of its followers clogged the streets of Sidoarjo, a city in East Java, for the group's centenary celebrations. Many of the country's top political figures, including the president (who is known as Jokowi), attended the event. NU used it to formally call for the abandonment of the caliphate, a notional authority that is considered to oversee all Muslims.

The group said Muslims should instead accept the reality of the nation state. It previously called on Muslims to reject the concept of a *kafir*, or infidel, and accept non-Muslims as fellow citizens. Modest as this reality-check might sound, coming from the world's largest Muslim civil-society organisation it was significant, suggests James Dorsey, a scholar at RSIS, a think-tank in Singapore.

While chairing the G20 last year, Indonesia held a parallel religious forum, Religion 20. It was co-hosted by NU and the Muslim World League, a Saudi-backed organisation that was long an ideological rival of NU's but in recent years has become more moderate. NU is preparing to host another forum on religion on the margin of an Association of South-East Asian Nations summit that Indonesia will host later this year. "We cannot practise Islam as it was practised by our forefathers and mothers in the past without any significant changes in our understanding," says Ulil Abshar Abdalla, a senior NU official. "You cannot impose *sharia* [Islamic law] as a positive law that is binding on all people."

Indonesia's Muslim leaders could have taken a more hardline course. The Christmas Eve bombings in 2000 marked the start of a campaign by Jemaah Islamiah, a group with links to al-Qaeda, to fight for a South-East Asian

Islamic state. In the early 2000s, hundreds were killed in bomb attacks in Bali and at prominent landmarks in Jakarta, including the Australian embassy. The power of radical Islamic groups peaked in 2016 when they went after the then governor of Jakarta, a Chinese-Christian known as Ahok. As a result he was convicted of trumped-up blasphemy charges and imprisoned for two years.

That marked a turning-point for Jokowi. His administration banned two hardline Islamic groups, Hizbut Tahrir Indonesia and the Islamic Defenders Front, in 2017 and 2020 respectively. The government also started monitoring civil servants for extremist beliefs. The failure of al-Qaeda and Islamic State helped the government's push, says Mr Ulil. Saudi money, which had been flowing to Indonesian Islamists for years, has dropped off under Muhammad bin Salman, the Saudi Arabian crown prince. In May, Hanan Attaki, the unofficial leader of a conservative subculture popular with young, urban Muslims, known as the Hijrah movement, joined NU.

There are exceptions to this moderate trend. In April Indonesia was banned from hosting football's under-20s world championships after two provincial governors said Israel's team should not be allowed to participate. The increase in public piety is also striking. Celebrities now flock to social media and television to describe how they practise Islam. One civil servant says that when he joined his government ministry, over two decades ago, the building's prayer room was hardly used. These days, it is packed. "But that doesn't mean we're now extremists. It just means we've become more observant," he says. ■

Malaysian politics

In Malaysia, Anwar Ibrahim survives his first electoral test

But a party that wants an Islamic state is ascendant

Aug 17th 2023 | SINGAPORE



Getty Images

FOR SIX decades after its independence in 1957, Malaysia was governed by a single party. Then in 2018 voters ejected the United Malays National Organisation, appalled by the involvement of the prime minister, Najib Razak, in a scandal related to a \$4.5bn heist of public funds. Ever since, the country has been in political disarray, churning through four prime ministers. A unity government led by Anwar Ibrahim, cobbled together after messy elections last November, is the latest effort to restore stability. Mr Anwar faced his first serious electoral test on August 12th, when elections took place for six of Malaysia's 13 state governments.

He must be relieved. His governing alliance, dominated by his reform-minded Pakatan Harapan coalition and its former rival, Barisan Nasional, held on to three of the six states. The main opposition Perikatan Nasional, a pro-Malay coalition, won the other three states, which it also formerly controlled. State elections have no bearing on the composition of the

national parliament. Yet had Mr Anwar's alliance lost any states, some of the unity government's 19 constituent parties might have considered withdrawing from it. Given the volatility of Malaysian politics, that might have caused the government to collapse.

Still, Mr Anwar is under pressure from his conservative opponents. They framed the state elections as a religious struggle. "To gain political power, Muslims must go out to vote. Fulfil your duty of voting to defend Islam," wrote Hadi Awang, a veteran opposition leader and president of the Malaysian Islamic Party (PAS), on Instagram. The opposition tightened its grip in its ethnic-Malay stronghold and gained significant ground in some of Mr Anwar's power-bases. PAS, which is campaigning for an Islamic state, is on the march. Islam is Malaysia's official religion and all Malays, who make up two-thirds of the country's 33m people, are by law Muslim.

Many Malays consider Mr Anwar (who is Malay) too liberal. In the run-up to the state elections, he therefore courted the Malay vote, including by banning rainbow-coloured Swatch watches imprinted with the LGBTQ acronym. Anyone caught selling or wearing such a watch faces up to three years in prison. Mr Anwar also lashed out at a high-school student who questioned the preferential treatment afforded to *bumiputeras*, people of Malay or indigenous descent, when applying to university. Revealingly, Mr Anwar said he would lose all future elections if Malaysia's university admissions process was meritocratic.

Inflation, corruption and economic growth were the biggest issues for many voters, according to the Merdeka Centre, a pollster. Malaysia's economy grew by over 8% in 2022—its fastest annual pace in more than two decades. Yet the country is beset by economic worries. Its population is rapidly ageing and subject to brain drain, as talented Malaysians, frustrated by racially divisive policies, up sticks to fairer societies. The pro-Malay opposition sought to link economic and religious concerns by arguing that economic policies should be centred on Islam. Its electoral successes suggest that message was worryingly popular. ■

Banyan

What India's foreign-news coverage says about its worldview

Indians are growing more interested in the outside world, but not more expert

Aug 16th 2023



WHEN NARENDRA MODI [visited Washington](#) in June, Indian cable news channels spent days discussing their country's foreign-policy priorities and influence. This represents a significant change. The most popular shows, which consist of a studio host and supporters of the Hindu-nationalist prime minister jointly browbeating his critics, used to be devoted to domestic issues. Yet in recent years they have made room for foreign-policy discussion, too.

Much of the credit for expanding Indian media's horizons goes to Mr Modi and his foreign minister, [Subrahmanyam Jaishankar](#), who have skilfully linked foreign and domestic interests. What happens in the world outside, they explain, affects India's future as a rising power. Mr Modi has also given the channels a lot to discuss; a visit to France and the United Arab Emirates in July was his 72nd foreign outing. India's presidency of the G20 has

brought the world even closer. Meetings have been scheduled in over 30 cities, all of which are now festooned with G20 paraphernalia.

Yet it is hard to detect much deep interest in, or knowledge of, the world in these developments. There are probably fewer Indian foreign correspondents today than two decades ago, notes Sanjaya Baru, a former editor of the *Business Standard*, a broadsheet. The new media focus on India's role in the world tends to be hyperpartisan, nationalistic and often stunningly ill-informed.

This represents a business opportunity that Subhash Chandra, a media magnate, has seized on. In 2016 he launched WION, or "World Is One News", to cover the world from an Indian perspective. It was such a hit that its prime-time host, Palki Sharma, was poached by a rival network to start a similar show.

What is the Indian perspective? Watch Ms Sharma and a message emerges: everywhere else is terrible. Both on WION and at her new home, Network18, Ms Sharma relentlessly bashes China and Pakistan. Given India's history of conflict with the two countries, that is hardly surprising. Yet she also castigates the West, with which India has cordial relations. Europe is taunted as weak, irrelevant, dependent on America and suffering from a "colonial mindset". America is a violent, racist, dysfunctional place, an ageing and irresponsible imperial power.

This is not an expression of the confident new India Mr Modi claims to represent. Mindful of the criticism India often draws, especially for Mr Modi's Muslim-bashing and creeping authoritarianism, Ms Sharma and other pro-Modi pundits insist that India's behaviour and its problems are no worse than any other country's. A report on the recent riots in France on Ms Sharma's show included a claim that the French interior ministry was intending to suspend the internet in an attempt to curb violence. "And thank God it's in Europe! If it was elsewhere it would have been a human-rights violation," she sneered. In fact, India leads the world in shutting down the internet for security and other reasons. The French interior ministry had anyway denied the claim a day before the show aired.

Bridling at lectures by hypocritical foreign powers is a longstanding feature of Indian diplomacy. Yet the new foreign news coverage's hyper-defensive championing of Mr Modi, and its contrast with the self-confident new India the prime minister describes, are novel and striking. Such coverage has two aims, says Manisha Pande of News laundry, a media-watching website: to position Mr Modi as a global leader who has put India on the map, and to promote the theory that there is a global conspiracy to keep India down. "Coverage is driven by the fact that most TV news anchors are propagandists for the current government."

This may be fuelling suspicion of the outside world, especially the West. In a recent survey by Morning Consult, Indians identified China as their country's biggest military threat. America was next on the list. A survey by the Pew Research Centre found confidence in the American president at its highest level since the Obama years. But negative views were also at their highest since Pew started asking the question.

That is at odds with Mr Modi's aim to deepen ties with the West. And nationalists are seldom able to control the forces they unleash. China has recently sought to tamp down its aggressive "wolf-warrior diplomacy" rhetoric. But its social media remain mired in nationalism. Mr Modi, a vigorous champion for India abroad, should take note. By letting his propagandists drum up hostility to the world, he is laying a trap for himself.

■

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China

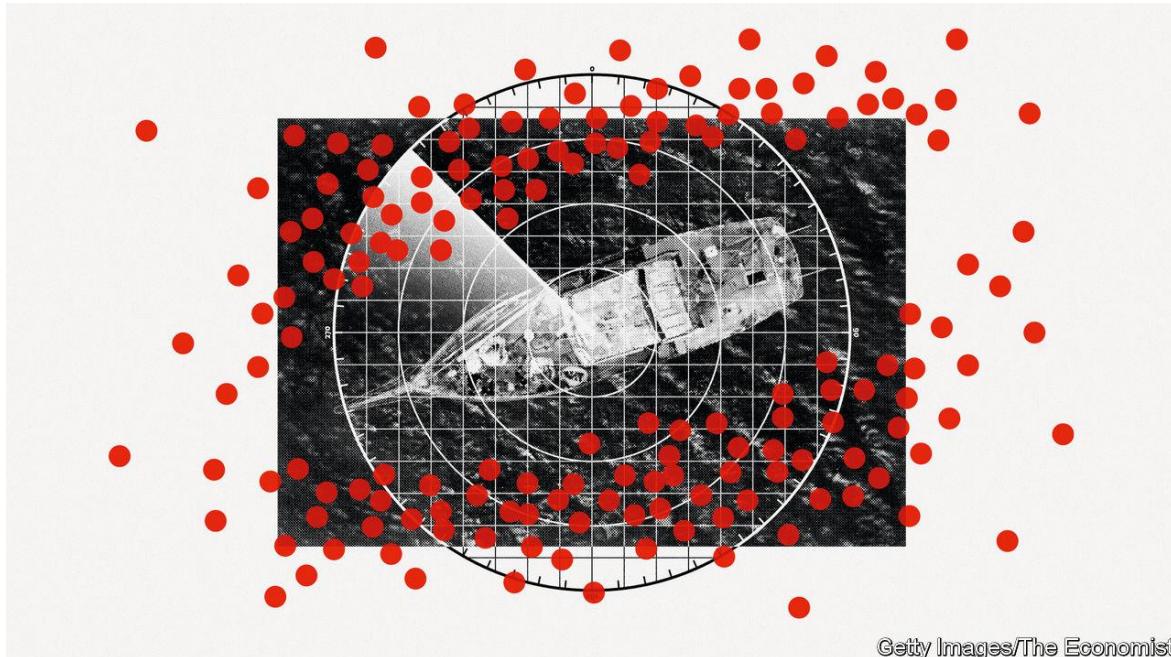
- [Keeping tabs on China's murky maritime manoeuvres](#)
- [China tries to figure out whom a hit song is mocking](#)
- [China's slowing economy, seen from ground level](#)

Squid games

Keeping tabs on China's murky maritime manoeuvres

America and its allies are using whizzy new tools to track China's military activity and illegal fishing

Aug 15th 2023



Getty Images/The Economist

IN JANUARY 2021 a fleet of Chinese fishing vessels approached the coast of Oman, apparently searching for squid. According to the ships' automatic identification transponders, they stayed just outside Oman's Exclusive Economic Zone (EEZ), which grants it control of fishing rights up to 200 nautical miles (370km) from its shores. But radio signals from the ships, detected by commercial satellites, told a different story. They indicated that the ships were operating within Oman's EEZ in a suspected illegal raid on its valuable squid stocks.

That was an early demonstration of a new tool being used by [America and its allies](#) to help expose illegal or aggressive Chinese activity at sea. They are contracting private companies to provide governments across the [Indo-Pacific region](#) with near-real-time data, gathered from space, to help them

monitor coastal waters and to use their limited naval and coastguard resources more effectively.

The data is being provided as part of the Indo-Pacific Partnership for Maritime Domain Awareness, or IPMDA, which was launched in May 2022 at the second leaders' summit of the "Quad"—a bloc comprising America, Australia, India and Japan. It is now one of the clearer examples of how that grouping is trying to add substance to its rhetoric about defending a "free and open" Indo-Pacific against Chinese military and economic coercion.

But it also highlights the sensitivities involved in a region where many countries fret about China's military activity and illegal fishing, yet are wary of challenging it directly or being drawn into its escalating confrontation with America. The Chinese government has already indicated that it sees the IPMDA as part of an American-led effort to "build small cliques and stoke bloc confrontation" against China.

When the Quad's leaders met again in May 2023 they said that the IPMDA was already providing data to governments in South-East Asia and the Pacific, and would expand to the Indian Ocean in the coming months. They avoided mentioning China, emphasising instead the data's utility in combating illegal fishing and in responding to humanitarian crises.

At a conference the next month, however, American and allied military commanders noted the programme's strategic significance, whereby information is shared through data "fusion centres" in India, Singapore, the Solomon Islands and Vanuatu (see map). These have existed for some years, but have not shared data fast enough or in sufficient detail. Governments have also been wary of sharing classified information.



“The architecture’s there,” Admiral John Aquilino, head of America’s Indo-Pacific Command, told a panel session at the conference. “The sensing needs to be increased and then the sharing needs to be done” in the Indian Ocean region, he said, suggesting that a maritime security centre in Oman could be included.

On the same panel, India’s deputy national security adviser, Vikram Misri, said that the fusion centre near Delhi had already exchanged data with more than 22 countries and hosted officers from nearly a dozen. Admiral Pierre Vandier of France called for efforts to combine military and civilian tools, and suggested incorporating another data centre in Madagascar to help cover the southern Indian Ocean.

Chinese experts, meanwhile, say the IPMDA is designed to discredit China’s maritime activities, especially those of its vast fishing fleet, which has been accused of illegal operations around Africa, South America and the Pacific islands. The Quad’s programme will soon expand to target Chinese coastguard and navy ships, predicts Hu Bo of Peking University.

Western defence experts, too, have highlighted the IPMDA’s military applications. It “develops organisational infrastructure and surveillance practices that the Quad and its partners could repurpose for military

operations, including monitoring a Chinese move against Taiwan,” the Centre for Strategic and Budgetary Assessments, a Washington-based think-tank, said in July. It suggested augmenting the programme with aerial drones.

Quad officials are reluctant to say exactly which countries see the data. But America’s vice-president, Kamala Harris, revealed that the Philippines was among them when she visited that country in November. It has been revitalising its alliance with America in recent years, largely in response to China’s efforts to enforce maritime claims in the South China Sea, which are disputed by the Philippines and four other South-East Asian countries.

One of the challenges for those countries is that Chinese coastguard and fishing vessels help enforce maritime claims but often deactivate the Automatic Identification System (AIS) transponders that broadcast their identity and location. At other times, Chinese ships transmit “spoofed” data which are inaccurate.

Even Chinese cargo ships have become harder to track since 2021, when many stopped transmitting AIS data following passage of a law that China said was necessary to thwart foreign intelligence-gathering. However, new means of ocean surveillance are emerging. Private satellite operators now offer services including high-resolution photography, radio-frequency monitoring and synthetic-aperture radar (which generates images by bouncing microwaves off the Earth’s surface). Artificial intelligence also enables much faster analysis of such data and imagery.

Among the IPMDA’s contractors is HawkEye 360, a Virginia-based company founded in 2015. It operates 21 low-Earth-orbit satellites monitoring the radio-frequency signals from navigation, security and communication equipment that ships can use even if AIS transponders are deactivated. That can then be cross-referenced with satellite images and other information to identify and locate ships.

HawkEye 360 says it used its data to help identify Chinese vessels suspected of illegal fishing off Ecuador in 2020, as well as the fleet near Oman in 2021. It has also tracked Chinese coastguard vessels in disputed parts of the South China Sea. Its satellites can now cover about 10m sq km in one pass

and another cluster can return to the same area within about 60 minutes, says John Serafini, the firm's chief executive. Getting data to clients can take between a few minutes and an hour, he adds.

The company provides the information to the American government, which then distributes it to IPMDA participants. In addition, the Australian government contracted HawkEye 360 in July to provide its data to the Pacific Islands Forum Fisheries Agency, which helps its 17 member countries manage their tuna stocks.

That agency is based in the Solomon Islands, which caused alarm among American and allied officials in 2022 by signing a security agreement with China that they fear could lead to a Chinese military base there. China and the Solomons deny any such plans but America and Australia have since expanded their contacts with the Pacific islands and offered to boost financial and military assistance.

The hope now among Western officials is that by focusing such efforts on illegal fishing and other areas of concern to Indo-Pacific nations, they will win broader support for efforts to counter China. Whether that will alter its behaviour is another question: fishing and territorial claims are touchy issues for its leadership. But shining a light on murky maritime manoeuvres seems like a good place to start. ■

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Loaded lyrics

China tries to figure out whom a hit song is mocking

Dao Lang is insulting someone

Aug 17th 2023



Imago

IN THE STORY “Luocha Haishi” a Chinese merchant gets lost at sea and ends up in a faraway land. The place is called Luocha, a word that refers to demons. But its people say they value beauty above all else, including in their leaders. So the merchant is shocked to find that the leaders have goblin-like faces. The higher their rank, the uglier they get. To win their favour, the merchant smears his own face with coal. The story, written by Pu Songling, a novelist during the Qing dynasty (1644–1912), is a metaphor about hypocrisy.

It also shares its name with this summer’s hottest pop song in China. The ditty was released in July and quickly rose to the top of the country’s music platforms, inspiring hundreds of commentaries. Part of the song’s appeal is its cryptic message. The lyrics by Dao Lang, the 52-year-old singer, refer to someone as a “donkey” (slang for fool) and someone else as a “chicken” (slang for prostitute). Chinese are busy debating whom the artist is mocking.

Some clues may be found in Dao Lang's history. Originally from the province of Sichuan, he became famous in the early 2000s for his ballads celebrating migrant life in China's far west. His songs were popular with blue-collar workers and farmers. But in 2010 a judge on a televised singing competition criticised his work, saying it lacked "aesthetic perspective". Dao Lang produced little for the next decade.

"Luocha Haishi" is his comeback anthem, and many listeners interpret it as an attack on his critics (Dao Lang had more than a few). Some read his reference to a brothel as an allusion to the entertainment business.

Other theories are more convoluted, such as that Dao Lang is attacking America. One version of this idea assumes the lyrics refer to Joe Biden, transgender officials and the Five Eyes intelligence alliance comprising America, Australia, Britain, Canada and New Zealand. It seems a little far-fetched.

At the end of his song, Dao Lang throws in a tongue-twisting reference to Ludwig Wittgenstein, a 20th-century Austrian philosopher. He seems to be drawing on Wittgenstein's ideas about how language can distort reality. Some believe the song, then, is a broader critique of society. Others say it is nonsense. Dao Lang himself isn't talking. ■

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Chaguan

China's slowing economy, seen from ground level

A bossy, secretive party is ill-suited to fixing a crisis of consumer confidence

Aug 17th 2023



Chloe Cushman

THE DEJECTED, shirtless man kneeling this week outside the head office of Country Garden, a troubled Chinese property giant, might easily have gone unnoticed—if, that is, guards had not tried to hide him behind a wall of large, red umbrellas. Still more security guards held up umbrellas to conceal a woman and a teenage girl, sitting on the ground beside the family’s luggage. Others blew whistles at anyone taking pictures.

Across the road, Chaguan, who stumbled on this quiet human drama by chance, was briefly joined by three riot police in combat boots, who glanced at the foreign reporter, then left. Asked later why this family came to Country Garden’s headquarters in the southern city of Foshan—and what happened after the trio was led into a police post—staff at the firm explain, regretfully, that colleagues who could provide an answer are on annual leave.

As it happens, small, non-political protests are common in China, as citizens seek to embarrass companies or arms of government into addressing their grievances. Demonstrations grow more frequent in times of economic distress. In recent months, as China's property sector has slid again into crisis, many have involved homeowners who pre-paid for apartments that have yet to be finished. In faraway Beijing, the Communist Party's ruling Politburo has ordered developers and officials to ensure that promised homes are delivered. Meanwhile, in provincial cities and towns, persistent protesters risk police warnings or detention.

As China's economy [slows](#), all sorts of moves to hide bad news are growing obvious. The statistics bureau stopped publishing a consumer-confidence index after April numbers fell to levels last seen during the depths of the pandemic. With youth unemployment climbing remorselessly, the same bureau stopped reporting that statistic this week, saying it is reviewing how to count jobless young. Analysts face pressure to be positive. Alas, as with those clumsy, umbrella-wielding guards, such concealment only draws attention to China's woes.

A number of grim statistics have been made public in recent weeks. These show a sharp fall in new bank loans (despite lower interest rates), disappointing retail sales and fewer property transactions. Compounding domestic gloom, exports are down, too. The common link is a collapse in demand, at home and abroad.

Foshan, a commercial hub of 9.5m people beside the southern megapolis of Guangzhou, is a good place to see a property-driven slowdown on the ground. As well as hosting Country Garden's head office, Foshan is China's furniture-selling capital. Outlets include the Louvre, a gleaming mall whose tenants sell leather massage chairs or ornate desks for 30,000 yuan (\$4,110) each. Salespeople talk of boom times, five or ten years back, when Chinese families invested savings in multiple properties, and needed to furnish all of them. The best customers from the richest cities, such as Beijing or Shanghai, still have money to spend. But the pandemic struck a heavy blow, notably in mid- to low-status provincial cities with an oversupply of apartments. Customers without money "don't dare enter" the Louvre, says a woman selling hardwood tables for tea ceremonies. In the past clients bought "on impulse". Now they compare prices on the internet first.

Beginning in the summer of 2020, after China beat back its first pandemic wave, the economy seemed to be shielded by strict zero-covid controls, recalls a woman selling furniture with a 1950s retro feel. But as the pandemic dragged on, she watched customers cancel orders and rethink home-renovation plans as their own businesses suffered. Now, post-pandemic caution “makes people spend conservatively”.

Over strong black tea, the co-owner of a small delivery company recalls how “lively” customers were in March and April, after covid controls were lifted. What he calls that spending “craze” wore off, though, and people now need to work and earn more. Delivery rates to Zhengzhou, a central city, have dropped to 1.5 yuan per kg, down from 1.8 yuan before the pandemic, he sighs.

Domestic tourism surged after the pandemic, says a worker in a warehouse filled with cheap furniture for hotels. “Everywhere is full of people, at least.” But crowds are not spending as they once did, she says. “A lot of people don’t have that much cash on hand.”

Foreigners remain a strikingly rare sight in most of China. Furniture buyers from India, Africa and Arab countries have begun returning to Foshan, but they are not seen as big-spending saviours. They want bargains, says a woman selling marble-topped tables. Indians want designs that Chinese people favoured in the 1990s, she confides, a bit witheringly. Out of her hearing moments later, an Indian trader assures Chaguan that customers in India like modern, minimalist furniture, “not this Chinese style”.

A party ill-suited to fixing this problem

It is easy for outsiders to underestimate the housing wealth of many urban Chinese. A saleswoman talks with relief of buying a flat in Foshan a decade ago when it was “cheap”. She is not wrong: local prices have almost doubled since 2013. In the 1990s tens of millions of urban Chinese bought subsidised flats from state employers for less than a fancy table costs now at the Louvre mall. Some are worth 50 times as much today.

That same sense of security is out of reach for those yet to buy. A migrant from Jiangxi, a poor inland province, considered buying a flat in Foshan last

year. The local government has reduced the minimum mortgage deposit for first-time buyers to 20%, lowering one barrier to ownership. But she is not buying now: her income is not stable and she is saving for accidents or health crises. In her early 30s, she has never known life to feel so uncertain.

Foshan reveals a China sunk in gloom. That is a puzzle for a party obsessed with control. Bad news can be censored and the unhappy hidden from view. Policies can be imposed. But no ruler can order people to feel confident and spend. ■

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United States

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- [Donald Trump's racketeering indictment is the most sweeping yet](#)
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California leavin'

The Hollywood strikes reveal Los Angeles's deepest anxieties

Questions of cost haunt the industry and its home town

Aug 17th 2023 | Los Angeles



Getty Images

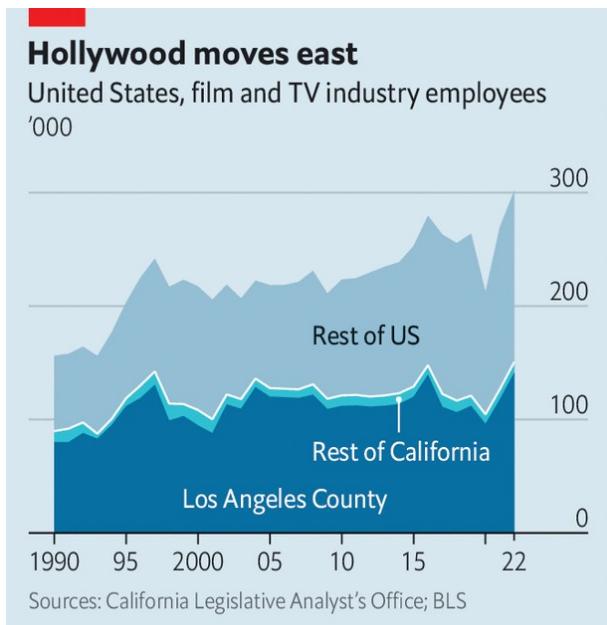
ON THE 100TH day of the Hollywood writers' strike, on August 9th, the picket line outside Warner Brothers' studios was more like a party than a protest. A marching band strutted alongside Los Angeles's screenwriters and actors as they belted out the lyrics to Neil Diamond's "Sweet Caroline". One striker shrieked periodically near the studio entrance. "This is the executive gate, so we try to make as much noise as possible", says Jon Long, a member of SAG-AFTRA, the actors' union. Rather than marching, he offered his comrades free massages. Soon afterwards, a black SUV ferried a Warner Brothers VIP through the sea of jeering strikers.

Two stories emerge from talking to writers and actors on the picket lines at studios around Los Angeles. The first is of an industry in chaos as workers fret about the effects of technological change on their pay-cheques, and studios balk at Wall Street demanding profits, not just subscriber growth, from their streaming platforms. The second story is about a city that is

shrinking because it is too expensive for its workers. Nithya Raman, a city-council member whose district borders on Disney, Warner Brothers and Universal Studios (and whose husband is a TV writer), wonders if LA is at risk of losing the industry that gave it fame and makes it, arguably, the entertainment capital of the world. Unless something changes, she says, “I don’t know that these are professions that will allow people to come to Los Angeles.”

American cities shrink in two ways. One is like Detroit in the 1980s and 1990s, when population decline makes housing cheaper but the city still cannot attract more people. The other way is like New York or San Francisco, when lots of rich Americans live, or have bases in, the city but high housing costs push regular folk out. That is what is happening in LA. Median incomes are higher and have grown faster in the Golden State than the US average (or than Texas, where lots of Californians have moved to). That ought to act as a magnet. And yet America’s second-biggest city is repelling people.

For decades, Los Angeles promised perfect weather and economic opportunity, a golden land between the sandy shores of the Pacific and the San Gabriel mountains. Manfred Keil of the Inland Empire Economic Partnership IEPP, a southern California economic development group, compares the competition between states and cities to a decathlon, which California neglected to train for because it was so far ahead. Officials believed that firms would continue to accept more taxes, higher energy costs and burdensome regulations in order to get access to the state’s vast labour and consumer markets. But all of a sudden, he says, other places are catching up.



The Economist

Hollywood is not about to abandon its home town. But politicians are right to be worried about Los Angeles's future. A recent report from Mr Keill and other economists confirms that LA's hold on industries important to the region's economy—such as video production and aerospace—has weakened as firms and workers have left the city for cheaper places that have developed amenities and jobs to rival what California can offer. Roughly half of the jobs in America's motion-picture industry are in California, with the vast majority in LA County (see chart). But the city's slice of the pie has shrunk as employment in the industry elsewhere has increased. Recent growth in production has gone to New York, Georgia and British Columbia, which all offer more generous incentives for filming than California does.

The LA exodus is more dramatic outside Tinseltown, however. A report from Stanford University's Hoover Institution, a conservative think-tank, found that 352 firms moved their headquarters out of California between 2018 and 2021, with departures more than doubling in 2021. LA County saw 80 firms up sticks, more than any other county in the state. That is perhaps to be expected, as there were more headquarters there to begin with. LA County is, after all, home to a quarter of all Californians.

Leaving LA

United States, average annual net migration
Selected metropolitan areas, '000

● 2020-21 ● 2022-27 forecast



Sources: Census Bureau; Oxford Economics

The Economist

Though perhaps not for long. California saw its population decline for the first time in 2020, after which it lost a congressional seat. About 42% of the state's population loss between April of 2020 and January of 2023 came from Los Angeles County. Oxford Economics, a consultancy, compared past and projected population growth of the 20 metro areas that experienced the most in- and out-migration in 2020 and 2021. The forecast suggests that nearly all of them can expect to see their populations grow or stagnate as they recover from the pandemic. Chicago and Los Angeles are two notable exceptions.

Gaze further into the future, and things look worse. New projections from California's Department of Finance suggest that the state's population will be much the same size in 2060 as it was in 2020, but that LA County could lose 1.7m people, or almost 18% of its residents. Hans Johnson of the Public Policy Institute of California (PPIC), a think-tank based in San Francisco, says that rather than taking such long-term projections as gospel, officials should view them as a warning. If the labour market is not as strong, then the region will be less competitive. "We're not there yet", says Stephen Cheung, the boss of LA County's economic development organisation, "and we don't want to get there."

Los Angeles could solve its population conundrum in three ways: with more immigration, which cities and states cannot control; with more babies, which seems unlikely with California's birth rate at its lowest level in more than 100 years; or by attracting more Americans. That would mean addressing cost. "The most critical issue that Los Angeles is facing", says Karen Bass, the city's mayor, "is the fact that LA has become unaffordable for so many people that work here."

According to the PPIC, wealthy Californians have been leaving the state in higher numbers since about 2017. This trend accelerated during the pandemic when office workers found they could do their jobs from the kitchen table. But the biggest group of leavers, both before and after the pandemic, are poorer Californians who have been priced out of the state. "When people cite cost of living as a reason for leaving the state, it's really about housing," says Mr Johnson, "because that's the area where California's costs are much higher than the places where people are moving to." A housing affordability index created by the California Association of Realtors suggests that 36% of Americans can afford the median cost of a single-family home where they live. Only 16% of Californians and 15% of Angelenos can say the same.

Los Angeles's leaders know that the city needs to shake off its malaise. Less than a year into her administration, Ms Bass has made housing and homelessness—the most visible manifestation of the city's unaffordability—her signature issues. She has streamlined permits for affordable housing (though not yet for all housing developments). She is clearing homeless camps, which was once taboo. Ms Bass is worried that unaffordability is not just driving people out of Los Angeles, but is also putting people on the streets. That has knock-on effects for the city's economy, she adds. "It's very hard to come to the downtown area and want to open a business when there's tents everywhere."

In theory, a smaller population ought to mean that Los Angeles's housing shortage will in time disappear and costs will come down. In practice, households are getting smaller, meaning that a city with a smaller population will still need more units as people spread out or opt to live alone. In 2021, California's state government reckoned that Los Angeles needed to build 457,000 housing units by 2029. That would mean about 57,000 units each

year, more than three times the city's actual completion rate between 2014 and 2021.

It's hard to envision a city as vast and populous as Los Angeles shrinking. The idea of the poster-child for urban sprawl going into retreat seems unnatural. Some locals may happily contemplate fewer cars on the serpentine freeways and fewer hikers in Griffith Park. But any upsides to accidental population loss would come at a cost. Los Angeles still sees itself as a golden land of opportunity and the urban embodiment of the California Dream. The footfall says otherwise.■

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Puerto RICO

Donald Trump's racketeering indictment is the most sweeping yet

A prosecutor in Georgia lays out her claims of a criminal enterprise

Aug 17th 2023 | ATLANTA



Getty Images

ON JANUARY 4th 2021, just a fortnight before Joe Biden's inauguration, Fani Willis started her new gig as chief prosecutor in Fulton County, the seat of Atlanta, Georgia, and several adjoining suburbs. The night before, a tape had been released of Donald Trump begging Georgia's secretary of state, Brad Raffensperger, to "find 11,780 votes"—the exact number needed to overturn the swing state's November 2020 election results in his favour just a fortnight before Joe Biden's inauguration.

Though she later admitted to praying that Mr Raffensperger had been outside the county when he took the now-infamous phone call, Ms Willis has come to embrace her role of top cop on Georgia's biggest case. On August 14th, after a two-and-a-half-year investigation, she unveiled an indictment accusing [Mr Trump](#) and 18 of his acolytes of orchestrating a plan to reverse the election in the state. As the sun set over the downtown courthouse a grand jury swiftly indicted them.

The news fits what has become a familiar pattern. It has not even been two weeks since Jack Smith, a prosecutor at the federal Department of Justice, accused Mr Trump of conspiring to reclaim the Oval Office, issuing an indictment that also explored the ex-president's behaviour in Georgia, as well as in other states. The new charges are the fourth set against Mr Trump in five months, raising his [felony-charge tally](#) to 91.

The primary charge levelled against Mr Trump this time is more commonly used to ensnare mob bosses than to keep politicians in check. Ms Willis contends that Mr Trump and his allies violated Georgia's capacious Racketeer Influenced and Corrupt Organisations (RICO) Act by arranging a criminal ring that conspired to defraud the state and obstruct the counting of votes. The group, she alleges, solicited officials to commit crimes, made false statements, influenced witnesses and impersonated public officers, among other offences. The use of RICO laws is controversial because they tilt the scales in favour of prosecutors. For the same reason, this indictment should alarm Mr Trump's team.

The state law allows Ms Willis to bring evidence that would otherwise be inadmissible and to charge more suspects if she can prove collective conspiring. And although Ms Willis could have focused on Georgia alone, she has also roped in Mr Trump's behaviour in Arizona, Michigan, Pennsylvania and other states. That makes her probe more consistent with Mr Smith's federal case. It may also strengthen it.

The 97-page charging document points to several events also described in Mr Smith's indictment. The phone call with Mr Raffensperger, which the former president has called "perfect", is perhaps most likely to convince a jury—either in Georgia or Washington, DC—of his guilt. Not only did Mr Trump explicitly ask Mr Raffensperger to tip the tally, he threatened the secretary of state with criminal jeopardy for declining his request.

Although Mark Meadows, Mr Trump's then chief-of-staff, was missing from the federal indictment, Ms Willis charged him for soliciting Mr Raffensperger to violate his oath of office. The same charge appears in relation to a call where Mr Trump urged David Ralston, a former speaker of the Georgia House, to call a special session for allegedly unlawful purposes. (The details of the request are not described.)

Like Mr Smith, Ms Willis also investigated a slate of Republican electors who submitted false paperwork to Congress alleging that Mr Trump had won Georgia. Emails between a Trump aide and a campaign official show that Rudy Giuliani, one of the former president's lawyers, intended to hide the scheme and hoped to keep an early elector meeting "quiet until all the voting is done". Whereas the federal indictment just targets Mr Trump as the choreographer of the scheme, Ms Willis's case goes after Mr Giuliani and John Eastman, another of Mr Trump's lawyers, for pushing the plot. At least eight of the electors took immunity deals in April. They could aid Ms Willis's case that they all knew that the fake-elector scheme was a sham and "knowingly, wilfully and unlawfully" created false documents.

The ex-president's proxies also committed perjury, Ms Willis contends, by telling lawmakers and state officials that votes were counted from tens of thousands of felons and dead or underaged Georgians, and that poll workers in the State Farm Arena in Fulton County rigged the vote by pulling out "suitcases" of ballots and passing flash drives to one another "like vials of heroin" during counting. Team Trump then went on to tamper with election machinery in a hunt for fraud, the document asserts. The day after insurrectionists stormed the Capitol on January 6th 2021, it says, "members of the enterprise" raided a polling station in Coffee County, a rural Republican stronghold 200 miles south-east of Atlanta, and stole voting data.

Little Caesar

The racketeering charge, which fuses all these episodes and more into one grand democracy-defying scheme, is the broadest yet brought against the former president. It is also Ms Willis's strong suit. As a budding prosecutor, she used the same statute to indict schoolteachers in a test-cheating scandal. As district attorney she has employed it 11 times, most notably to bust Atlanta's street gangs.

Ms Willis, a Democrat, has brought over 12,000 indictments during her tenure. Her enthusiasm has, at times, made her a bogeyman for both the right and the left. Some progressives who now hope she will nail Mr Trump have previously condemned her for prosecutorial overreach. As for the Trump campaign, it calls Ms Willis a "rabid partisan", and claims that she

deliberately stalled her probe to “maximally interfere” with the presidential race.

Ms Willis’s decision to charge the ex-president’s allies will slow the case. Though she hopes to start the trial within six months, the district attorney is not known for speed: her previous RICO trials were the longest in Georgia’s history. Mr Trump will probably seek to delay it. He is also expected to appeal to move the case to federal court in the hopes of securing a moderately more sympathetic jury, as he aimed to do in New York over a separate hush-money indictment.

The Georgia case will probably be the only one televised (and the only one to result in a mugshot). And if Mr Trump is indeed convicted of crimes in state court, no governor or president (not even himself) would have the power to pardon him. ■

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Lock, stock and pork barrel

Iowa has become a petri-dish of Republican radicalism

Is the Grand Old Party in danger of overreaching?

Aug 17th 2023 | DES MOINES



WHEN TIM SCOTT, a senator from South Carolina, stepped onto a stage at the Iowa State Fair in Des Moines on August 15th, his first topic was how brilliant the woman interviewing him was. That was Kim Reynolds, the state's Republican governor, who this year has stolen the limelight from the *Des Moines Register*, which traditionally has given visiting politicians a literal soapbox at the fair, by hosting her own series of interviews with Republican candidates for president. “When your governor passes monumental school choice...it gets my attention. And frankly, I celebrate her success,” said Mr Scott, as Ms Reynolds, dressed in cowboy boots, beamed out at the crowd. “Education is the closest thing to magic,” he went on. And “no state is doing it better” than Iowa.

The reform Mr Scott was referring to is a bill that Ms Reynolds signed in January, which allows almost any Iowan parent to apply for a voucher from the state to pay private-school fees. By August 4th, over 18,500 applications

had been approved, meaning that almost 4% of the total number of school pupils in the state will be starting this school year at private schools courtesy of the Iowan taxpayer. The voucher bill is just the most consequential (and controversial) of a slew of conservative laws that Ms Reynolds has acceded to this year. The dozen or more wannabe Republican candidates flocking to her state may have only a limited hope of beating Donald Trump in next year's caucuses. But they at least get to visit a place where Republicans are almost completely triumphant. Iowa, which a decade ago was purple-ish, has become a petri-dish of right-wing radicalism.

The radicalism comes from the fact that the Republican Party now totally dominates the state, and Ms Reynolds the Republican Party here. Though Iowa has been turning more red for a decade, such emphatically right-wing policymaking had to wait until this year. In May 2022, a weaker version of her school-voucher law failed in the state house, when several Republican representatives scuttled it, fearing that it would empty out rural public schools. But the midterms changed all that. Though Republicans unexpectedly struggled in much of America, in Iowa, as Ms Reynolds repeatedly points out, they expanded their majorities. The party now holds 34 out of 50 seats in the state senate, 64 out of 100 in the state house, as well as the entire congressional delegation. Ms Reynolds, who took office in 2017, won reelection with a thumping 19-point margin and took much of the credit for the Republican wave.

In addition to the school-voucher bill, in May, Ms Reynolds signed a bill cutting property taxes, having already replaced the state's progressive income tax with a simple 3.9% flat tax last year. She also signed a law banning books with any "descriptions or visual depictions of a sex act" from school libraries—something schools are now scrambling to comply with, in one case by having artificial intelligence scan books. In July Iowa banned abortions from six weeks after conception (though that law has so far been held up by the state's courts). Other new laws ban "gender affirming" treatment of transgender children; loosen restrictions on when children can work; and limit the power of the state's auditor (now the only elected statewide post still held by a Democrat).

Can it last? For now, Ms Reynolds is practically unchallenged, and her prominent part in the state's Republican caucus shows it. The state's

Democratic Party is reeling. In January it selected a new chairwoman after weeks of infighting. Yet things can change. Rob Sand, the now-defanged state auditor, jokes that too many Democrats “approach politics as a form of therapy”, instead of trying to win elections. But if Democrats can focus, they can turn around their misfortune, he says. Polling suggests opponents of the school-voucher bill outnumber supporters by two to one. Around 60% of Iowans say they support legal abortion. Mr Sand, a one-time model who rides a motorbike, hunts game with a bow and enthusiastically quotes the founding fathers, points out that even though Iowans have drifted towards the Republican Party, many still split their vote. His narrow reelection win last year, with 120,000 more votes than Ms Reynolds’s Democratic opponent, proves that.

Next year’s elections will test the theory. Yet even if the state stays ruby red, it doesn’t necessarily bode well for Republicans nationally. Though it is changing, Iowa remains an unusually rural state. Comparatively few people have degrees—and a large share of those who get them leave. It remains almost 90% white. And it is relatively old. At the state fair, people on rented mobility scooters hugely outnumbered those pushing children in prams. In other parts of the Midwest, formerly Republican suburbs have turned dramatically against the party of late. If Iowa’s Republican policies survive, it will be because there are not enough outraged suburbanites to counteract growing rural conservatism. That is not true of most of America. ■

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Paradise lost

Lessons from the blaze that levelled Lahaina

A deadly wildfire on Maui steals Hawaiians' homes and history

Aug 17th 2023 | Lahaina



Go Nakamura/New York Times / Redux / eyevine

WHEN KING Kamehameha I united the Hawaiian islands in the early 1800s, he made Lahaina the capital of his new kingdom. The seaside city on western Maui was his crown jewel. Missionaries and whalers flocked to its shores. Kings and queens were buried in the graveyard of Waiola church. Later, it became a tourist destination. Surf shops, bars and museums lined its streets; 13,000 people called Lahaina home. Now an ashen moonscape lies between the mountains and the sea where it once stood.

The wildfire that swept through town on August 8th was indiscriminate. Scores of birds lie dead on the ground throughout the burn zone, felled by flames or the toxins they released. White picket fences melted. For many homes, the only thing left is the scorched husk of a washing machine sitting amid rubble where a laundry room once stood. Skeletons of cars sit where they were overtaken by the inferno. Some drivers abandoned their vehicles, climbed over the seawall and threw themselves into the Pacific to escape the flames.

As of August 16th the fire had killed at least 111 people, making it the deadliest blaze America has seen in more than a century. The death toll is certain to climb. Rescue crews and dozens of cadaver dogs are still searching the burned area. More than 1,000 people are missing.

Several factors contributed to Lahaina's demise. Drought worsened rapidly on Maui this summer; rainfall has declined in Hawaii over the past 30 years as the climate has warmed; invasive (and flammable) grasses have flourished on what used to be farmland; and high winds brought by Hurricane Dora provided the right conditions for a blaze to form—and to spread. All that was needed was a spark. What ignited the fire is still uncertain. But testimony and videos from Lahaina residents suggest that a utility pole snapped in the wind, breaking a power line. Sparks quickly became flames. Two Lahaina residents have already filed a class-action lawsuit against Hawaiian Electric, which serves 95% of Hawaiians, alleging that the utility was negligent in keeping its lines energised during dangerous weather conditions.

Besides the cause of the fire, two questions are playing on the minds of Maui residents. First, is why the island's warning system did not alert locals to the danger. Outdoor sirens throughout the islands are meant to be used to warn Hawaiians of all manner of hazards, from tsunamis to wildfires to terrorist threats. But as flames consumed 2,200 buildings (which would cost \$5.5bn to rebuild) all 80 sirens in Maui County were silent.

Demetrius Clark and Lilinoe Fonohema were already stuck in gridlock when they realised that the fire was headed in their direction. Rather than an alert or a siren call, their first sign of trouble was the smoke. "All we could see is just black smoke covering our town and just getting worse by the moment," says Mr Clark. Then they noticed the flames. Herman Andaya, Maui's emergency management chief, has defended the decision not to use the sirens, arguing that locals might have sought safety on higher ground, as they would for a tsunami, and ended up in the middle of the fire.

Yet the flames swallowed the town anyway. That the fire took Lahaina by surprise should serve as a warning, both for places accustomed to extreme weather, and those that are not. A warming climate means disasters such as fires and floods will become more common and more severe, making it

imperative that towns routinely update and test their emergency warning systems and evacuation plans.

The second question is where to house people who have lost everything. The Church of Jesus Christ of Latter-day Saints in Kahului turned its basketball gym into an emergency shelter. Volunteers used tarps to create separate bedrooms, each with an air mattress and some blankets. America's Federal Emergency Management Agency (FEMA) is putting fire victims up in hotel rooms. But these are short-term solutions. "The need for housing in the mid-term and long-term is going to be one of the most challenging aspects of this recovery," says Keith Turi, a FEMA official.

Making things worse is Hawaii's housing shortage. The state's median listing price is nearly twice the nation's. Last month Josh Green, the state's Democratic governor, signed an emergency proclamation to hasten development. But thousands more Hawaiians will now be searching for a home. Some may not find one. Homelessness spiked in Chico, California after [the Camp Fire](#) incinerated the nearby town of Paradise. The housing shortage also raises a tricky economic question for the island. In 2019 the Maui Economic Development Board reckoned that 51% of workers in the county were employed by the tourism industry. If visitors stay away because of the fires, or hotel rooms are filled with survivors instead of vacationers, the local economy will suffer.

For now, Lahaina's residents are scattered across Maui, mourning the loss of their homes and their history. Many locals say they want to rebuild what they lost. Ms Fonohema chokes up as she recalls what the town's streets were like before the blaze. "Lahaina will always be home," she says, "but it won't be the same." ■

For more coverage of climate change, sign up for the [Climate Issue](#), our fortnightly subscriber-only newsletter, or visit our [climate-change hub](#).

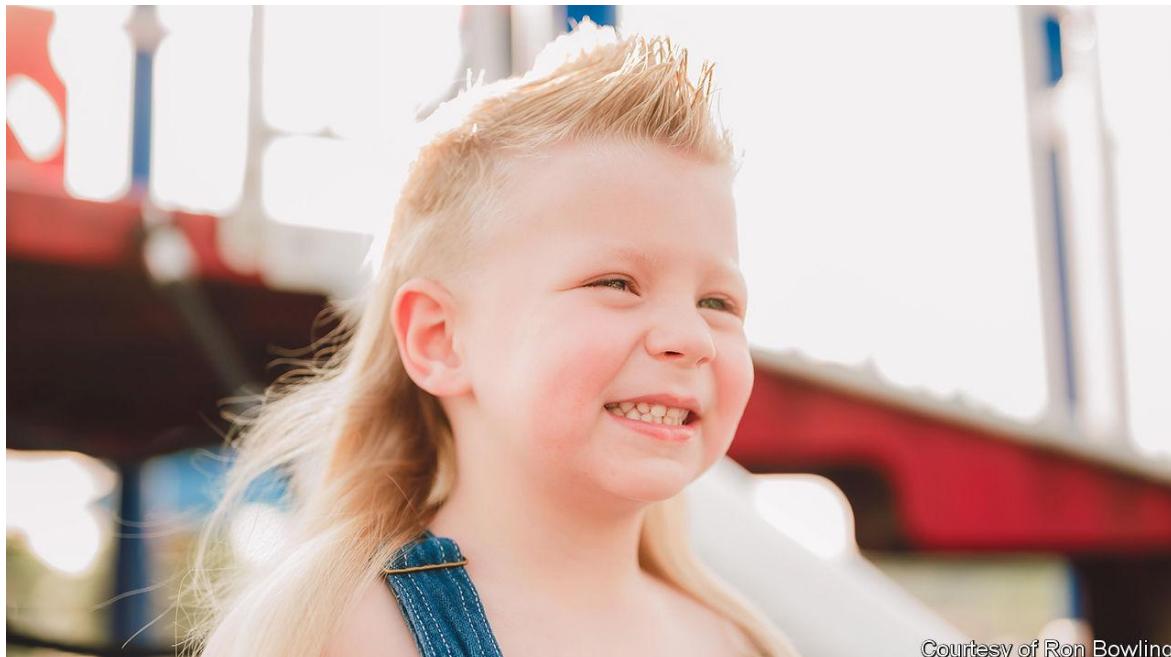
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Diabolical follicles

The mullet has had a resurgence in right-wing America

The hairdo has always been donned by Americans rejecting the mainstream

Aug 17th 2023 | ATLANTA



Courtesy of Ron Bowling

WHEN THE wind catches three-year old Eli “Ginger Mane” Powell’s mullet just right, his mother said you can hear the national anthem playing and bald eagles cawing in the distance. For Easton “The Ida-Flow” Klink, the hairdo is a symbol of “247 years of American fan favourites” like barbecue and big trucks. Catch Brantley “BK” Kirwin shaking his locks at concerts and he’ll tell you about his love for the military and “MERICA”.

These are some of the contestants, all under the age of 12, who competed to be crowned “USA Kid Mullet Champ” this week. Offbeat cuts unite kids from the islands of Hawaii to the suburbs of Nashville; girls in daycare centres across the country reportedly drool over them. Together the 25 mullet-rivals, many of whom have kin in uniform, raised \$125,000 for a wounded veterans charity.

The competition, along with ones for teens, men and women, started during the pandemic. When barbershops reopened “the mullet came screaming back,” says Kevin Begola, the contest’s bald founder. Google searches for the hairdo have since soared. To many, the look is a lifestyle. Members of “The Mullet That Changed My Life” Facebook group talk of finding “lifelong friends” in the mullet community. One young entrant says that because of his mullet he gets high-fives on the street from “America’s finest”; another says the cut gave him the guts to confront school bullies.

Australians claim it as their national do. Yet the “business in the front, party in the back” fashion has a long history in America too. In the late 18th century Benjamin Franklin, one of the founding fathers, apparently used his “skillet” (a bald-headed mullet) to dazzle Frenchmen into investing in the new, unabashed nation. Years later Chief Joseph of the Nez Perce tribe donned a braided mullet in protest against the conventional styles of the missionaries who stole his people’s land.

In the modern era the look came to exemplify the iconoclasm of the 1970s. Glam rocker David Bowie debuted his goldfish-coloured mullet the same year that he came out as gay—its androgyny was seen as a rejection of gender norms. Jane Fonda, an actress blacklisted from Hollywood for her anti-Vietnam war activism, sported one in a famous mugshot. In the ‘80s Cher, Prince and Tina Turner made the mullet somewhat mainstream. Islamic leaders in Iran have since banned the look in an attempt to rid their country of “decadent” Western styles.

When the mullet came roaring back in recent years, it was oil-riggers and truckers who most notably wore it. While the cut remains hot in queer circles—lesbian TikTok is awash with mulleted-“masc”s—it now represents a new right-wing streak of non-conformism. Until he shaved it last week Morgan Wallen, a country-music star briefly cancelled for saying the n-word, was the pride of America’s mullet-men. When asked if he planned to cut his hair after the contest, Dre “The Electric Slide” Bell, a nine-year-old from Alabama, said certainly not. Just as the Biblical Samson’s lush Nazarite locks gave him his strength, the mullet carries a certain power. ■

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Post haste

Louis DeJoy's ambitious plans for America's postal service

Cogitation, consolidation, reorganisation and electrification

Aug 13th 2023 | Washington, DC



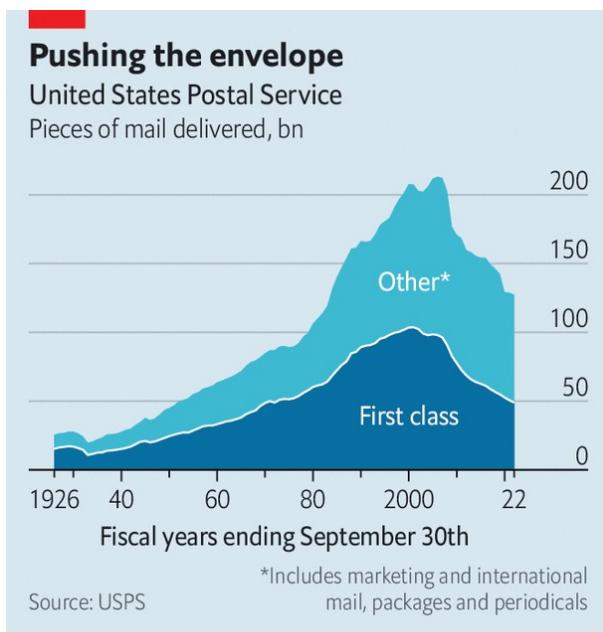
AP

ASK THE average American what the National Institute of Standards and Technology does, or where the closest Department of Agriculture Service Centre is, and you'll probably get a blank stare. But everyone knows what the United States Postal Service (USPS) does and where the nearest post office is. No federal agency is more recognisable, or older: the USPS predates the Declaration of Independence.

Oddly, therefore, although most Americans would have no problem explaining, at least roughly, what the president does, or who the first one was, doing the same for postmaster-general would be trickier. The first was better known for other achievements, such as inventing the lightning rod and helping draft the Declaration of Independence. Louis DeJoy, who has held the office for just over three years, is the 75th chief. If he is less obscure than his predecessors, that stems from the politically fraught period (in the middle of a pandemic, immediately before the 2020 election) during which he took

office, and the conspiracy theories whipped up by the Trump-enraged American left. In office, Mr DeJoy has proved to be effective and ambitious.

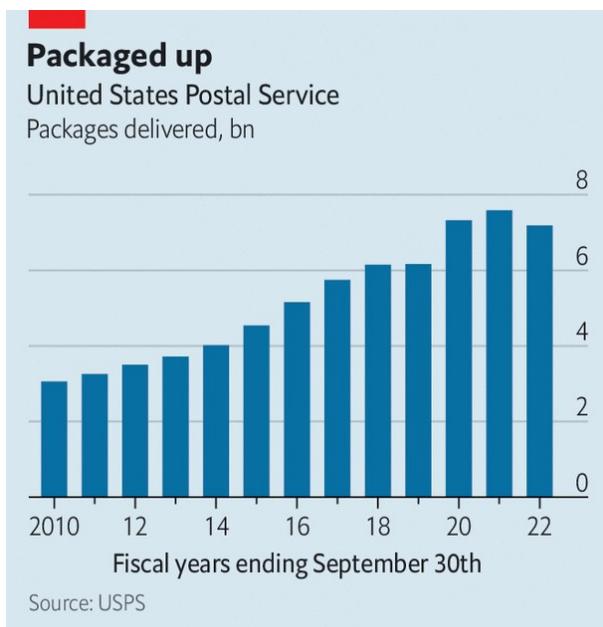
Those conspiracy theories painted Mr DeJoy as a Trojan horse dispatched to destroy the USPS. A generous donor to Republicans generally and Donald Trump in particular, he was the first postmaster-general in decades to take the helm without rising through the USPS ranks. Just weeks before he was appointed, then-President Trump called the USPS—which because of covid-19 was about to play an unusually large role in the coming election—"a joke", and soon afterwards mused about withholding funding to prevent postal voting. Protesters went postal, demonstrating outside Mr DeJoy's homes in Washington, DC, and North Carolina. The fear was that he would interfere with postal voting, throwing the election to Mr Trump. Undeterred by the fact that this did not happen, some Democrats are still sending out fundraising emails about removing him.



The Economist

When he took office, the USPS, which delivers 44% of the world's total mail volume and is largely self-funded, was in trouble. It had enough cash to last just 60 days, and was projected to lose \$20bn in 2020 and \$160bn by 2030. The problem was twofold. First, the volume of first-class mail—which includes letters, postcards, bills and lightweight packages—had declined markedly, from roughly 103.7bn pieces in 2001 to 52.6bn in 2020 (it has

continued falling; see chart). Even with increased package volume, that shift led to a 36% revenue decline from 2007 to 2020.



The Economist

Second, because of a law passed in 2006, the USPS—uniquely among federal agencies—must pre-fund the health benefits it provides for its retired workers. The intent was to ensure that such benefits existed in the future; the result was billions of dollars in annual losses for the USPS. Combine those two factors with the statutory requirements to deliver the mail to 165m addresses six days a week, charging someone in a house next to a post office in a city the same as someone at the end of a dirt road in Alaska, and it is easy to see how solvency worries might arise.

These problems were not new, but, says Mr DeJoy, “nobody did a freaking thing...Congress sees the losses going on and on and on, [and] they were just sort of watching it happen.” Inside the USPS, Mr DeJoy says, “there was no strategy to do anything to fix it”: the organisation was beset by drift and a we’ve-always-done-it-this-way mentality. Mr DeJoy, who ran a logistics company that was sold for \$615m in 2014, responded as any private-sector boss would: by looking for places to cut costs and improve efficiency. His initial steps provoked outrage: he argued that removing dismantled mail-sorting machines made sense because they took up space

better used for sorting packages; some on the left feared the removal would slow ballot processing. He suspended the move.

Mr DeJoy's style can be brash and combative, but he has not destroyed the USPS. Quite the opposite. The 2020 election went off without a hitch (at least without a mail-based hitch). In 2022 the USPS delivered 750m covid-test kits. And from January 2021 to April 2023, average mail-delivery times fell by more than 24 hours.

Last year he helped pass legislation with bipartisan support. It included measures that many on the left favoured, such as a better health-benefits programme for staff and guaranteed six-days-a-week deliveries. It repealed the onerous rule about pre-funding retirement benefits, established a public-facing dashboard on its performance and allowed the USPS to team up with other government agencies to offer moneymaking non-postal services, potentially opening the way to postal banking. The slings and arrows Mr DeJoy suffered during his appointment gave him credibility with the right that a boss who came up through the ranks and was a union member might have lacked.

That was just the second year of his tenure. The remainder will be taken up by implementing his “Delivering for America” plan, to put the USPS on a stabler financial footing. Some parts will be unpopular. Relying more on trucks, which the USPS owns, rather than planes, which it does not, may mean that sending letters and packages across the country will take longer. Consolidation means some neighbourhoods may lose their post offices. Though price rises may be necessary, nobody likes paying more.

Mr DeJoy still has his critics: Gerry Connolly, a Democratic congressman who chaired the subcommittee overseeing the USPS, calls his reform plans “reckless” and a “road to ruin”. Still, most people like the USPS: in a recent survey its favourability rating of 77% exceeded every federal agency except the National Park Service. The rise of e-commerce and decline of letter-writing have shifted the assumptions behind its business model, which suggests its operations must change too. The changes may not all be the right ones, but they are better than denial and drift. ■

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Middle East & Africa

- The Kurds' dreams of independence look farther off than ever
- Dubai and Riyadh are both riding property booms
- Ethiopia risks sliding into another civil war
- Herders and farmers seek reasons for east Africa's drought

Divided they fall

The Kurds' dreams of independence look farther off than ever

As the Kurds bicker, Iraq's federal government is regaining control

Aug 17th 2023 | ERBIL



Getty Images

FOR THREE decades Kurdistan boomed while the rest of Iraq sputtered. The region had the country's fastest economic growth. It built modern oil complexes, hotels and motorways. With a vote in favour of independence in a referendum in 2017, its future looked bright. Six years on that dream has faded. The cranes that rotated above sprawling conurbations are parked over half-finished estates. And as Iraq's capital, Baghdad, rebounds thanks to improved security and oil revenues, its rulers are chipping away at Kurdistan's autonomy. After 30 years of self-government, the Kurds' economy, borders, disputed territories and politics are largely back under central control. The Kurdish Regional Government (KRG) is losing strength, says a Western diplomat monitoring developments from Baghdad: "There's a risk that the Kurdistan project will fail."

The Kurds largely have themselves to blame. Squabbling between their two feudal families—the Barzanis who rule the west and the Talabanis in the east

—has intensified. Since 2017 their leaders have transferred power to brasher sons with clashing personalities. Their parties—the Barzanis' Kurdistan Democratic Party (KDP) and the Talabanis' Patriotic Union of Kurdistan (PUK)—fight over diminished resources. Their ministers often vote against each in the cabinet in Baghdad.



The Economist

The PUK, the weaker of the two, openly appeals to Baghdad for backing. "Iraq is better than Kurdistan," says the party's leader, Bafel Talabani. Despite Western urging, the two parties refuse to unify their separate forces, known to both sides as the Peshmerga. Assassinations of each other's cadres have resumed.

The last session of the Kurdish parliament ended in a televised brawl. And as Kurdish disaffection with the infighting grows, their leaders are growing more oppressive. An election set for last year has been delayed until February 2024 at the earliest. Media freedom, once a hallmark of the Kurdish region, has been restricted.

The Iraqi government in Baghdad is taking advantage of this rivalry to claw back the power it lost after the Kurds rose up against Iraq's old dictator, Saddam Hussein, in 1991. It has started with money. Earlier this year the Supreme Court used an international arbitration ruling in Paris to outlaw

Kurdish oil sales, stripping the Kurds of revenues they accrued from selling 450,000 barrels a day. Kurdish salaries now depend on the monthly allowance Baghdad pays the regional government. Kurdish leaders who once shunned Baghdad now troop to the capital to plead for handouts. In his four years as the KRG's president, Nechirvan Barzani has made ten official visits to Baghdad; his predecessor and uncle, Masoud Barzani, made one in 15 years. Under a new national budget passed in June, any of the KRG's provinces can now seek direct funding from Baghdad. That could tempt the Talabanis to break away from the Barzani-dominated KRG and further undermine the region's unity.

The government in Baghdad is also taking control of the Kurds' borders. It has stationed guards at the KRG's crossings and airports, in effect giving it a veto over who can get in and out. The Talabanis still pocket the revenues from the influx of cars and from cigarettes smuggled in from Iran—but not for much longer, says an Iraqi official. Turkey's suspension of oil purchases from Iraq has also cost the Kurds the transit fees they used to earn from such transactions (an international court deemed that Turkey had been importing oil from the KRG without Iraq's consent and awarded Iraq around \$1.5bn in compensation).

To the south, the Iraqi army and its associated Shia militias are consolidating their hold on the disputed territories that they retook from the Kurds after the referendum in 2017. They have since rejigged the demography by encouraging Arabs to settle on land claimed by the Kurds. Were that referendum held today, the Kurds might no longer be a majority.

Most damaging, perhaps, is the Iraqi state's reassertion of legal supremacy. In May its Supreme Court declared Kurdistan's decision to postpone elections unconstitutional and ordered the replacement of the Kurdish electoral commission with Iraq's. Kurdistan is also losing its status as a haven for Iraqi activists on the run. Last year Kurdish security men arrested an Iraqi researcher working for an American think-tank and handed him over to Baghdad. Employers in the KRG's formal sector now need recruits to get security clearance from the capital.

Culturally Baghdad's advances are also taking a toll. For three decades the Kurds have promoted their own language and rolled back the old Baathist

programme of Arabisation. A generation forgot how to speak Arabic. But it is making a comeback. A Kurdish leader's son addressed the audience at his graduation ceremony at a local university in Arabic. As ties with Baghdad tighten, Kurdistan's private sector now requires new hires to speak it, too. And it is back on shop fronts in the Kurds' capital, Erbil, as an influx of southerners has hoovered up empty property on the cheap. "Arabs are a business opportunity," says a Kurdish risk consultant. "But also a threat."

Things fall apart

While the influence of Iraqi Arabs is increasing in Kurdistan, the Kurds' leverage in the capital is weakening. The pro-Iranian Shia factions that dominate the central government are sidelining Kurdish leaders, along with Iraq's other minorities, such as Sunni Arabs and Christians. Iraq's president, a sinecure for a Kurd, has the clout of a puppet, say officials in Baghdad.

Once upon a time the Kurds might have looked to the West for salvation. Western powers created a Kurdish safe haven after the Gulf war of 1991 with a UN-approved no-fly zone. But Western interest has been waning, too. The Kurds lost their no-fly zone when America occupied Iraq in 2003. And although the Americans still keep an airbase in Kurdistan at Harir, 65km north of Erbil, the Kurds complain they offer no support when Iran's Shia proxies lob missiles and drones at them. A vast new American consulate in Erbil is behind schedule. The West's inertia casts doubt on the alliance's strength, worries a Kurdish official.

The Kurds still have some cards to play. They have been making overtures to the Chinese, who are set to build dams, a cement plant and a \$5bn real-estate development outside Erbil. The Kurds can also use the threat of large numbers of refugees to rattle the West. A full takeover of Kurdistan by central Iraq could trigger an exodus to Turkey and thence to Europe.

But most Kurds are despondent: "We'll just be another province in Iraq," says an analyst in Erbil. The beacon of independence that shone for some 30m Kurds dispersed across Turkey, Iran and Syria is beginning to fade. ■

Zeal estate

Dubai and Riyadh are both riding property booms

The question, for developers and investors, is how long they can last

Aug 17th 2023 | DUBAI



Getty Images

IT IS A villa fit for a Bond villain. Sited in Emirates Hills, an opulent Dubai neighbourhood popular with politicians and billionaires, the mansion's interior is lined with 700,000 sheets of gold leaf. It sports a 24-carat gold jacuzzi, a 16-car garage and a coral-reef aquarium in the dining room. The asking price, when it was listed in June, was 750m dirhams (\$204m).

The mansion is one example of a red-hot property market in Dubai, the commercial hub of the United Arab Emirates (UAE). Prices are also soaring in Riyadh, the Saudi capital. Both logged double-digit price increases last year, when much of the rich world was in a housing slump. Developers are thrilled. But investors are wondering how long the boom can continue.

In Dubai, property investment accounts for around 8% of GDP. It recorded nearly 122,700 sales last year, a 45% increase from 2021. The value of those transactions rose by 78%, fuelled in part by surging sales of luxury homes. In 2022, 219 properties went for over \$10m. There were 176 such deals in the first half of 2023 alone.

Brokers are racking up records for the most expensive residential sale in Dubai. Last year they closed on villas for \$76m and \$82m. In February a penthouse went for \$112m; three months later, another fetched \$114m. On Jumeirah Bay Island, an artificial island shaped like a seahorse, someone recently paid \$34m for an empty plot of sand.

Authorities think the city will continue to draw rich buyers from Asia and Russia and are eager to build more posh homes. In May they announced plans to develop Palm Jebel Ali, a bigger version of the city's Palm Jumeirah. The development had been on hold since the property-market crash of 2009. Developers are reviving another artificial-island project further north.

The boom looks different in Riyadh, which has been a focus of Vision 2030, the kingdom's plan to diversify its economy away from oil. Saudi citizens are moving there to find jobs and multinational firms have been told to move their regional headquarters to Riyadh by the end of the year or lose out on government contracts.

Soaring demand means soaring prices. At the end of the first quarter of 2023 prices in Riyadh, where state-run developers are adding thousands of new homes, were up by 12% year-on-year for villas and by 22% for apartments, estimates Knight Frank, an estate agent. The comparable figures in Jeddah, the kingdom's second city and commercial capital, were 2% and 7%.

In 2017 less than half of Saudis were homeowners. Young people lived with their parents; poorer families rented. In recent years the government has lowered mortgage-deposit requirements and introduced various subsidies. The latest census, in 2022, found that 61% of Saudi families owned homes. Unlike many other targets in Vision 2030, the kingdom seems on track to meet its goal of 70% home ownership by the end of the decade.

This fits a broader boom-time feeling in a Gulf buoyed by high oil prices. But brokers think prices in both cities will fall next year. The Saudi market is already slowing. Some 70,000 homes were sold in the first half of this year, down from 103,000 last year. New mortgages fell by 35%.

That probably reflects rising interest rates: because the Saudi riyal is pegged to the dollar, the central bank has been forced to follow the Fed. It also reflects a yawning gap between price and wage growth. The average monthly income for Saudi citizens in the first quarter of 2023 was 9,893 riyals (\$2,637), almost unchanged from a year earlier—and 4% lower than in 2019.

In Dubai the residential market has zoomed away from the underlying economy. Commercial property is in a seven-year slump. Many of the emirate's malls are dotted with vacant shopfronts. Residential rents have soared over the past year, but remain far below their previous peak in 2016. Still, middle-class professionals are grumbling; salaries have not kept pace.

Luxury home sales are a nice fillip for Dubai's treasury, which collects a 4% transaction tax. But prospective buyers are limited—and since many of them do not live in the city full-time, the luxury market may do little to boost the broader economy.

In January authorities demolished the Pearl, a \$10bn project that was meant to contain almost 1,500 apartments and seven five-star hotels. It was never finished. Surprised locals thought the demolition was an earthquake. It was a reminder of past excesses—at a time of new ones. ■

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The Horn of Africa

Ethiopia risks sliding into another civil war

Ethnic tensions and land conflicts lie behind the clashes in Amhara

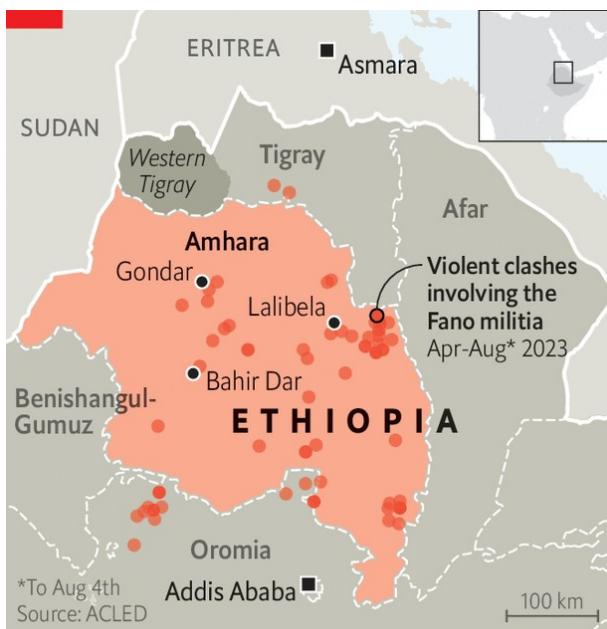
Aug 15th 2023



THE SIGHT of tanks rolling through towns as armed drones circle in the sky was supposed to be history. Nine months after a formal end to Ethiopia's civil war, many had hoped the country was inching back towards stability. Anxious to turn the page on a conflict that caused hundreds of thousands of deaths and shredded his reputation as a Nobel-prizewinning peacemaker, Abiy Ahmed, the prime minister, had his sights set on reaching deals with the IMF and the World Bank to rescue the war-wrecked economy.

But even as calm has been mostly restored to [Tigray](#), the northern region at the centre of Ethiopia's two-year war, heavy fighting has spread across Amhara, a neighbouring region that is home to the country's second-largest ethnic group. In early August, Amhara militias known as Fano swept into towns and cities, briefly taking over several of them. They attacked police stations and garrisons, freed prisoners and intermittently took control of the airport of Lalibela, Ethiopia's most popular tourist town. Local officials fled.

The government responded by sending in the army, shutting down the internet across the region and declaring a state of emergency.



The Economist

By August 9th the army appeared to have regained the upper hand against the rebels, forcing the Fano from Bahir Dar, the regional capital, Gondar and several smaller towns (see map). A number of civilians have been injured or killed, some of them in a drone strike on August 13th. “We buried 22 people,” says a resident of Bahir Dar, adding that they were unarmed youths. Lawyers and activists estimate that possibly thousands of Amharas have been detained in Addis Ababa, the national capital. On August 4th the police arrested an outspoken Amhara opposition MP.

Even if the Amhara rebellion is in retreat, the escalation in violence is a reminder of how precarious the federal government’s hold is over a bitterly divided country. It also highlights the flaws of the narrow peace deal that ended the fighting in Tigray, but failed to address Ethiopia’s many other conflicts. Swathes of Oromia, the region with the largest population, have been wracked by insurgency since 2019. The government’s belated attempts at peace talks there have made little progress.

The crisis in Amhara, though, is particularly dangerous. When it went to war in 2020 against the Tigrayan People’s Liberation Front (TPLF), the party

that has run Tigray for three decades, the federal army relied heavily on support from Fano militiamen as well as the Amhara region's own paramilitary forces. In exchange, Abiy allowed them to seize contested territories from Tigray. Amhara forces were given most of a fertile area officially known as Western Tigray, where they carried out a ferocious campaign of ethnic cleansing. Over the course of the war, Amhara paramilitaries and Fano fighters evicted or killed hundreds of thousands of ethnic Tigrayans. Later, much of Amhara was invaded by Tigrayan forces, who looted hospitals and murdered civilians in revenge. Angry locals accused Abiy's government of doing too little to protect them.

Since the peace deal signed last November by the TPLF and Abiy's government, Amharas have grown ever more worried about their hold on the disputed territories. According to the agreement, the status of the contested areas is to be resolved "in accordance with the constitution". Many Amharas believe this means that Abiy plans to hand them back to Tigray. Such fears were heightened in April when the federal government launched a campaign to disarm the regional forces. Protests and gun battles swiftly engulfed Amhara. On April 27th the head of the ruling party in the region was assassinated.

Having prevailed against the TPLF, Abiy may feel confident he can make short work of the Fano. The Tigrayans, who dominated the federal government from 1991 until Abiy ousted them in 2018, boasted a highly organised regional militia as well as lots of heavy weaponry. The Fano have neither. "What you see are local loyalties to local leaders who organise their own forces," notes a foreign researcher.

Nonetheless, unrest in Amhara would be difficult to stanch. Amharas ruled the roost under Ethiopia's last emperor, Haile Selassie, and under the Derg, the Marxist military regime that deposed him in 1974. They continue to be well represented in the federal bureaucracy, national army and media, though this influence is diminishing. Under Abiy the federal government and security apparatus have become increasingly dominated by Oromos, the country's largest ethnic group.

Still, Amharas are about 25% of the population, compared with the 6% who are Tigrayan. "Fighting the Amharas is not like fighting the TPLF," notes an

Ethiopian analyst. “Amharas are everywhere.” Western diplomats also reckon the Fano may have the backing of neighbouring Eritrea, whose forces fought alongside Abiy’s in Tigray. Since he made peace with the TPLF, Abiy is believed to have fallen out with Eritrea’s secretive dictator, Issaias Afwerki. “I don’t think the Fano would act this way without some encouragement from Eritrea,” says one diplomat.

Underlying the discontent in Amhara is widespread insecurity. Politicians there claim that Amharas have been the victims of a “genocidal” campaign ever since they were dethroned by the Tigrayans in 1991. In recent years Amharas living as minorities in other regions have often been the target of ethnic attacks. The Amhara Association of America, an advocacy group, documented more than 3,300 killings in 2021 alone, most of them in Oromia. Many blame the federal constitution that came into force in 1995 for the current conflict because it enshrined ethnicity as the central feature of Ethiopian politics.

Like Oromia, much of Amhara is becoming ungovernable. Abductions and killings are rampant. Local police and officials are often more loyal to the Fano than to the federal government. Doves of young men are reported to be joining the rebels. “We will continue to fight,” says one in Bahir Dar. “We just need guns.” ■

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Scrambled skies

Herders and farmers seek reasons for east Africa's drought

Was it climate change, conflict, or the wrath of God?

Aug 17th 2023 | MARSABIT COUNTY



AFP

A FEW YEARS ago, before the great drought, Molu Golbowa looked into a goat's intestines and foresaw the disaster to come. Some of his neighbours listened and sold their animals while they could. Others scorned his predictions. The old ways were idolatry, said a local sheikh.

And then the rains failed for five seasons in a row. The plains of northern Kenya turned to dust, swept by a scudding wind. Animals dropped dead from hunger and disease. What was the cause? "God knows," says Huri Mahabolle, a herder who lost all but 14 of his 150 goats.

Only half of Africans have heard of climate change, according to surveys by Afrobarometer, a pollster. That is not to say they are unaware of it. The signs are everywhere. The drought in the Horn of Africa that began in 2020 and is only now easing has claimed tens of thousands of lives.

But in Marsabit county few people talk about greenhouse gases. At a women's group, Shuke Guyo suggests that God is punishing people for fighting over pasture and water. When feuding clans made peace this year, the rains returned. Only one of her friends, clutching a smartphone, deems carbon emissions a likelier cause.

This is not politically charged climate scepticism, of the kind familiar in the West. Instead, locals treat anthropogenic climate change as just one more possibility in a world where indigenous beliefs, Abrahamic faiths and modern education coexist. Elders recall a time when they would pray to traditional gods and the rain would fall so fast that it would "wash away the footprints that brought you there". Such rituals have been fading for decades under the influence of wandering preachers, some from as far away as Saudi Arabia or Ethiopia, who have brought sterner varieties of Islam and Christianity. Just as important in eroding the old ways are schools and the internet. Young people would rather read social media than the stars.

Yet these religions also offer supernatural explanations. In February William Ruto, Kenya's president and an evangelical Christian, called for God "to send us the rain" in a national day of prayer against drought. There is nothing peculiarly African about this outlook. One in ten Americans say climate change is not a serious problem because God is in control.

Studies in various African countries find that people blame changing weather patterns on local deforestation, divine will or even, on the picturesque island of Zanzibar, the deplorable sins committed by foreign tourists. Farmers in northern Ghana, for instance, point to the erosion of traditional values: trees are being felled with abandon and people no longer pour libations to the ancestors and gods.

In Marsabit locals listen for the radio weather forecast and for the warnings of soothsayers, without fully trusting either. They complain that meteorologists predicted another failed season in April, which instead brought plentiful rains. Among a group of elders who have gathered to play *sadhek*, a board game, there is talk that the respite is only temporary. They have heard from a man who can dream the future. He says conflict and drought will return. ■

For more coverage of climate change, sign up for [The Climate Issue](#), our fortnightly subscriber-only newsletter, or visit [our climate-change hub](#).

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The Americas

- Argentina could get its first libertarian president
- Guatemala's elite may try to scupper the presidential election
- Latin America's local governments too often fail their people

The lion's roar

Argentina could get its first libertarian president

Javier Milei, a free-market radical, won the most votes in a primary ahead of general elections

Aug 14th 2023 | BUENOS AIRES



Reuters

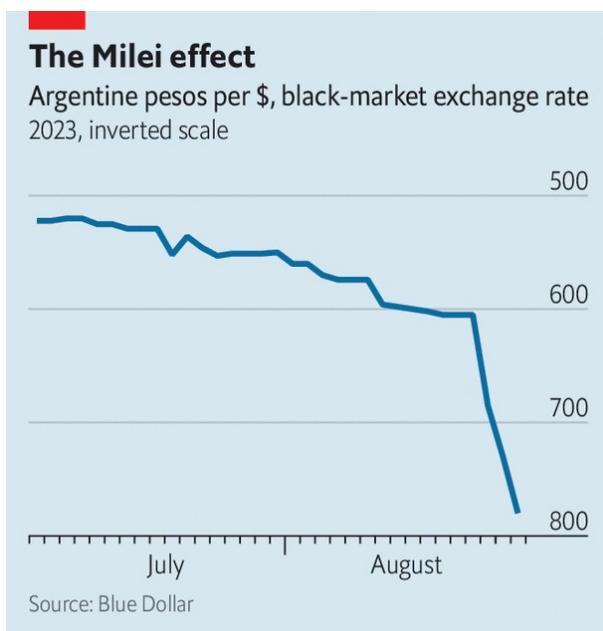
HARD ROCK blared from the speakers as 10,000 fans cheered. An image of a roaring lion surrounded by fire lit up the screen. Jumping on stage, a man in a leather jacket whipped the crowd into a frenzy. “I am the lion!” he cried. “I am the king in a lost world!” It was not a rock concert. The speaker was Javier Milei, a libertarian who hopes to become Argentina’s next president, at a recent rally. On August 13th Mr Milei took the most votes in national primaries, in which Argentines selected candidates to compete in presidential and legislative elections scheduled for October 22nd, with the top-scoring candidate from each party going through to the main vote. Because voting is mandatory, the poll is widely seen as the best indicator of who might win the presidency.

Argentina’s notoriously unreliable opinion polls had predicted that Together for Change, a centre-right coalition, would take the most votes, divided between its leading contenders. These are Horacio Rodríguez Larreta, the

mayor of Buenos Aires, a moderate, and Patricia Bullrich, a hawkish former security minister. Sergio Massa, the main candidate of the incumbent Peronist party, was expected to get a third of votes, and Mr Milei only a fifth. Instead Mr Milei took 30% of ballots cast, compared with 28% for Ms Bullrich and Mr Larreta combined. The ruling Peronists got 27%. Mr Milei led in 16 of 24 provinces.

Before being elected to Congress in 2021, Mr Milei worked as a consultant and economics professor. He bills himself as an outsider. As the results were announced he promised “to end the useless, parasitic, criminal political caste that is sinking this country.” Argentina has been mismanaged by a left-wing government for much of the past two decades. The last time Together for Change was in charge, from 2015 to 2019, it also ended in crisis. At rallies his supporters chant “Get rid of them all!”

His support stems from Argentines’ frustration with their country’s chronic economic dysfunction. [Annual inflation](#) is 113%, higher than anywhere else in the world except for Venezuela, Zimbabwe and Lebanon. Crushing taxes lead many businesses to operate off the books. Capital controls make it hard for Argentines to legally buy dollars, the currency they prefer to save in.



The Economist

This has led to a huge black market for greenbacks, the price of which is a good proxy for the state of the economy. Until the poll, a black-market dollar cost around 600 pesos, double what it did a year ago (the official rate was half that). As we went to press, the black-market dollar reached a record 780 (see chart). Fears of increased political uncertainty led the central bank to devalue the official rate of the peso by 18%, and raise the policy interest rate by 21 percentage points to 118%. The devaluation is likely to put further upward pressure on inflation.

The lion's roar

The country took out a loan of \$57bn with the IMF in 2018. The fund had already disbursed \$44bn when it became clear Argentina would not be able to pay it back. So the loan was renegotiated in 2022. The fund required that Argentina cut its primary deficit, build its net foreign-exchange reserves at the central bank and reduce the amount of money the central bank prints to finance the government's budget deficit.

Argentina has not been able to meet the targets, in part because a record drought this year hurt exports. Net reserves are estimated to be over \$8bn in the red. In July the IMF and Argentina reached a new agreement which lowered the amount of international reserves the central bank has to accumulate this year, from \$8bn to \$1bn. But the target of 1.9% for the primary deficit was retained (it is on track to be 2.4%). Mr Massa's poor showing in the election means the government is even less likely to make the spending cuts needed to reach the IMF's targets.

By contrast, Mr Milei recently said the IMF's spending-cut targets are "tiny compared to the austerity package I'm proposing". He wants to scrap ten of the 18 ministries that currently exist (including the education ministry), slash spending by 15% of GDP and lift capital controls. He also wants to open the country further to foreign trade and privatisate state companies that run deficits. (Argentina has 34 state firms, whose combined deficit amounts to around 1% of GDP.)

His most radical idea is to dollarise the economy—and, he says, "blow up" the central bank in the process. Emilio Ocampo, a former investment banker and the architect of the dollarisation plan, explains that for a yet-to-be

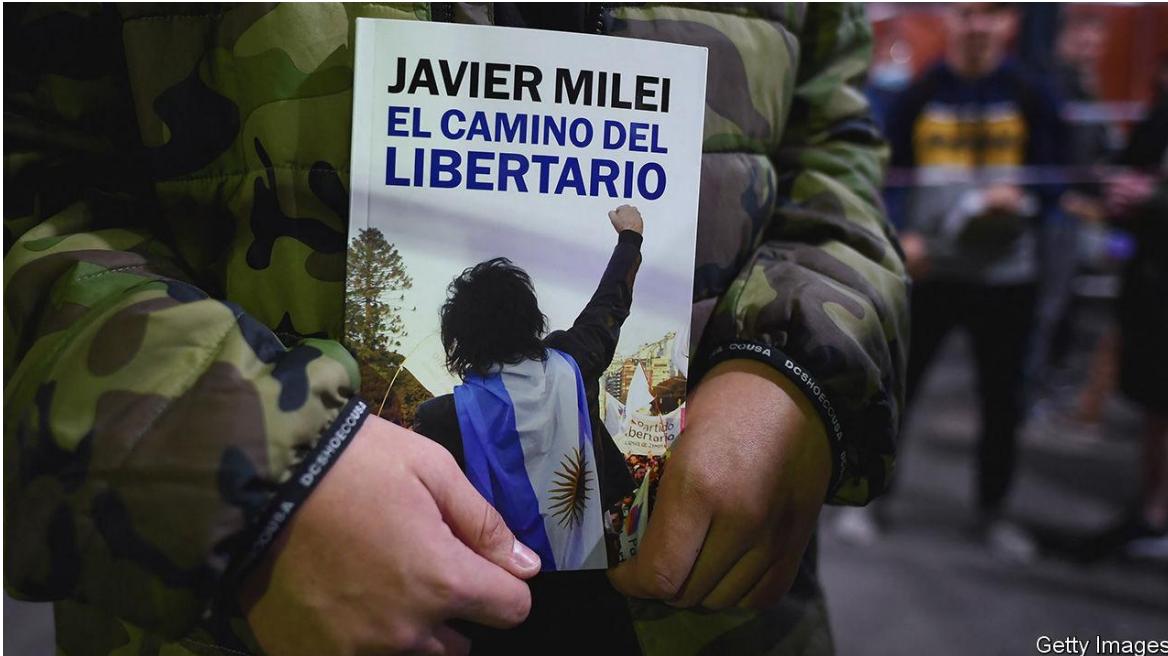
determined period both the peso and the dollar would be legal tender. To raise the roughly \$32bn that Mr Ocampo calculates would be needed to swap pesos in the banking system for dollars, the government would set up a fund in a low-tax, OECD country. That fund would hold Argentine assets, such as shares of YPF (the state oil firm) and assets belonging to the state pension fund. These would serve as collateral for the issuing of short-term debt on international capital markets.

Gimme greenbacks

Advocates of dollarisation argue that this would simply make legal what is already happening. Argentines are thought to hold more dollars per person, either abroad or stuffed under mattresses, than citizens of almost any other country outside the United States. They save, buy property and set prices in dollars.

However, some economists are sceptical. They argue that although dollarisation can lower inflation, it may not deliver on its promise of stopping the government overspending. Under some forms of dollarisation, both the government and the banks could still accumulate excessive dollar-denominated debts. In the 1990s the peso was pegged to the dollar, but in 2001 the experiment ended in failure with a run on the banks, a deep recession and five presidents in 12 days.

Critics worry it will be difficult to raise the \$32bn needed to convert pesos in the banking system. A strong dollar would also make Argentina's exports more expensive while increasing demand for imports. That could lead to a balance-of-payments crisis.



Getty Images

The blueprint for power?

Mr Milei's radicalism goes beyond the economy. He has promised to ban abortion, allow Argentines to carry guns freely, and legalise a market in human organs. He calls climate change a "socialist lie". He can be unpredictable. In his first year as a deputy in Congress he was absent from half of the sessions where bills were voted on. Allies complain that he does not listen to his economic team, confident in his own expertise. His sister Karina, who he has compared to Moses, runs his campaign. "How will the economy ministry work if he doesn't delegate jobs?" asks one adviser.

Although he calls himself a libertarian, Mr Milei attracts many voters from the far right. In the 1990s he briefly advised Antonio Bussi, a congressman and former military officer who was later convicted of crimes against humanity committed during Argentina's military dictatorship. Mr Bussi's son is running to be a congressman for Mr Milei's party. Jair Bolsonaro, Brazil's former right-wing president, is a fan of Mr Milei. He also has close ties with Vox, a nationalist party in Spain.

If Mr Milei wins, he may find it hard to govern. Currently his coalition has only two seats out of 257 in Congress and none in the Senate, though in the first round of the election 130 seats in Congress and a third of the Senate will be up for grabs. Juan Cruz Díaz of Cefeidas Group, a consultancy in

Buenos Aires, thinks Mr Milei's strong showing in the provinces means he could get at least 30 deputies elected to Congress, although that will not get him very far. Many of his policies would cause short-term pain, such as high unemployment. That could increase social unrest.

Recently several heavyweights have joined his team, such as Roque Fernández, a former economy minister, and Diana Mondino, an economist who used to work for Standard & Poors, a ratings agency. They "speak the language that investors trust", says Mr Díaz.

But the road to the presidency is still uncertain. It is unclear how many more voters Mr Milei will be able to attract. Ms Bullrich, who is now the candidate for Together for Change, will try to peel away his supporters. Mr Massa could benefit from the struggle between them by appealing to moderates. If no candidate gets at least 45% of votes, or 40% with a ten-point margin over the runner-up, the election will go to a run-off. Mr Milei's 53rd birthday coincides with the first round. His gift may be the task of rebuilding a broken country. ■

Editor's note: this article has been updated.

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Democracy in doubt

Guatemala's elite may try to scupper the presidential election

Could the “pact of the corrupt” deny Bernardo Arévalo the office?

Aug 17th 2023



Getty Images

IN JUNE Bernardo Arévalo unexpectedly won a place in Guatemala's presidential run-off. It was a glimmer of hope for the troubled Central American country. Mr Arévalo, the son of Guatemala's first democratically elected president, is an outsider candidate who ran on an anti-corruption platform. But since then the country's elite has done its best to block Mr Arévalo from the second round of the election, which takes place on August 20th.

By rights the presidency should be Mr Arévalo's. He is polling 26 percentage points ahead of Sandra Torres, a former first lady to whom he came a close second in the first round. Along with promising to tackle corruption, Mr Arévalo, of the progressive party Movimiento Semilla (Seed Movement), pledges to reduce poverty and improve health and education for the country's 17m people.



The Economist

His popularity shows a deep desire for change. According to one poll, three-quarters of those surveyed believe the country is going in the wrong direction; a similar percentage think the government is corrupt. Over the past decade the country has fallen in the rankings of a corruption-perceptions index by Transparency International, a Berlin-based NGO (see chart).

Guatemalan politics remain scarred by a 36-year civil war, which ended in 1996 but left the state in the hands of what Guatemalans scornfully refer to as “the pact of the corrupt”: a network of political, military and economic elites. Their power has grown since 2019, when a UN-backed anti-corruption body was closed down by the then-president. The current administration of President Alejandro Giammattei has further politicised the courts.

Few think those in power will allow the second round to run smoothly. After Mr Arévalos’s surprise showing in the first round, nine mainstream parties alleged fraud, even though observers had seen no irregularities. The constitutional court ordered the electoral tribunal to review the vote count, delaying certification of the results. When this failed to lead to any change in the outcome, officials tried to suspend Semilla for allegedly forging signatures. (The constitutional court blocked the suspension, but the challenge is ongoing, as no party can be barred during an electoral period.)

Attempts to use the judicial system to shape the election result are part of a pattern. Before campaigning started this year the electoral tribunal banned—for unconvincing reasons—three anti-establishment presidential candidates who were becoming increasingly popular.

Some fear the elite will try to manipulate the results using tactics such as blocking voting in urban areas that are keenest on Semilla. Others predict it will try to stop Mr Arévalo taking power in January if he wins, possibly using a legal wrangle similar to the one in the first round. Recently a video surfaced showing an official from Ms Torres's party telling local officials to be ready to contest the results (Ms Torres denies any wrongdoing). This risks sparking protests and international condemnation.

Much may depend on outside pressure. Marielos Chang of the University of Valle de Guatemala reckons the elite was unable to bar Mr Arévalo from the second round because both Guatemalans and the international community reacted so strongly. Antony Blinken, the US secretary of state, and Luis Almagro, head of the Organisation of American States, a regional body, both condemned any attempts to interfere with the results. On July 23rd, in a review of corruption in the region, the US State Department banned a further ten Guatemalans from entering the United States.

Even if Mr Arévalo wins and is sworn in, he may find life very difficult. Semilla could yet be suspended as a party, leaving its 23 lawmakers rudderless. Institutions could refuse to co-operate with Mr Arévalo and stifle his agenda; people will get disillusioned with the lack of results from a candidate who promised change. What lies ahead is an uphill battle, says Ms Chang. But the potential reward justifies it. His win would ensure there are “a few years more of life for democracy”, she says. ■

Sub-national and sub-optimal

Latin America's local governments too often fail their people

A forthcoming paper shows the effects of bad government

Aug 17th 2023 | Buenos Aires



AS LATIN AMERICA underwent its stunning shift from dictatorship to democracy in the 1980s and 1990s, new constitutions were written. Mindful of past experiences with strong central governments, many countries devolved powers to local ones. The share of expenditure controlled by sub-national layers of government almost doubled between 1985 and 2015, to 25%. The World Bank and other institutions applauded. Local governments, they reckoned, would respond better to their constituents.

Yet a paper, currently under peer review, by Antonella Bancalari of the Institute for Fiscal Studies in London, may give advocates of decentralisation pause. Ms Bancalari studied a \$3bn plan in Peru to build sewers between 2005 and 2015. The country's 1,800 municipalities took the lead. She found that bad building practices increased deaths of children. The mortality rate for infants under 12 months increased by 6% on average in places while the work was done, and by 3% for children under five. Most of

these deaths were caused by waterborne diseases from ditches on construction sites, the type of pestilence the works were meant to treat. The risk of such deaths increases when projects are halted mid-construction. This was the case in 85% of municipalities. By the end of the study period, 40% of projects were on hold.

Federal governments can screw up. But local ones may be particularly likely to. The Inter-American Development Bank estimates that inefficiencies in the way local governments spend in Argentina, Brazil, Colombia, Mexico and Peru wastes the equivalent of 2% of each country's GDP per year on average. Almost 60% of Peru's district municipalities have fewer than 5,000 inhabitants. They can struggle to do big projects. Many do not spend their budgets in full.

Meanwhile too much money can hurt. In the early 2000s Peru ruled that half of the corporate tax from mining firms should go to the places where the mining took place. When commodity prices spiked, those local governments received giant windfalls. In one, Ancash, all four governors who served between 2006 and 2018 have been arrested on corruption charges (three have served time in prison, while one has been released from pre-trial detention, pending further investigation). One study found social conflict increased in the regions that received the most money.

Decentralisation remains popular. Chile is in the process of writing a new constitution which could devolve more power to its regions. In Colombia a new law from 2019 gave more power to regional entities. Local decisions and projects can do good. In Bolivia decentralisation helped funnel more money to poor districts, which spent it on education. As the example from Peru shows, a degree of competence is needed, too. ■

Europe

- Germany is becoming expert at defeating itself
- Ukraine's counter-offensive is making progress, slowly
- Poland's far right could be the next government's kingmaker
- How Russian prisoners of war see Putin's invasion
- French bakeries are thriving in unlikely places
- Having shaken off nationalism, Europe risks civilisationalism

Germany own goals

Germany is becoming expert at defeating itself

Bureaucracy and strategic blunders are starting to pile up

Aug 17th 2023 | BERLIN



IN “THE TWELVE TASKS OF ASTERIX”, an animated film from 1976, one of the feats the diminutive Gaul must perform is to secure a government permit. To do so he must visit a vast office called The Place That Sends You Mad. In a recent open letter Wolfram Axthelm, the head of the German Wind Energy Association, likened modern Germany’s infuriating bureaucracy to Asterix’s challenge. A particular gripe was the 150-odd permits demanded by Autobahn GmbH, a state-owned firm that runs Germany’s vaunted motorways, for transporting outsize components of wind turbines, such as blades. Between byzantine rules on load dimensions, faulty software, perennial roadworks and a lack of personnel to process complaints, a backlog of some 20,000 applications has built up. A company that recently trucked a turbine from the port of Bremen to a site in the northern state of Schleswig-Holstein found that although the distance is barely 100km (62 miles), road restrictions made the journey five times that long.

Every country has bumbling officialdom. But Germany's has an exceptional fondness for sabotaging itself. The cost of the battle between autobahns and windmills, for example, is not just economic but strategic. Last year's abrupt halting of Russian fuel imports sent the country scrambling for power, preferably local and renewable. Olaf Scholz, the chancellor, says Germany needs to build three or four new wind turbines daily to reach its emissions-reduction targets. The current rate is just over one per day.

Other examples of German own goals abound. The government's decision, in the midst of the energy crisis, to mothball its last three nuclear power plants has benefited neither the country's energy consumers nor its citizens' health, as dirty coal plants had to be fired up temporarily to meet demand. Local governments, meanwhile, have often held up permits for solar and wind installations, or the building of transmission lines to distribute power between the country's windier north and sunnier south.



The Economist

The propensity for self-harm goes far beyond the energy sector. Germany's insistence on a *Schuldenbremse*, or "debt brake" (which bars the federal government from net borrowing of more than 0.35% of GDP), may please finger-wagging burghers. But they perversely kept German governments from borrowing in order to invest from 2012-19, when interest rates were low. The result is overcrowded roads, a national rail operator with one of

Europe's worst records for punctuality and one of the EU's feeblest rates of broadband internet penetration. Spending caps have also forced governments to use off-budget special funds to pay for covid-19 relief, its promised defence build-up and its climate-change goals.

Penny-pinching has embarrassed German diplomats too: the under-funded Luftwaffe has trouble maintaining the official air fleet, and has twice this summer stranded Annalena Baerbock, the foreign minister, at airports abroad. More deeply worrying is the substance of a series of decisions which the country took seemingly on autopilot, and has come to regret. For years German policymakers waved off warnings about Nord Stream 2, an \$11bn pipeline that risked locking the country into dependence on Siberian natural gas. It was completed just in time for Russia's invasion of Ukraine, has since been blown up and will probably never be used. Advice to be wary of Chinese electronics contractors was similarly ignored until this year. A recent report in *Der Spiegel*, a news weekly, revealed that the cost to the national railway system alone of replacing components supplied by Huawei, a Chinese firm, could exceed €400m (\$437m).

Less obvious decisions have undermined Germany's standing in smaller ways. Two former spy chiefs complain that excessive oversight and political squeamishness have hamstrung intelligence gathering. Germany failed until the last minute to believe that Russia would invade Ukraine; the lack of an agency specialised in electronic eavesdropping may help explain that. A recent ruling from Germany's highest court granted foreign nationals abroad the same protections from German surveillance as German citizens in their own country. No wonder that Germany still depends on allies for intelligence. Its own services, said the former chiefs in an opinion piece in *Bild*, a tabloid daily, risk becoming "toothless watchdogs with muzzles and iron chains".

German bureaucrats do not always get things wrong, and when they do it is sometimes not their fault: as in any country, politics often trumps sound policy. Closing nuclear plants has been a holy mantra for Greens, while fiscal probity plays the same role for the pro-business Free Democrats. These are the two junior coalition parties that Mr Scholz needs to appease. Besides parties, Mr Scholz must placate Germany's powerful states. The German press, meanwhile, excel at stirring up storms in teacups. Whipped-

up angst prompts politicians to respond by over-legislating. One result is the chunky paperwork required by Germany's hyper-vigilant data-protection laws.

It is also true that when German governments screw up, they are more diligent than most about fixing things. Mr Scholz's government, for instance, is at long last investing strongly in energy, transport and information infrastructure. It has quickly built up alternative sources to replace Russian fuel and has bet heavily on emerging technologies such as hydrogen. The coalition is even planning a Bureaucracy Relief Act that promises to cut red tape.

Recently Berlin has splurged some €15bn on subsidies to attract Intel and TSMC, two semiconductor makers, to build plants in former East Germany. Whether this is wise remains to be seen, but besides the strategic goals, the political logic is clear: a local economic boost may pull votes away from the far-right Alternative for Germany (AfD), which is strong there. The AfD wants to cut immigration, though German employers are desperate for workers; to weaken the EU, whose rules have underpinned German prosperity for 60 years; and to cut off military aid to Ukraine, inviting Russian armies closer to Germany. If the party gets its way, Germany may have a hat-trick of own goals in its future. ■

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Metre by metre

Ukraine's counter-offensive is making progress, slowly

Ten weeks in, the army is starting to figure out what works

Aug 16th 2023



Getty Images

UKRAINE HAS tried various approaches in the [counter-offensive](#) it launched on June 4th, but it is starting to figure out what works. “During the past two weeks we have seen things gradually tipping in Ukraine’s favour,” says Nico Lange, a Ukraine expert at the Munich Security Conference. The evidence from both satellite imagery and (mainly Russian) military bloggers is that slow progress is being made. Sir Lawrence Freedman, a British military strategist, agrees: “They’re doing stuff and they’re stretching the Russians.”

The successful strategy, says Ben Barry, a land-war specialist at the International Institute for Strategic Studies, a British-based think-tank, is a combination of the “deep battle and the close battle”. Ukraine is using its growing qualitative advantage in precision artillery shells to take out Russian batteries. Longer-range munitions such as HIMARS and Storm Shadow missiles are hitting logistical hubs and command centres. Tweaked

S-200 missiles, normally meant for air defence, were used on August 12th to attack the Kerch Bridge, which links Crimea to Russia.



The Economist

Mr Lange points to Ukraine's partial success around the village of Urozhaine in the Donetsk region, where with the help of newly-acquired cluster munitions the main Russian route of withdrawal has been turned into a deadly choke point. Alexander Khodakovsky, a Russian battalion commander in Urozhaine, complained this week via Telegram, a messaging app, that he was not getting reserve troops to stem a mounting disaster. This suggests that Russian forces in some areas are now too battered to provide reinforcements.

When Russian forces respond with counter-attacks, says Sir Lawrence, they often run out of steam. A Russian offensive near Kupiansk in which convict soldiers are bearing the brunt of the action has so far been an exception. Though Ukrainian positions appear to be holding, Russian bombing has caused great destruction, and led to a civilian evacuation on August 10th.

Meanwhile, grinding progress continues on the two southern axes towards the cities of Melitopol and Berdiansk. The big challenge is breaching some of the most heavily mined areas in the history of warfare. Ukraine's defence minister, Oleksii Reznikov, claimed this week that in some parts of the

frontline there are five mines per square metre. This is the main reason, says Mr Lange, that Ukraine has had to concentrate on a narrow front: it does not have the sappers or mine-clearing vehicles to attack multiple points along the line. According to the *Guardian*, a British newspaper, Ukraine's 200 engineering units started the counter-offensive with about 30 troops each. But sappers, who clear mines by hand, are frequently injured or killed. An engineering brigade in one recently liberated village had only five sappers left, the paper reported.

Mr Reznikov is pleading with allies for mine-clearing equipment and training, but no army has faced such a challenge since the second world war. Experience and kit are sparse. NATO forces became adept at dealing with IEDs in Afghanistan. But the scale in Ukraine, says Mr Barry, resembles the battle of El Alamein 80 years ago, when Erwin Rommel, the German general, laid a million mines. It took ten days for the British to get through, even with a huge advantage in artillery, control of the skies and plenty of mine-clearing tanks—none of which Ukraine has.

Ukraine's long-range strikes could yet pave the way for a major breach. Germany may soon help out with 400 or so Taurus cruise missiles, which would threaten more of Russian-occupied Crimea. Mr Lange says Russian assets such as self-propelled howitzers and KA-52 attack helicopters are being picked off “piece by piece”. At the start of the war Russia had about 100 KA-52s but may now have as few as 25 left. Russia seems to be placing its bets on its first line of defence holding. If the second and third ones turn out to be brittle, as some experts suspect, a push through could be decisive.

■

Not small beer

Poland's far right could be the next government's kingmaker

It has hidden its extremist roots behind a free-market message

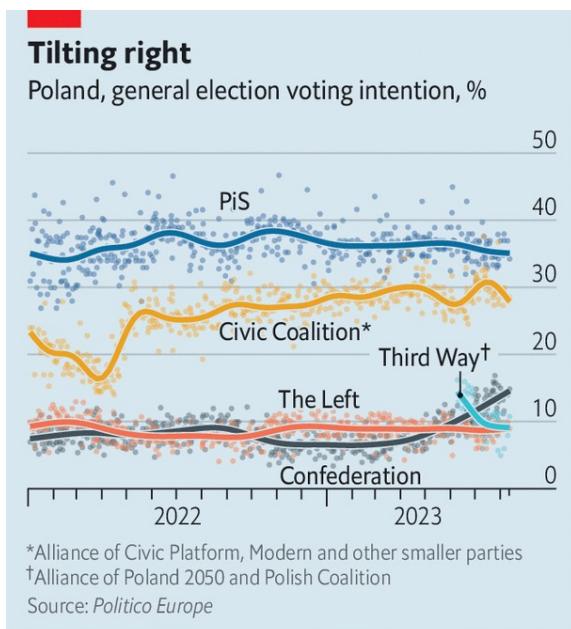
Aug 15th 2023 | WARSAW



PINT BY PINT, Poland's biggest far-right party is climbing in the polls. Slawomir Mentzen, its new co-leader, is staging lager-fuelled rallies across the country. Sparklers go off as he climbs on stage; his political stand-up routine ridicules all the mainstream parties. With a mostly male crowd cheering him on, the 36-year-old chugs down beers while extolling low taxes and deregulation—and saying surprisingly little about abortion or the EU.

Most non-Poles think of the Law and Justice (PiS) party, which has governed Poland since 2015, as the epitome of populist nationalism. But there is another party even farther to the right: Confederation. Polls in July found it had roughly doubled its support this year to 15%. The two bigger parties, PiS and the centrist Civic Platform (PO), will almost certainly fall short of a majority in the general election on October 15th. Whichever one

comes first will probably need Confederation's support to form a government.



The Economist

In most countries, hard-right parties outflank centre-right ones by hammering on cultural wedge issues. But PiS's campaigns, with their incessant bashing of immigrants, gays and Brussels bureaucrats, leave little space for that. Instead Confederation distinguishes itself with small-government economics. PiS has greatly expanded the state with massive handouts to parents and pensioners, worrying liberals and libertarians, who make up almost a fifth of the electorate. Meanwhile PO, once seen as centre-right, has drifted left.

Confederation has seized on the discontent. Bartłomiej Pejo, a deputy leader, says the two big parties have “not offered Poles anything but social programmes”. He bemoans high inflation (now at 11% annually), the pandemic lockdowns, the EU’s “pseudo-ecological programmes” and financial aid to Ukrainian refugees.

The party's attempt to portray itself as a mainstream group advocating laissez-faire economics conceals its more troubling side. Confederation is a coalition of three smaller parties: Mr Mentzen's New Hope (the least radical), and the kookier National Movement and Confederation of the

Polish Crown. In 2018 the three groups' leaders signed a declaration of allegiance to the Catholic church, promising to "submit our private and public life to the reign of Christ, King of Poland".

Mr Mentzen supports tightening abortion laws, making gun ownership easier and reintroducing the death penalty. The party's seedier characters go further: Grzegorz Braun, an MP and the leader of Confederation of the Polish Crown, calls for flogging gay people and abolishing Poland's democratic system, which he terms a "Russian-German condominium under Jewish trusteeship".

Many new supporters choose to keep their beer goggles on. "Liberal voters support Confederation in spite of its cultural conservatism," says Marcin Duma, head of IBRiS, a polling agency. The party's leaders rarely grant interviews. Instead they thrive on social media. Mr Mentzen has 781,000 followers on TikTok, by far the most of any Polish politician. He is relatable and fun. After a video emerged of him stumbling drunk in the streets, his popularity rose. The next morning he posted a video saying he had "blacked out", but still got up to work: "That's what responsibility is." He runs a tax consultancy—and a brewery.

As Mr Mentzen points out, Jaroslaw Kaczynski and Donald Tusk, the leaders of PiS and PO, are older than his parents. "They need to retire," he adds. That message appeals to young people: a new study of young first-time voters found that nearly a third plan to vote for Confederation. Among men aged 18-21 the figure was 46%.

As its poll ratings rise, Confederation may soon face some grown-up decisions. Even a coalition with PiS, the more likely ally, seems unworkable: that party prides itself on its generous social programmes. PiS has built up a network of tens of thousands of people to whom it distributes jobs and contracts, says Mikolaj Czesnik, head of the Institute of Social Sciences at the SWPS University in Warsaw. Sharing power with another party would interfere with handing out the goodies.

Asked how Confederation will implement its agenda if neither big party will co-operate, Mr Pejo says it may strike a deal to prop up a minority government. "I'm serious, we are not discussing who to be in coalition

with,” he says. “We are going to elections not to sit at the table, but to overturn the table.” A minority government would be a shaky set-up. It would probably not last. But Mr Pejo welcomes the prospect of backing such a government only to watch it fall; if it does, he predicts his party could win 30% or more of the vote next time. That, he acknowledges, “would once have been absurd”. Most political analysts think it still is. But in Europe these days hard-right parties that start out as no-hoppers have a way of ending up in power. ■

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According to the conventions

How Russian prisoners of war see Putin's invasion

And how they are treated by Ukraine

Aug 13th 2023 | LVIV PROVINCE



Tim Judah

ANDREY WAS in prison for murder in Russia's Ivanovo region, north-east of Moscow, when army recruiters came by and offered him a good salary and a record wiped clean in exchange for six months' service. Two weeks after arriving at the front he stepped on a mine, lost his foot and was saved by Ukrainian troops. "If I had known the consequences of joining, I would not have done it," he says dryly. Now he is reading a crime thriller in a prisoner-of-war camp near Lviv, hoping he will be exchanged soon.

Andrey's chances are good. After Russian soldiers are captured, they move through a series of detention centres before arriving at this PoW camp. Visitors are asked not to reveal its exact location. Arrival here means that being exchanged is the probable next step, unless interrogation by Ukraine's intelligence services implicates the PoW in a [war crime](#). Some prisoners ask the Ukrainian authorities to delay their exchange until after their military contracts have expired so that they are not compelled to fight again. A few ask not to be returned at all; but then they have to remain in custody until the

war is over, unless they volunteer to fight in the [anti-Putin Russian militia](#) that Ukraine sponsors.



The numbers of PoWs fluctuates and no official numbers are given. Achille Despres, spokesman of the International Committee of the Red Cross (ICRC), which endeavours to visit as many PoWs as possible, says that it has visited 1,500 on both sides, but knows there are “thousands more we have not had access to”. It refuses however to divulge whether one side or the other gave more access.

The Lviv camp is a model one. In accordance with the Geneva Conventions, the PoWs are not locked up in cells. Krzysztof Janowski of the UN’s Office of the High Commissioner for Human Rights (OHCHR) says that conditions in the camp have “not raised any major issues with us in the past,” and “are consistently improving over time.” As allowed by the conventions, ordinary soldiers are put to work. In one room men sit around a table sticking and glueing fancy shopping bags. They also make garden furniture. Officers are not compelled to work but they are “rare birds” here, says Petro Yatsenko, a novelist turned spokesman for Ukraine’s Co-ordination Headquarters for the Treatment of PoWs.

According to Mr Yatsenko, the types of prisoners passing through the camp have varied. When the 2022 invasion began, the arrivals were mostly soldiers from Donetsk and Luhansk, the two territories of Ukraine which came under Russian control in 2014. In the second wave there were a lot of mercenaries from the Wagner group. Now he says, roughly one-third of the PoWs are jailbirds like Andrey, who were recruited into so-called Storm-Z penal military units, a third are men who have been mobilised, and a third are regular soldiers.

In the Lviv camp many of the Russian PoWs look far older than their years. Many of those recruited from prison have been ill and weak and “it is very difficult to believe they can have been useful except as artillery meat,” says Mr Yatsenko. The Russian army began recruiting in prisons early in the year as its relations with the Wagner group deteriorated. But he says that it seems that Wagner had already taken the fittest prisoners. He says most Russian PoWs spend on average “months” in Ukraine, but many [Ukrainians coming back from Russia](#) have been there for more than a year. Up to a third of the Ukrainians who return have been registered as missing because Russia shares no information with Ukraine about its prisoners.

In March the OHCHR published a searing report on PoWs. Its teams had full access to detention centres in Ukraine, but none to any in Russia or the occupied territories. Its information on conditions of prisoners in Russian hands came from freed prisoners. Based on several hundred interviews it found that 92% of those who had been prisoners of the Russians claimed to have been ill-treated or tortured, whereas that figure was 49% (which is still alarmingly high) for PoWs held by Ukraine. According to Mr Despres, the moment of the highest risk of abuse comes typically “in the first hours after they have been captured.” According to Mr Janowski “on the Russian side the mistreatment continues throughout their detention.” That appears to be much less true for Russian PoWs in Ukraine.

In the Lviv camp most of the PoWs that were asked said they had not been mistreated—but Ukrainian officials were around, if not present, at every discussion. A couple of men looked down and said this was not something they wanted to talk about. The treatment of some PoWs by both countries upon capture, including the reported summary execution of 15 Ukrainians and 25 Russian PoWs “may constitute war crimes,” says the UN report.

Russian officials “essentially dismiss our findings” says Mr Janowski while the Ukrainian side has been “responsive, accepting our role as independent monitors.” Even so the report records a depressing amount of mistreatment by the Ukrainians. “The majority of tortured and ill-treated PoWs complained of beatings with rifle butts, wooden bats, sticks and fists … and being forced to kneel for hours while being questioned,” it said. It also noted a “widespread pattern” of prisoners being forced on film to shout and sing slogans, and that videos of ill treatment and humiliation were “disseminated on social media.”

In Ukraine PoWs are allowed occasional calls home, though they are not private. When they call they can ask their family to send money so they can buy sweets, coffee and toiletries from the prison shop. “I’m alive. I am OK. I am in Ukraine. I’m in prison but they are treating me well,” said Aleksei from Lipetsk in south-western Russia, who had arrived in the camp a few hours earlier. “I have been looking for you!” said his mother.

According to Mr Yatsenko many of the PoWs believe Russia’s propaganda line that they have been fighting a just war against “Nazis”. But at least some of these bowed and shaven-headed men have been asking why they ended up here. “I think this war is for nothing,” says Kiril, from Russia’s Tula region. “I want to go home.” ■

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The booming baguette

French bakeries are thriving in unlikely places

Boulangeries are spreading out of town—and onto roundabouts

Aug 17th 2023 | BOLLÈNE



Alamy

ON A SOULLESS roundabout at a motorway junction, next door to a Burger King and opposite McDonald's, stands a newcomer to the world of fast-food in France: a *boulangerie*, or French bakery. With ample parking, the Boulangerie de l'Ovalie, just off the A7 north of Avignon, offers its car-borne customers the staple croissants and baguettes, as well as quiche and snacks. The *boulangerie* is traditionally a feature of the village square or high street, part of the civic density which urbanists laud in France. Yet now, it is flourishing as an out-of-town drive-in or drive-to experience.

It is an unexpected time for the baguette to boom, let alone on the country's urban fringes. Rising energy and flour prices have pushed the price of the humble stick over the symbolic one euro in some places. Older folk still recall the time in the 1970s when it went for one French franc. Yet in 2022 more new *boulangeries* opened their doors in France than closed, according to Altares, a research group. Across the country 2,538 new bakeries set up shop last year. In the Paris region, the fastest growth has taken place not in

the capital's built-up walkable centre, but its low-density outer suburbs—catering to the motorist.

Marie Blachère, a chain of *boulangeries* installed on roundabouts and other car-accessible edge-of-town sites, now has over 700 outlets across France; 70 opened last year alone. It provides industrial-scale kitchens for artisan baguettes, made from dough prepared, kneaded and baked on the premises, a condition in France for use of the label boulangerie. With turnover of over €550m, it ranks as one of the top ten fast-food chains in France. In the city of Chartres, Cyril Avert boulangerie serves baguettes to motorists at the wheel, as a pure drive-through service. So does Jules & John, in over 20 towns in France.

The drive-in or drive-to fad is not welcome news for the boulangeries on narrow town-centre streets, many of which are struggling with rising costs. But it does reflect a stubborn fact about France, which those who govern from its city centres neglect at their peril. In 2021 82% of French households owned at least one vehicle, and many in outer suburbs and semi-rural parts depend on it for work. The French remain as attached to their daily, or even twice-daily, baguette as they do to their use of the car. ■

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Charlemagne

Having shaken off nationalism, Europe risks civilisationalism

A new book decries the continent's subtler form of chauvinism

Aug 17th 2023



IT IS POSSIBLE to be black and Dutch, or for a person of Moroccan descent to be unequivocally French. But is it possible to be non-white and to think of oneself as “European”? In most ways, certainly. Plenty of non-white people are born in Europe, and a citizen of any EU country is a citizen of the bloc, no matter what their ethnicity. Yet the term “European” is sometimes also used to connote whiteness: in apartheid-era South Africa, the terms were interchangeable. Those who think of Europe as a civic construction—a place underpinned by laws and values that people freely adhere to—can welcome anyone as a citizen. But of late some have tended to think of Europe in civilisational terms, an idea rooted not just in laws and institutions but in history, culture and identity. To be European in that meaning is to be *of* a place, to belong there, and therefore for others *not* to belong. That has unsettling implications for those who live in Europe yet do not look traditionally European. Might eight decades of EU integration accidentally foment a form of ugly, pan-continental bigotry?

The case that something discomfiting might be afoot is put forward by Hans Kundnani, a fellow at Chatham House, a think-tank in London. In “Eurowhiteness”, the British son of a Dutch mother and an Indian father describes his own inability (even before Brexit) to think of himself as 100% European, as many British liberals in pro-EU circles routinely do. Those who cheer the European project laud the way it consigned nationalist competition between EU members to history—forget fighting a war, being narrowly French or Swedish looks old-hat these days, at least outside football stadiums. Even the hard right seems to be stepping back from country-first nationalism. Leaving the EU was once a populist priority. Now the likes of Marine Le Pen in France and Viktor Orban in Hungary want Europeans to band together to collectively build higher fences better to keep Middle Easterners and Africans out instead.

Surely the rout of any and all forms of nationalism (apart from the odd populist) is one of the EU’s signature achievements? Not so fast. Hannah Arendt, a German political theorist, warned in 1948 that one day people might find a way to become “as narrowly and chauvinistically European as they were formerly German, Italian, or French”. Mr Kundnani does not suggest that skinheads with tattoos of EU flags will soon start roaming the streets of Brussels and Strasbourg. But he describes what he thinks is a “civilisational turn” in Europe of late. It comes not just among the likes of Mr Orban. Emmanuel Macron, France’s president, has defended the idea of promoting European civilisation, the better to fend off rivals in China, America and beyond. When Ursula von der Leyen, the boss of the European Commission, appointed a staff member to stem migration four years ago, she named him commissioner for “Protecting Our European Way of Life” (after an uproar, he finally got a similar job “promoting” this elusive euro-lifestyle).

Mr Kundnani admits it is not easy to pin down where this civilisational turn comes from. In a sense, it is a return to Europe’s roots: the emergence of country-first nationalism from the 18th century onwards came when the continent’s common religious identity started to fade. Now it is the nation-state that is itself fading, seen as inadequate in the face of global challenges which only a united continent can tackle. (Mr Kundnani also indulges in a bit of left-wing rhetoric by pinning the blame on neoliberalism.)

That coincided with another change. Until recently, Europe was an unabashed believer in its model, keen to export its softer version of capitalism and societal welfare. But since the euro-zone miasma in the 2010s, and after an ugly refugee crisis in 2015, its confidence has taken a knock. Europe sees itself surrounded by threats, whether from a rising China or Trumpism. Touting the idea of a civilisation capable of defending its interests is comforting stuff. Mr Macron speaks often of a “Europe that protects”. Josep Borrell, the EU’S foreign-policy chief, calls Europe a “garden” that needs to fend off the “jungle” beyond its borders.

If euro-skinheads are not the worry, what is? For one, the more politicians speak of today’s Europeans being the product of a civilisation stretching back thousands of years, the less minorities feel they belong to this particular “way of life”. More broadly, the continent’s welcome integration in recent decades has created a notable blind spot, Mr Kundnani argues. Defeating nationalism for the purposes of EU integration meant dwelling on the pinnacle of the horror it created. Thus it was the Holocaust which Europe remembered as the one thing it had to “never again” allow to happen. The role of (some) European countries in brutally colonising vast swathes of the globe was thereby swept under the carpet.

A more perfect union

Across the world, rich white countries have had to contend with their foundational sins. In places like Australia and Canada, the shabby treatment of indigenous residents—centuries ago and today—is hotly debated. In America the divisions born of slavery mean that questions of racial justice remain central to its political discourse. In picking the Holocaust, European politicians chose a foundational sin that matched their integrationist ambitions. By highlighting the way colonial horrors were memory-holed, Mr Kundnani rightly points out that other sins were mostly ignored. The legacy of centuries of foreign misdeeds barely features in the public sphere, beyond an occasional mumbled apology.

Individually, each European country struggles with race. Europe as a collective is a mess on the issue, riven by its member countries’ different histories of colonialism and migration. France pretends skin colour does not exist; Denmark’s “ghetto laws”, in contrast, apply ethnic discrimination.

Poland expects the non-white labour migrants it imports to return home someday, echoing past delusions in Germany and the Netherlands. Hence grappling with what it means to be of Europe, to be European, will continue to be vital—even if it is uncomfortable. ■

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Britain

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Not so black and white

Reckoning with slavery remains an elite project in Britain

The public shows a studied lack of interest

Aug 17th 2023



Tate Britain

AT TATE BRITAIN, in London, a crowd gathers in front of a painting. *The Death of Major Peirson, 6 January 1781*, shows a black soldier avenging the killing of a British officer during the French invasion of Jersey. The painter used this man to “symbolise the fierce loyalty of the empire”, explains the curator. This shows that the artist could rely on the public’s naivety, he suggests, for Britain at the time was “deeply involved in the slave trade”. “If we can be proud of the best moments in history...we must reflect on the worst.”

Periods of reflection come and go. The killing of George Floyd by police in Minneapolis, in 2020, prompted soul-searching about race around the world, including in Britain. Activists in Bristol toppled a statue of Edward Colston, a slave-owner, and dumped it in the harbour. The largest ripples since have come from institutions looking at their own pasts. In January the Church of England pledged to spend £100m (\$127m) to “address past wrongs”, after

admitting it had invested in the transatlantic slave trade. In March the *Guardian* apologised after “discovering” it was founded with profits from cotton picked by slaves. Universities, banks, museums and others have done similar things. In February the Trevelyan family, whose ancestors part-owned slave plantations, apologised and said they would pay £100,000 in reparations to Grenada.

Such acts remain exceptions, however. Britons’ attitudes to their country’s past are shifting a bit, but as a whole they show little interest in re-assessing it. Polling data mostly suggest indifference, including over the nastiest aspects. When asked by pollsters about the empire some Britons, especially older ones, used to express pride. Today people mostly shrug, although a few (16% according to one survey in 2020) call it shameful. Reckoning with the legacy of slavery can sometimes be seen as a duty for an elite who cemented their ancestral homes with profits from African blood. A poll in April found that 44% of Britons thought that the royal family, whose ancestors monopolised the early slave trade through the Royal Africa Company, should pay reparations of some sort. Yet few think the country as a whole, or businesses and other institutions that benefited from slavery, should do so.

It is rare for the topic of slavery to be tackled nationally. Take the Demerara uprising of 1823, when British colonists brutally suppressed a non-violent uprising of 10,000 slaves in what is today Guyana. One of the resisters, Quamina, was strung up for so long that a colony of wasps built a nest in his abdomen and took to flying in and out of his jaw. The incident sparked outrage in Britain and helped to invigorate the movement for the abolition of slavery in the colonies. Yet today most Britons only know of Demerara as the sugar they spoon into their coffee, not the uprising. Its 200th anniversary, on August 18th, was likely to attract scant public notice.

Such apathy sets Britain apart from other former imperial powers. In December the Dutch government apologised for that country’s role in slavery and set up a fund to raise awareness of its legacy. Portugal’s president, Marcelo Rebelo de Sousa, said in April that his country should accept responsibility for the slave trade. The French president, Emmanuel Macron, paid tribute to Haitian revolutionary Toussaint L’Ouverture. In contrast the prime minister, Rishi Sunak, is more circumspect. “Trying to

unpick our history is...not something that we will focus our energies on,” he told Parliament in April. Instead the history is picked at in places like the Tate Britain café, over coconut *pandan* doughnuts and pork-and-fennel sausage rolls.

Younger Britons are somewhat more involved. A survey in 2021 found that 86% of English schools reported teaching pupils aged 11 to 14 about the transatlantic slave trade. But only 13% said they taught the legacies of slavery: a far cry from how German students routinely discuss the impact of the Holocaust. In “Bridgerton”, a historical series popular among the young, black actors are cast as Georgian aristocrats. To some that is empowering. But the whitewashing of slavery adds to a commonly held assumption that it was mainly an American problem.■

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Sporting girls

England's Lionesses reach the World Cup final

The team has become a game-changer for domestic football

Aug 15th 2023

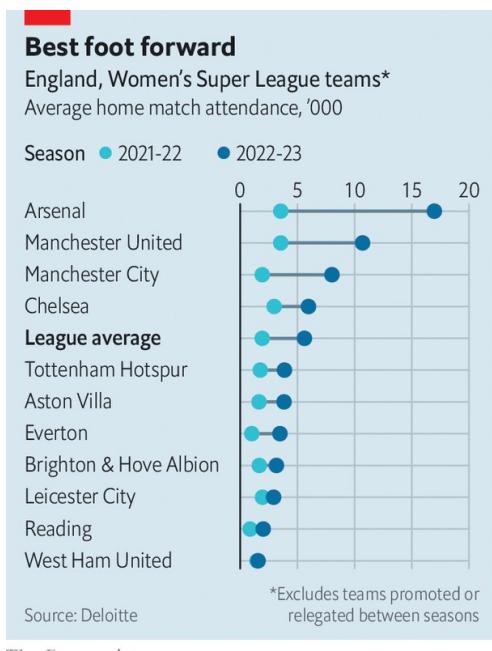


Reuters

WHEN CAROL THOMAS started playing the game, aged 11, she had no idea the Football Association (FA) did not allow women on its pitches. A ban imposed in 1921 because football was deemed “quite unsuitable for females” remained until 1970. Ms Thomas flourished and became captain of England, but she had to pay for her own travel, including internationally. Her team expected, and got, no media coverage. Gillian Coulter, a former teammate who played in the 1995 World Cup, has described the female footballers of the 1980s and 1990s as the “silent generation”.

A reversal of this neglect of talent is now evident. In 2021, a century after its ban, the FA launched a #LetGirlsPlay campaign for equal access to football in communities and schools by 2024. If this comes anywhere close to being accomplished, much credit will be given to the current national team. In 2022 the Lionesses beat Germany 2-1 in extra time in the final of the Euro tournament. And in a World Cup semi-final on August 16th they beat the

hosts, Australia, 3-1. Whether they win or lose the final against Spain, the Lionesses are national heroines.



The Economist

Their success has had two important consequences. Enthusiasm for the game is soaring, as a sharp rise in attendance figures for the English Women's Super League shows (see chart). That will bring more investment. Equally crucial, the Lionesses have inspired more girls to play.

This is evident in the playground. A survey of primary-school teachers has found that the number who see girls play at break every day rose from 22% in July last year to 32% this July. The number of primary schools with girls' or mixed teams rose from 61% to 71%. Outside school, clubs have multiplied. When Maeve Fitzgerald, a 12-year-old midfielder in south London who is likened locally to Manchester City's Kevin De Bruyne, wanted to join a club five years ago her parents struggled to find one. Now she is a member of two and plays twice a week.

More women are becoming coaches, too. Ella Cahoon, 30, who has played since she was eight, volunteered for a club in south-east London after the Lionesses won the Euros. She reckons the biggest challenge, besides ensuring that girls have chances to join teams at every level, is encouraging them to keep at it beyond puberty. The FA says that at primary school 72%

of girls play as much football as boys, but that falls to 44% in secondary school. The government has introduced a Kitemark-type scheme for schools that offer equal sporting chances to boys and girls.

Whereas boys from households of all incomes play football, among girls it appears to be more for middle-class families. That may reflect, in part, the cost and time required to get girls to practices and games that are more dispersed, so involve more travel than those for boys. Bernie Butler, whose 12-year-old daughter Charlotte plays for a club in south London, says almost all her daughter's teammates are white and most are middle-class.

Another old obstacle may be falling away, at least. Ms Cahoon, the coach, remembers boys in the East Midlands jeering at girls' demands to use the school goalposts. Ms Butler has had a different experience. As a child she played happily with boys in the playground. Now, boys from her club often show up to support girls' games. She does the same for them. ■

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Devolution

Since Brexit, Britain's union has grown increasingly European

To buttress a shaky nation, British leaders borrow a continental architecture

Aug 17th 2023



Mirrorpix

BLACKPOOL BEARS little resemblance to Brussels. It has no Tintin, no René Magritte, and sticks of rock in place of fine chocolates. But consider one similarity. Just as the de facto capital of the European Union lies symbolically between Paris and Berlin, so Blackpool is roughly midway between Belfast, Cardiff, Edinburgh and London. It was the ideal place, therefore, for an experiment in the government of the United Kingdom. In November the town hosted the inaugural meeting of a body dubbed the “Prime Minister and Heads of Devolved Government Council.”

It was a low-key affair. Rishi Sunak, the prime minister, and Nicola Sturgeon, then Scotland’s first minister, squeezed into a poky hotel suite. Mark Drakeford, the first minister of Wales, dialled in. Northern Ireland’s leaders were absent, since government there is suspended. An official

communiqué hinted at frictions, describing it as a “frank and open forum” in which “views may differ”.

But it was significant as an effort by the British government to shore up a rickety union, which risked being blown apart by the rancour that followed the Brexit referendum of 2016. Amid political chaos—as Ms Sturgeon plotted a new independence referendum, Mr Drakeford complained of being ignored and Northern Ireland’s border raised existential risks—there has been a quiet process of construction, which has seen the government borrow bits of the EU it had just left. Overcoming Brexit has meant building an increasingly European-looking union.

That is surprising, for Britain is in many ways unlike the EU. It has developed piecemeal, rather than through comprehensive treaties. It is a unitary state, with a powerful central government and a sovereign Parliament that can make and unmake any law. Although the devolved administrations in Scotland, Wales and Northern Ireland have powers in areas such as health and education, they cannot wield vetoes over British government policy, as member states can in the EU. Nor do they have an Article 50-like power to leave the union. England dominates: it has 84% of the population, and so picks the government. (Germany, the biggest EU member, has just 19% of the bloc’s population.)

Start with the Blackpool meeting. When the architects of devolution carved up powers in the 1990s, they gave little thought to how the new administrations might work together. Meetings of leaders were ad hoc and ill-tempered. Boris Johnson’s reforms of January 2022 attempted to put intergovernmental relations on a more orderly, transparent footing, a little like the EU’s Council of Ministers. The new architecture comprises three tiers of ministerial meetings, an impartial secretariat, rules for settling disputes and a chair that rotates between countries.

A second, more dramatic change comes in the form of Britain’s new internal market. Devolution was built on the EU’s single market: capitals could manage their own railways and agriculture because all the kingdom was bound by a common European rulebook, preventing barriers to trade. Brexit ripped this away. Mr Johnson’s answer was a vast law, to reimpose the EU legal concepts of mutual recognition and non-discrimination. A new Office

of the Internal Market does the job of the European Commission, monitoring for divergence. Brexiteer ministers talk like Eurocrats. “It is the same Cassis de Dijon principle,” Michael Gove, the minister for intergovernmental relations, told Parliament recently, referring to a historic EU court decision that underpins free circulation.

Britain’s courts are the third element of this trend. The EU’s constitution has been shaped by its judges: cases touching trivial matters have led to vast delineations of power between the member states and the central institutions. In Britain, by contrast, judges have taken a back seat to politicians. But Brexit has triggered difficult disputes over the boundaries of devolution, and forced judges to shape “what had been a rather loose political constitutionalist framework”, notes Colm O’Cinneide of University College, London. In November the Supreme Court ruled that the Scottish Parliament could not organise a unilateral independence referendum.

Supporters of devolution, such as Mr Drakeford, have long looked to the EU as a model that would give capitals more influence. Yet this new architecture was the work of a circle of “muscular unionists”, who saw devolution as a threat to Britain’s integrity. The result is that while many EU forms have been adopted, power is more centralised, says Michael Keating of the University of Aberdeen. The British government retains the last word on the new ministerial committees.

The new internal market has much less wriggle room than Europe’s. In May, ministers used powers under Mr Johnson’s internal-market act to torpedo a Scottish bottle-recycling scheme. The EU’s funds for infrastructure have been replicated—but whereas the devolved governments once spent them, now they are tightly controlled from London. What is built must still carry a prominent plaque on which the EU flag has been replaced with the British government’s crest. It is as if Whitehall has copied the tools that empower the Brussels institutions, but not those that give its member governments control.

If Labour wins the next election, more Europeanisation could follow. In a paper prepared for the party’s leader, Sir Keir Starmer, Gordon Brown, a former prime minister, outlines a vision that one Tory critic dubs the EU’s “archipelagic mini-me.” Britain would be recast as a “union of nations” with

a “common UK labour market”, a “common currency” and a “shared foreign affairs and defence policy”. A more powerful “Council of the Nations and Regions” would shape economic and climate policy, and the House of Lords would be ditched in favour of a geographically representative “Assembly of the Nations and Regions”. Only a new anthem is missing. “Ode to Joy” would fit. ■

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Treasure from the Thames

Britons are ever keener on mudlarking in the River Thames

The foreshore is growing crowded

Aug 11th 2023



Jason Sandy/Jon Attenborough

THE SLUDGE is everywhere. A Roman coin is disguised as a bottle-top; a Tudor shoe is dressed like a wedge of [wet-wipes](#). For Jason Sandy, sorting the trash from treasure is easy work. Scouring the foreshore at low tide, his recent riches have included a knight's knuckle-duster and a Victorian-era dog tag.

Growing numbers of Britons are seizing oddments of history that the River Thames spits out. Twice daily, the exposed shore becomes the country's longest archaeological site. Some 200 mudlarks had permits to comb there four years ago; today around 5,000 do. The Port of London Authority (PLA), a public trust, has stopped issuing permits. Hundreds take their chances without one.

Mudlarking is not new: Victorian scavengers raked the shore for a living. In the last century it was a niche activity—a tidal “Wild West”, says Lara

Maiklem, another mudlark. In the late 1970s the PLA handed its first foreshore permits to 50 larks who were told to keep their finds private. No longer. Many post videos of their finds on social media: Mr Sandy has over 90,000 Instagram followers. Ms Maiklem's "Mudlarking: Lost and Found on the River Thames" reads like a riveting detective story. A television show, "Digging for Treasure", follows mudlarks. Old-timers bemoan the publicity.

One change, says Tim Miller, Chairman of the Society of Thames Mudlarks, is that women now make up roughly half of all larks, versus only 5% two decades ago. The young also get stuck in. Jane Sidell, Inspector of Ancient Monuments at Historic England, celebrates that but worries that some larks are irresponsible: "The foreshore is being ripped away in places." Archaeologists are also vexed. Ms Maiklem has been criticised for popularising the hobby.

Theft is a concern. Treasures must be reported, but 80% of mudlarks fail to do so according to a survey by the PLA. "We're finding shops pop up on Etsy, flogging things from the foreshore," says Dr Sidell. Some use detectors to find valuables such as Roman coins. Digging also causes damage. "I don't dig, scrape or use a metal detector," says Ms Maiklem. "I just wait and see what the river leaves for me." For now, the Thames delivers ample pickings. Your correspondent chanced on a Victorian clay pipe, its delicate bowl unmarred by 150 years in the churning tide.■

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Bagehot

What happens to comedy when British politics becomes a joke?

The satire bust

Aug 17th 2023



Nate Kitch

THE SATIRE boom began on August 22nd 1960, when the cast of “Beyond The Fringe” took the stage in a half-empty Royal Lyceum Theatre in Edinburgh. It took 90 minutes for Peter Cook, Dudley Moore, Alan Bennett and Jonathan Miller to demolish “all that is sacred in the British way of life with glorious and expert precision”, wrote one critic. Almost every subsequent British satire from the 1980s’ “Yes, Minister”, which portrayed cynical civil servants, to 2005’s “The Thick Of It”, which portrayed cynical New Labour advisers, owes a debt to four young men fresh out of Oxford and Cambridge over 60 years ago.

Now a satire bust has begun. “Mock The Week”, which did just that, ended after 21 series in 2022. “The Mash Report”, a spin-off from a satirical website, lasted six series before being canned the same year. “Frankie Boyle’s New World Order” followed suit a few months later. A much-hyped return in 2020 of “Spitting Image”, a 1980s show in which grotesque

puppets mocked politicians, was cancelled after it proved both expensive and unpopular.

In the Edinburgh of 2023, now hosting its annual arts festival, audiences are in the mood for gentler things. Matt Forde, a comedian and impressionist, offers funny but safe material such as an observation that Rishi Sunak resembles a beaming children's television character even when delivering catastrophic news. Even this act is too much for some: a group of Scottish National Party supporters marched out. The line that broke them was a real quote from the first minister, Humza Yousef, who responded to an allegation that his party had used secret phones for nefarious ends by saying: "It depends on your definition of a burner phone."

When audiences do want something sharp, they want it to confirm prejudices. Rosie Holt came to fame with spoof videos of Conservative ministers so well-observed, people thought they were genuine. Her reward is nearly 300,000 followers on X (previously, Twitter) and a sold-out show in Edinburgh. The lights on her show glitched because she would only hire a Brexit-supporting technician. The audience chuckled. In the 1960s, Michael Frayn worried that predictable jokes had "less in common with satire than with community hymn-singing". Stewart Lee, a modern comedian, put it more profanely: "'Was it funny?'/No, but I agreed the fuck out of it.'"

Fundamentally, satire is harder than it was. "Beyond the Fringe" had the advantage of novelty. In 1960 censorship was still the norm. The Lord Chamberlain could nix plays for the preservation of "good manners, decorum or the public peace". Few had mocked Harold Macmillan, the prime minister and an Edwardian throwback, so explicitly. Now satirists have to compete with online jokers who go further and move faster than a writer on a weekly show or a stand-up doing a tour.

The targets were more obvious, too. In the 1960s, there was one "Establishment", which was deeply Conservative, patrician and male. The well-connected young men on stage mocked the people they could have become. Now Britain's Establishment has split. Patrician Tory-types mocked by Cook still exist in politics, the armed forces and right-wing newspapers. But so does a progressive elite, which dominates the rest of the media, charities, universities and the law. Both need taking down a notch.

Some acts still manage to be original and darkly insightful. “It’s a Motherfucking Pleasure” is best described as a woke farce, set in a PR firm, where a blind executive attempts to make disability aspirational. FlawBored, the disability-led troupe featuring two blind performers, delights in making liberal audiences wince. The act ends with the trio applauding the *Evening Standard* for recommending their show before having seen it. “We’ve got a lot of able anxiety out there,” says Samuel Brewer, near the end of the performance. “And there’s a lot of cash available from the Arts Council.” When new forms of unthinking deference emerge, they must always be attacked—and not by reactionaries merely annoyed they can no longer use certain slurs.

Political comedy has to wrestle with identity, and still be funny. Ahir Shah manages it, weaving his family’s story in with that of Rishi Sunak, Britain’s first Hindu prime minister. (“Politically: I’m furious. Racially: thrilled,” says Mr Shah.) In one telling, Mr Sunak requires the usual material. He is a posh boy who went from Winchester College, a fancy public school, to Downing Street. In another, his rise is a miracle almost cut short by British troops who committed a massacre in the town where Mr Sunak’s grandfather lived in 1919, bombing a school near the family home points out Mr Shah. For understanding Britain, which school matters more: Winchester or Khalsa High School Boarding House in Gujranwala?

Giggling into the sea

The satire bust arrived when politics became its own punchline. It is hard to say anything funny about Liz Truss’s 49 days in office. Satire has always been portrayed as futile. In 1961, Cook launched a comedy club in the vein of “those wonderful Berlin cabarets which did so much to stop the rise of Hitler”. Jonathan Coe, an author, argued satire is actively harmful, breeding cynicism about politics and helping lift up those it should bring down. Boris Johnson became a household name via appearances on “Have I Got News For You”, the BBC’s remaining flagship satirical show.

This fatalism is overdone. Satire is useful when politicians contain hidden depths. Mr Johnson did not. But the current crop do. Sir Keir Starmer is seen as a dullard, when he is ruthlessly cynical. Mr Sunak is portrayed as a mere technocrat when he is the most right-wing occupant of Downing Street since

Margaret Thatcher and a stunning success of British multiculturalism. Each attracts an oddly deferential tone from commentators, who label them “grown ups”, much as few mocked Macmillan before “Beyond The Fringe”. It is a consensus ripe for ripping apart. British politics is much funnier now it is no longer a circus. ■

Read more from Bagehot, our columnist on British politics:

[From wild swimming to grouse shooting, Britain is in hock to hobbyists](#) (Aug 9th)

[Britain's government wastes time—not money](#) (Aug 4th)

[No, really, Rishi Sunak is a right-winger](#) (Jul 27th)

Also: How the Bagehot column got its name

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International

- The BRICS are getting together in South Africa

Is a bigger party a better one?

The BRICS are getting together in South Africa

China's plan to expand the bloc is revealing the contradictions at its core

Aug 17th 2023 | Brasília, Cape Town and New Delhi



Mariano Pascual

LIKE THE iPod and MySpace, the BRICS bloc is a product of the benign optimism of the 2000s. In 2001 Goldman Sachs coined the acronym BRIC in a paper about the economic potential of Brazil, Russia, India and China. The quartet ran with the idea, holding its first summit in 2009. A year later South Africa was invited to join. Some analysts feared the BRICS might soon start to rival the G7, but the grouping quickly lost momentum. The non-Asian BRICS economies stagnated in the 2010s. At summits the bloc would issue garbled communiqés about the perfidious West—which the perfidious West would promptly ignore. The BRICS looked dead.

And yet the bloc lives. On August 22nd the 15th BRICS summit will open in Johannesburg, a major South African city—a party for many of the biggest swing voters in geopolitics. Cyril Ramaphosa, South Africa's president, will be joined by leaders including Narendra Modi of India, Luiz Inácio Lula da Silva of Brazil (known universally as Lula) and China's Xi Jinping. Vladimir Putin will not be there in person. Were he to attend, then South

Africa, as a member of the International Criminal Court, would be obliged to act on the arrest warrant the court issued for Russia's president in March. And that might spoil the fun.

The meeting will underline how the bloc has been rejuvenated by Russia's invasion of Ukraine and rising tensions between the West and China. BRICS members, led by Beijing, are considering whether to expand and deepen the bloc. Some middle powers see the group as a possible vehicle for their interests. The bloc says that more than 40 countries have either applied to join it or have expressed an interest in doing so.

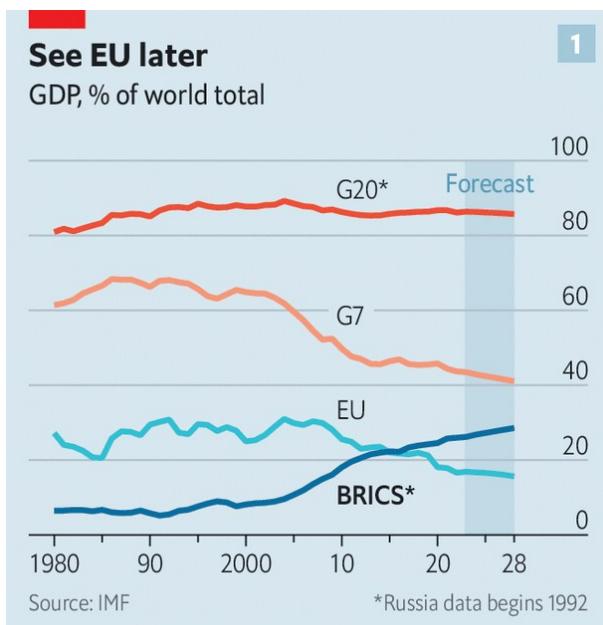
A "Big BRICS" would be a challenge for the West. But it is not a mortal threat. China's efforts to enlarge the bloc are revealing its tensions and contradictions. A weakened Russia is going along with it, but Brazil, India and South Africa are sceptical. The BRICS are far more heterogeneous than the G7. Members differ politically, economically and militarily; expansion would make a motley crew even motlier. It would mean that although the BRICS could criticise the Western-led international order with a louder voice, they would struggle even more to articulate an alternative.

What, then, holds the BRICS together? Like the G7, the group has no charter or formal membership criteria. Nor is its mortar the product of personal chemistry. In June at a meeting of foreign ministers in Cape Town, a kind of warm-up for the main event, your correspondent snuck into the restaurant hosting the dignitaries' lunch. The pasta salad was not the shindig's only sad sight. The delegations were scattered: the Chinese were too busy in meetings, the South Africans too disorganised, the Brazilians too late. Outside, Subrahmanyam Jaishankar, India's foreign minister, held court with his officials. Inside, Sergey Lavrov, his Russian counterpart, silently nursed a glass of white wine.

Working the room

The BRICS endure because the club serves several functions. One is to provide a platform for members to criticise, often with justification, the way institutions such as the World Bank, IMF and UN Security Council sideline the "global south", a modish term for developing countries. In Cape Town Mr Jaishankar talked of the "concentration" of global economic power that

was “leaving too many nations at the mercy of too few”. Oddly, such views have become more pointed as the BRICS’ share of world GDP has increased, from 8% in 2001 to 26% today. Over the same period the G7’s share has fallen from 65% to 43% (see chart 1).



The Economist

The clubbiness of the BRICS is also a source of prestige, especially for struggling members. On average the GDP of Brazil, Russia and South Africa has grown by less than 1% annually since 2013 (versus around 6% for China and India). Any investment analyst who picked them among the most promising emerging markets today would be laughed off her Zoom call. But being the only Latin American country and the only African country in the group respectively allows Brazil and South Africa to project continental influence: Mr Ramaphosa has invited an enormous number of African leaders to the Johannesburg summit.

The bloc offers support in isolated times, too. Jair Bolsonaro, Brazil’s former president, turned to the BRICS after his ally, Donald Trump, left the White House. These days Russia needs the BRICS more than ever. At the meeting of foreign ministers your correspondent tried to ask Russia’s ambassador to South Africa what the bloc’s purpose was for his country. “To make more friends,” he grunted.

He will have them, if China gets its way. Beijing wants to admit more countries from the global south. The reasoning is almost Newtonian: America's rallying of Western allies is prompting China into seeking an equal and opposite reaction via the BRICS. Viewed from China, there is no other bloc that could be a counterweight to the G7. The Shanghai Co-operation Organisation is too Eurasian. The G20 is too dominated by its Western members. The BRICS represent the best party going. A Chinese official contrasts Beijing's desire for a "big family" of the BRICS countries with the West's "small circle".

Supersize Xi

It is not the first time that Beijing has sought a bigger crowd. It championed South Africa's admission. Since then it has repeatedly raised the idea of adding more members, especially after Russia's invasion of Ukraine. Though the BRICS say their decisions are based on consensus, China is hard to ignore. Its share of the BRICS output was 47% in 2001; today it is 70%. In 2022 it accounted for 69% of all trade by the group (the sum of members' imports and exports), up from 55% in 2001.



The Economist

The bloc has not released an official list of applicants. But, as part of a thought experiment, *The Economist* counted 18 countries that are possible

candidates, based on their meeting at least one of three criteria as of the end of July (see map). First, the country is on record as saying it has applied. Second, South African officials have named the country as an applicant. Third, the country's foreign minister attended the Cape Town meeting as a "friend" of the bloc, either in person or virtually.

The guest list includes some increasingly assertive geopolitical swingers. For Saudi Arabia and the United Arab Emirates (UAE), joining the BRICS would fit with their efforts to recalibrate their relationship with America, their long-time ally, and to draw closer to China. Bangladesh and Indonesia, like India, are populous Asian democracies that claim to be non-aligned—and that might also like some protection from Western criticism of their human-rights records. Argentina, Ethiopia, Mexico and Nigeria are all among the largest countries on their continents.

In the unlikely event that all 18 were admitted it would challenge the world's best Scrabble player to come up with a new acronym. It would also increase the population of the BRICS countries from 3.2bn (41% as a share of the world's) to 4.6bn (58%), versus 10% for the G7 members. The Big BRICS share of world GDP would rise to 34%, still behind the G7's but twice the share of the EU. It would raise the bloc's share of world trade from 18% to 27%. China would still be the life, soul and wallet of the party, however. It would account for 55% of the 23 countries' output (for reference, America has 58% of the G7). China's share of the Big BRICS' global trade would still be about half (46%).

Even as the bloc debates expansion, it is deepening its existing relationships. On top of the annual summit of bigwigs there is an increasingly long list of meetings involving academics, firms, ministers, ruling parties and think-tanks from BRICS members and countries friendly to them. Some of these might look like excuses for per-diems. Last month a meeting of the "BRICS youth summit" was hosted by South Africa's 74-year-old youth minister. Russia says it will host a "BRICS Games" before the Paris Olympics next year. But the importance of the connections to officials should not be overlooked, argues Oliver Stuenkel of the Getulio Vargas Foundation, a Brazilian think-tank. "These meetings are often dull but they allow bureaucrats to globalise their network."

The BRICS bloc also has more serious endeavours. It has established two financial institutions, which the Russian finance minister once reportedly described as a mini-IMF and a mini-World Bank. The former is the Contingent Reserve Arrangement (CRA), which was agreed to at the BRICS summit in 2014. It is an as yet untested series of swap lines for central banks to get hard currency if they have balance-of-payments problems.

The mini-World Bank is the New Development Bank (NDB). Since its establishment in 2015 it has lent \$33bn for almost 100 projects. Three new members have joined in the past three years: Bangladesh, Egypt and the UAE. Uruguay is set to be admitted soon. (A state does not need to be a member of the BRICS to join the bank.)

The possibility of expanding and deepening the grouping is seen by members as proof of its strength. Yet these efforts also highlight divisions among the gang. Economically and politically the BRICS are a mess—adding more members or functions would only emphasise that fact.

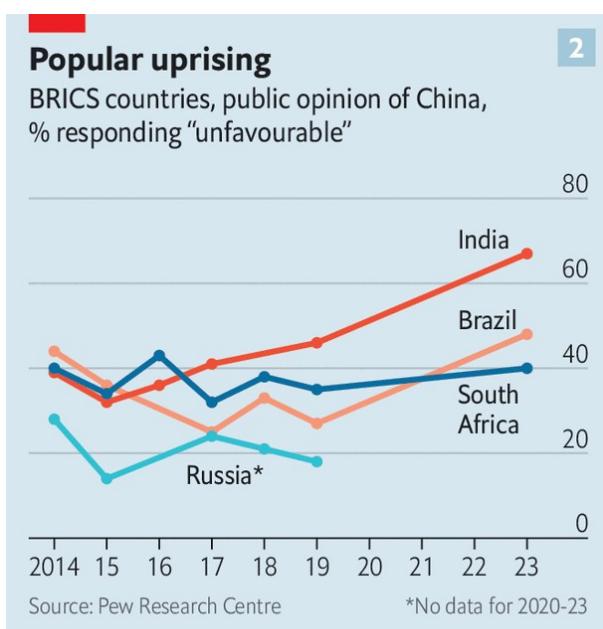
Start with the economic differences. The GDP per person of the poorest member, India, is roughly a fifth of that of China and Russia. The latter pair run current-account surpluses, the others deficits. Russia, an important member of the OPEC+ cartel, and Brazil are net oil exporters; the other three depend on imports. China actively manages the exchange rate of its currency; the other four intervene less often. And so on.

All of this complicates the bloc's attempt to change the global economic order. A common BRICS reserve currency—something Mr Putin claimed the bloc was working on a year ago—would collapse on first contact with reality; no member would give up the power held by their central bank. Members regularly guard their own power at economic institutions. South Africa's efforts to have more African representation on the IMF board have been rejected. China has around 40% of the voting rights at the CRA, in line with its capital contribution, and insisted on a limit to what any country can receive in the absence of an IMF programme.

The NDB has had a slow start. Its total lending since 2015 is a third of what the World Bank Group committed in 2021 alone. The World Bank is more transparent and accountable than the NDB, notes Daniel Bradlow of the

University of Pretoria in South Africa. That the NDB mostly issues loans in US dollars or euros somewhat undermines its members' claim to be trying to reduce the power of the greenback. A rule ensures that the five original members retain 55% of voting rights, belying their criticisms of uneven decision-making power at the World Bank and the IMF. "That does not suggest a truly progressive global-south bank," says Mr Bradlow.

Politically, too, they are an eclectic bunch. Russia and China are autocracies that disdain liberal freedoms. Brazil, India and South Africa are by contrast raucous, if flawed, democracies.



The Economist

The trio have more reason to be wary of public opinion as a result. A poll published on July 27th by the Pew Research Centre, a think-tank based in Washington, DC, found that negative views towards China have become more common since 2019—and not just in the West. In South Africa 40% of respondents had an unfavourable view of China, up from 35% four years ago. In Brazil and India unfavourable sentiment reached the highest levels since polling began in 2010 and 2013 respectively. In Brazil the share rose from 27% to 48%; in India from 46% to 67% (see chart 2).

The democracies are also keener than the autocracies on genuinely “non-aligned” foreign policies—they want to stay swingers. Take South Africa. It

has angered the West by, among other things, hosting a naval exercise with China and Russia on the first anniversary of the war in Ukraine. It has government ministers who get dewy-eyed at the very mention of the Soviet Union.

But Mr Ramaphosa is wary of pushing the West too far. Several of South Africa's main sources of foreign direct investment (FDI) are Western powers, and it hosts drills with NATO countries, too. He wants to keep South Africa's preferential trade terms with America, which some in Congress have said should be rescinded in light of his government's drift towards Russia.

Lula also has a more subtle approach than his peers in Beijing and Moscow. He would like to reduce what he sees as America's hegemonic role in the world; hence his enthusiasm for the BRICS, which he helped establish during his first period in office in the 2000s. At the same time he understands the need for good relations with the West, which is its main source of FDI and arms. And although India continues to buy arms from Russia, it is diversifying its military ties and buying more from America and France.

Russia's invasion of Ukraine has entrenched diplomatic faultlines in other ways. The bloc's strong emphasis on sovereignty—originally a way to draw an implicit contrast with an interventionist West—looks hollow when Russia invades its neighbour. Neither China nor Russia supports the others' proposed reforms of the UN Security Council, of which they are both permanent members.



Mariano Pascual

Another political division relates to the value of keeping the BRICS an exclusive affair. Though Lula is more sympathetic to the idea of welcoming like-minded Latin American leaders to the club, such as Argentina's Alberto Fernández (with whom he is personally close), diplomatic types are more sceptical. Mauro Vieira, Brazil's foreign minister and a career diplomat, has spoken of the need to protect the BRICS "brand". South Africa likes being the only African representative in the bloc. China would be emboldened by a bigger BRICS; others would feel enfeebled.

All these differences are coming to the fore because of expansion talk. "We do not want to dilute control of the BRICS from the original five," says a South African official. South Africa instead hopes for a compromise whereby joiners are given second-class status, mere B-listers at the party. The details need to be worked out—something which may happen at the summit.

Warring parties

The critical dissenting voice is likely to be India's, given its growing economic and geopolitical importance. In the early days of the bloc "India thought that with the help of Russia it could manage China better," says Harsh Pant of the Observer Research Foundation, a think-tank in Delhi. That

is harder now Russia is beholden to China. And India frets about some of the wannabes, such as Cuba and Belarus. Delhi fears these would be mini-Russias, repeating Beijing's talking points.

India sees itself as a rival to China for leadership of the global south. It has used its presidency of the G20 this year to amplify the concerns of developing countries regarding climate finance and international institutions. It would not want to play second fiddle to a Chinese effort to woo this same group.

The tricky thing for Delhi is that it doesn't want to be a party-pooper either. Nor is it keen to attract the blame for blocking other emerging countries' aspirations. And it aims to preserve decent relations with China, with which it has deep economic links and a long border. So India is proceeding with caution. It wants to discuss joining criteria for new members in the coming weeks, rather than simply handing out welcome drinks.

The Johannesburg summit will be a defining moment for the BRICS. Enlargement would indicate the scale of China's sway on the scene. But if Beijing is blocked it would underline the group's deep divisions. Either way, the global south is showing that it is as transactional as the Western countries it claims moral superiority over. And much more fractured. ■

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Business

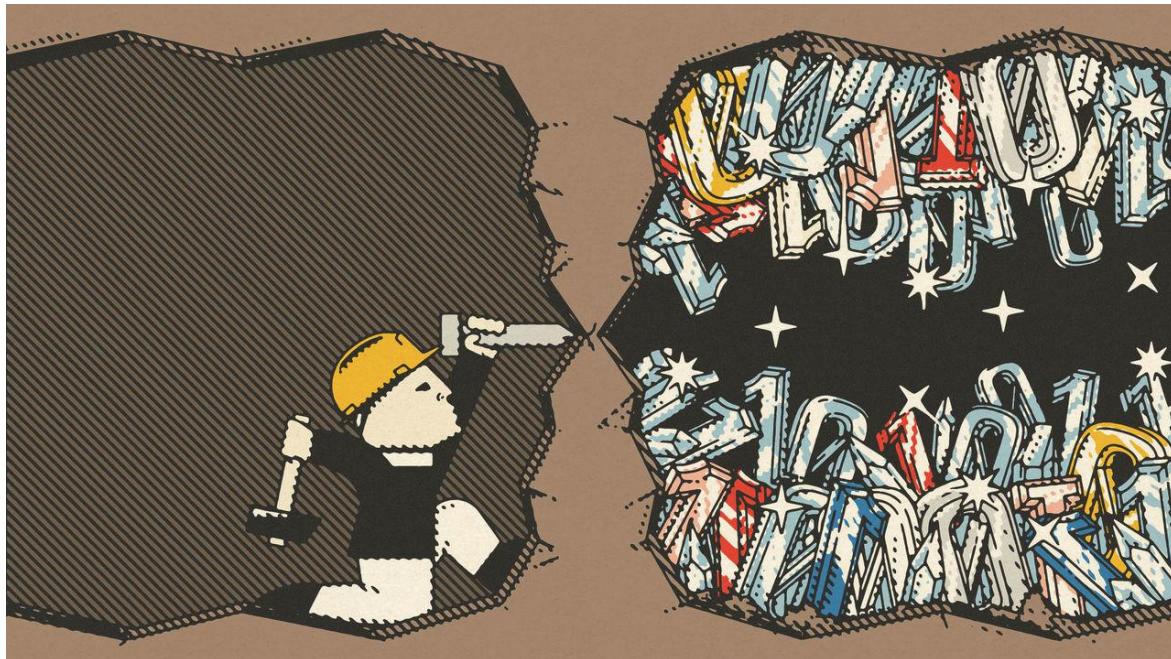
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Digging for digits

AI is setting off a great scramble for data

Feeding ever-larger models is requiring makers to get creative

Aug 13th 2023 | SAN FRANCISCO



NOT SO LONG ago analysts were openly wondering whether [artificial intelligence](#) (AI) would be the death of Adobe, a maker of software for creative types. New tools like DALL-E 2 and Midjourney, which [conjure up pictures from text](#), seemed set to render Adobe's image-editing offerings redundant. As recently as April, Seeking Alpha, a financial-news site, published an article headlined "Is AI the Adobe killer?"

Far from it. Adobe has used its database of hundreds of millions of stock photos to build its own suite of AI tools, dubbed Firefly. Since its release in March the software has been used to create over 1bn images, says Dana Rao, a company executive. By avoiding mining the internet for images, as rivals did, Adobe has skirted the [deepening dispute over copyright](#) that now dogs the industry. The firm's share price has risen by 36% since Firefly was launched.

Adobe's triumph over the doomsters illustrates a wider point about the contest for dominance in the fast-developing market for AI tools. The

supersize models powering the latest wave of so-called “generative” AI rely on oodles of data. Having already helped themselves to much of the internet, often without permission, AI firms are now seeking out new data sources to sustain the feeding frenzy. Meanwhile, companies with vast troves of the stuff are weighing up how best to profit from it. A data land grab is under way.

The two essential ingredients for an AI model are datasets, on which the system is trained, and processing power, through which the model detects relationships within and among those datasets. Those two ingredients are, to an extent, substitutes: a model can be improved either by ingesting more data or adding more processing power. The latter, however, is becoming difficult owing to a shortage of [specialist AI chips](#), leading model-builders to be doubly focused on seeking out data.

Demand for data is growing so fast that the stock of high-quality text available for training may be exhausted by 2026, reckons Epoch AI, a research outfit. The latest AI models from Google and Meta, two tech giants, are likely trained on over 1trn words. By comparison, the sum total of English words on Wikipedia, an online encyclopedia, is about 4bn.

It is not only the size of datasets that counts. The better the data, the better the model. Text-based models are ideally trained on long-form, well-written, factually accurate writing, notes Russell Kaplan of Scale AI, a data startup. Models fed this information are more likely to produce similarly high-quality output. Likewise, AI chatbots give better answers when asked to explain their working step by step, increasing demand for sources like textbooks. Specialised information sets are also prized, as they allow models to be “fine-tuned” for more niche applications. Microsoft’s purchase of GitHub, a repository for software code, for \$7.5bn in 2018 helped it develop a code-writing AI tool.

As demand for data grows, accessing it is getting trickier, with content creators now demanding compensation for material that has been ingested into AI models. A number of copyright-infringement cases have already been brought against model-builders in America. A group of authors, including Sarah Silverman, a comedian, are suing OpenAI, maker of

ChatGPT, an AI chatbot, and Meta. A group of artists are similarly suing Stability AI, which builds text-to-image tools, and Midjourney.

The upshot has been a flurry of dealmaking as AI companies race to secure data sources. In July OpenAI inked a deal with Associated Press, a news agency, to access its archive of stories. It has also recently expanded an agreement with Shutterstock, a provider of stock photography, with which Meta has a deal, too. On August 8th it was reported that Google was in discussions with Universal Music, a record label, to license artists' voices to feed a songwriting AI tool. Rumours swirl about AI labs approaching the BBC, Britain's public broadcaster. Another supposed target is JSTOR, a digital library of academic journals.

Holders of information are taking advantage of their greater bargaining power. Reddit, a discussion forum, and Stack Overflow, a question-and-answer site popular with coders, have increased the cost of access to their data. Both websites are particularly valuable because users “upvote” preferred answers, helping models know which are most relevant. Twitter (now known as X), a social-media site, has put in place measures to limit the ability of bots to scrape the site and now charges anyone who wishes to access its data. Elon Musk, its mercurial owner, is planning to build his own AI business using the data.

Expanding the frontier

As a consequence, model-builders are working hard to improve the quality of the inputs they already have. Many AI labs employ armies of data annotators to perform tasks such as labelling images and rating answers. Some of that work is complex; an advert for one such job seeks applicants with a master’s degree or doctorate in life sciences. But much of it is mundane, and is being outsourced to places such as Kenya where labour is cheap.

AI firms are also gathering data through users’ interactions with their tools. Many of these have a feedback mechanism, where users indicate which outputs are useful. Firefly’s text-to-image generator allows users to pick from one of four options. Bard, Google’s chatbot, proposes three answers. Users can give ChatGPT a thumbs-up or thumbs-down to its responses. That

information can be fed back as an input into the underlying model, forming what Douwe Kiela, co-founder of Contextual AI, a startup, calls the “data flywheel”. A stronger signal still of the quality of a chatbot’s answers is whether users copy the text and paste it elsewhere, he adds. That information helped Google rapidly improve its translation tool.

There is, however, one source of data that remains largely untapped: the information that exists within the walls of the tech firms’ corporate customers. Many businesses possess, often unwittingly, vast amounts of useful data, from call-centre transcripts to customer spending records. Such information is especially valuable because it can be used to fine-tune models for specific business purposes, such as helping call-centre workers answer queries or analysts spot ways to boost sales.

Yet making use of that rich resource is not always straightforward. Roy Singh of Bain, a consultancy, notes that most firms have historically paid little attention to the types of vast but unstructured datasets that would prove most useful for training AI tools. Often these are spread across various systems, buried in company servers rather than in the cloud.

Unlocking that information would help companies customise AI tools to serve their needs better. Amazon and Microsoft, two tech giants, now offer tools to help companies improve management of their unstructured datasets, as does Google. Christian Kleinerman of Snowflake, a database firm, says that business is booming as clients look to “tear down data silos”. Startups are piling in. In April Weaviate, an AI-focused database business, raised \$50m at a valuation of \$200m. Barely a week later PineCone, a rival, raised \$100m at a \$750m valuation. Earlier this month Neon, another database startup, raised an additional \$46m in funding. The scramble for data is only just getting started. ■

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Dusting off the guns

War in Ukraine has triggered a boom in Europe's defence industry

It is still dogged by inefficiencies

Aug 17th 2023 | BERLIN

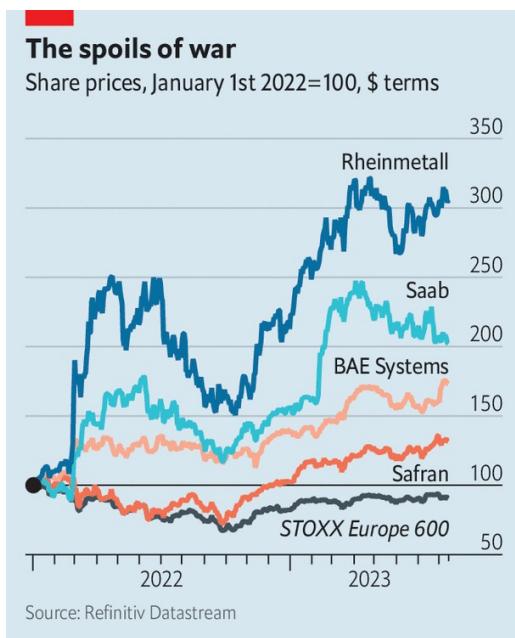


Getty Images

“WE ARE WORKING flat-out,” says Armin Papperger, chief executive of Rheinmetall, Germany’s biggest arms-maker. Ever since Russia invaded Ukraine in February last year, the Düsseldorf-based maker of tanks, ammunition and other military kit has been inundated with orders. On August 10th the firm reported that sales of its military ware in the first half of the year had risen by 12% compared with the same period in 2022, and Mr Papperger expects growth to hit 20-30% for the year as a whole. A few days later the company said it had secured an order from the Ukrainian army for drones, and on August 18th it is due to inaugurate a large new factory in Hungary. Its share price has roughly tripled since the start of last year.

In the decades after the end of the cold war Western defence budgets dwindled, procurement decisions were put on ice and the industry scaled back its production. The war in Ukraine has jolted it back into action. “Defence budgets move with the geopolitical threat,” says George Zhao of

Bernstein, a broker. That threat is now all too clear to governments, leading to a deluge of demand for arms. Nowhere is that more true than in Europe.



The Economist

Last year military budgets worldwide rose by 3.7%, to \$2.2trn. In Europe they increased by 13%, faster than in any other region. Growth was particularly pronounced in countries nearest to Russia. Finland's military budget rose by 36%, Lithuania's by 27%, Sweden's by 12% and Poland's by 11%. Germany, the continent's largest economy, is at last reversing its decades-long miserliness over military spending. In February last year the government pledged to increase the country's defence expenditure from around 1.4% of GDP to 2% and announced a €100bn (\$110bn) "special fund" for the armed forces.

That is translating into big business for European defence contractors, who have secured a flurry of new contracts for military ware in recent months. In April the British arm of MBDA, a pan-European maker of missiles, signed a £1.9bn (\$2.4bn) contract to supply air-defence systems to Poland. In June Safran, a French arms-maker, sold several tactical drones to the Greek army. In July BAE Systems, a British defence firm, struck a deal to replenish the British army's stock of artillery shells. That same month Rheinmetall won a contract for munitions from the German government worth up to €4bn and a €1.9bn contract to supply the Germans and Dutch with more than 3,000

airborne vehicles. “This will be our best year for orders ever,” rejoices Rheinmetall’s Mr Papperger.

Industry analysts expect order books to keep getting fatter as the continent upgrades its armies. If anything, European governments expect the security environment to become more threatening in the years ahead. “The upwards trend of defence expenditure will last,” predicts Lucie Béraud-Sudreau of the Stockholm International Peace Research Institute (SIPRI), a think-tank. Last year Rheinmetall added 2,000 staff to its almost 30,000 workers, and plans to continue hiring. Saab, a Swedish peer, added 1,000 to its 18,000.

Yet not all is rosy for Europe’s arms-makers. In June the industry’s bosses met European defence ministers at NATO’s headquarters in Brussels to air a number of grievances about how the industry operates on the continent.

One problem is a lack of visibility. Michael Schöllhorn, head of the defence division of Airbus, a European aerospace giant, complains that many countries offer little guidance on their long-term spending plans, making it hard for companies to invest. Micael Johansson, boss of Saab, grumbles that his firm has so far taken on all the risk of increasing production.

Bosses also bemoan the red tape that drags out defence procurement. In Germany, any defence contract worth more than a paltry €25m must be approved by the Bundestag’s budget committee, leading to painful delays. After Olaf Scholz, Germany’s chancellor, announced the country’s new military fund in February last year, it took until December for lawmakers to approve a €13bn spending package for fighter jets and other military equipment.

A final problem is the lack of co-ordination among European allies. Many governments opt to buy tanks and other bits of their war apparatus either from national champions or American firms, limiting the potential for economies of scale among the continent’s defence contractors. While there is much talk of “European defence”, the reality is much more fragmented, says Airbus’s Mr Schöllhorn. Saab’s Mr Johansson argues that, after years of under-investment, European defence contractors will need to work together on issues such as supply-chain bottlenecks in order to meet booming demand.

These difficulties, however, may ease over time. European governments are already tidying up their defence procurement. Boris Pistorius, Germany's newish defence minister, has teamed up with Christian Freuding, an army general, to cut red tape. France's defence minister, Sébastien Lecornu, is on a similar mission. There are signs of improved co-ordination, too. In November France, Spain and Germany at last struck a deal to build a European fighter jet. And consolidation in Europe's fragmented defence industry could help. On August 1st Rheinmetall completed its acquisition of Expal, a Spanish maker of ammunition. Mr Johansson thinks that more such tie-ups are likely.

The war in Ukraine marked a sharp reversal from decades of peace in Europe. For the continent's armsmakers, who languished during the geopolitical calm, it points to a more profitable future. ■

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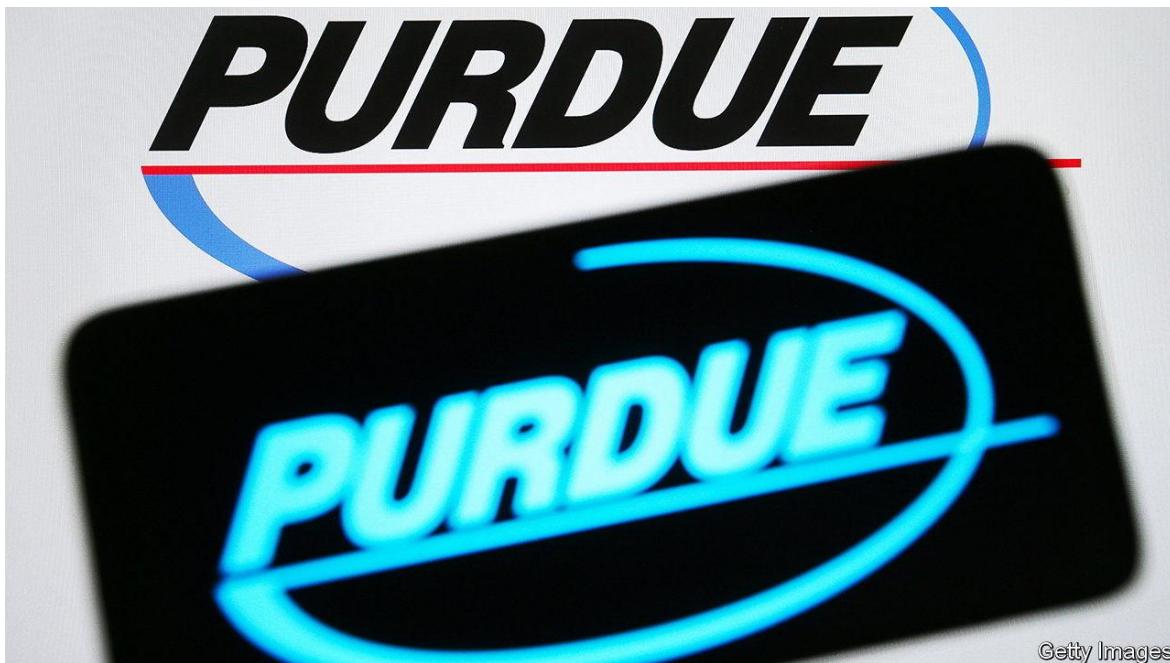
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Two-step stop

America's courts weigh in on how firms resolve liability claims

The Supreme Court is reviewing Purdue Pharma's bankruptcy plan

Aug 17th 2023



Getty Images

THE LONG-RUNNING legal battle over America's opioid epidemic was reignited when, on August 10th, the country's Supreme Court said it would review an earlier settlement secured by Purdue Pharma, a main character in the saga. Back in 2021 a federal judge had approved a bankruptcy plan for Purdue—the maker of OxyContin, a highly addictive painkiller—under which the business was to be restructured as a public-benefit company with all future profits going towards settling claims from victims and funding addiction-treatment programs. Members of the Sackler family, which owns the drugmaker, were to contribute \$4.5bn (later increased to \$6bn) towards the settlement.

At issue is a controversial legal arrangement called a “third-party release”, which shields entities associated with bankrupt companies from liability even if they have not filed for bankruptcy themselves. In Purdue’s case, the Sacklers were granted immunity from any future opioid-related claims, an

unsatisfying outcome for those who blame the family for their role in fuelling the opioid crisis.

American firms have been turning to bankruptcy courts to resolve product-liability claims since the 1980s, but in recent years have done so in increasingly creative ways. In 2021, faced with thousands of lawsuits alleging that its talcum powder caused cancer, Johnson & Johnson (J&J), a pharmaceutical giant, deployed the “Texas two-step”—a legal manoeuvre that shifts a company’s liabilities to a separate entity and then declares that entity bankrupt. J&J established a Texan subsidiary, called LTL Management, assigned more than 40,000 talcum-powder claims to it, then filed it for bankruptcy. Last year Aearo Technologies, a subsidiary of 3M, a Minnesota-based conglomerate, was hit with some 260,000 lawsuits related to allegedly defective earplugs. By declaring its subsidiary bankrupt, 3M was also able to limit its exposure. Both companies deny the allegations against them.

Lawyers for the companies argue that the bankruptcy courts are more efficient than the tort system for both defendants and plaintiffs. It is easy to see the appeal for businesses. Declaring bankruptcy pauses all litigation, prevents the filing of any new lawsuits and brings all claims under one roof, while the third-party release arrangement absolves the parent company of future related liabilities. Some claimants also prefer the speedier resolution promised by bankruptcy courts to the slower and more uncertain payoffs on offer in the tort system.

Critics point out that bankruptcy is intended for companies that are genuinely insolvent, not merely burdened with lawsuits. In 2022 J&J generated \$95bn in sales, handed out \$12bn in dividends, had cash holdings of \$25bn—and set aside just \$9bn to resolve the talcum-powder claims. 3M is similarly unlikely to be sunk by the lawsuits against it. Jared Ellias of Harvard Law School argues that, by dumping their liabilities into a subsidiary, companies facing mass litigation are asking for the benefits of bankruptcy without truly submitting to the courts. For victims seeking a hearing, as well as compensation, the mechanical nature of bankruptcy proceedings minimises discussions of a company’s wrongdoing, which tort battles do not.

Courts are increasingly sceptical of the companies' arguments. In June a judge in Indiana rejected the bankruptcy filing of 3M's subsidiary Aearo, noting that the company was using bankruptcy as a "litigation-management tactic". A month later a New Jersey bankruptcy court quashed LTL's insolvency plea, pointing to the deep pockets of its parent, J&J. The Supreme Court's scrutiny of Purdue's third-party releases may be the most consequential of all. According to Pamela Foohey, a professor at Cardozo School of Law, Purdue "really pushed the envelope" in how it used bankruptcy. If the justices agree and limit the use of third-party releases, corporations may find that bankrupting smaller subsidiaries to fight sprawling lawsuits is no longer the saving grace it once was. ■

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Bartleby

A retiring consultant's advice on consultants

How to manage the snake-oil salesmen

Aug 17th 2023



DEAR ROBIN, I was delighted when you commissioned me to prepare this report for you after our discussion at the club. As a newly appointed chief executive at a *Fortune* 500 company, a thrilling yet perilous adventure awaits you. I commend your wisdom in choosing to hire a management consultant to guide you on your way.

I, naturally, would have been ideally positioned, given my many years of experience serving your company's principal rival. Alas, the time comes in every man's life when he must hang up his hat and retire to his home in the Bahamas. As my swan song, I have thrown together, as requested, a few thoughts on how to handle my kind. I hope you find the attached 120-page PowerPoint presentation useful. Below you will find a brief summary.

Be ready for the “bait and switch”: Do not be fooled by the eloquent veterans who will turn up to your office to plead for your business. The work will mostly be done by clever but pimply 20-somethings, armed with two-by-two matrix frameworks recycled from client to client. What they

lack in wisdom will be made up for in long hours. You need not feel sorry for them. They are cocooned in a shell of fancy meals, lavish hotels and private drivers—at your expense.

At first you will find them to be of no use at all—detrimental, even—as they harry your management team with endless questions and urgent requests for data. Eventually, they will win you over with their brains and gumption—or be quietly replaced. Meanwhile, those grey-haired senior partners will pop by from time to time. Beware.

Watch out for “land and expand”: We consultants are masters of the clandestine sale. If you hire us for a two-month project, it will assuredly take 12. By the time it ends, our tentacles will have spread. Ask for a new company strategy, blink, and we will be cutting your costs, fixing your IT systems and tinkering with your supply chain.

Like many other bosses, you may one day tire of our eye-watering rates and decide to poach the cleverest consultants for yourself. We will happily oblige. The most reliable missionary for the merits of consulting is one of our own. The more senior, the better. Hire them, but do not give them the cheque book.

Question everything: Every self-respecting consultant knows that big recommendations demand big numbers. As a rule, divide everything you see by two. Never trust a benchmark; I made up most of mine. And carefully read those endless notes at the bottom of charts. That is often where the dirtiest secrets are buried. Be doubly dubious of any consulting reports your underlings happen to commission, especially when they recommend a bigger budget for said underling.

Take none of the blame: As a freshly minted chief executive, you are undoubtedly brimming with ideas. Many of them are terrible. Some may prove catastrophic. Among the valuable services offered by management consultants is the human shield. Make sure your board knows it was they who recommended the disastrous new product line or the overpriced acquisition. You always had your doubts, but trusted their illustrious reputations. Equally, your consultants may, from time to time, stumble upon a good idea. You thought of it first.

Experiment with polygamy: Your consultants will do their utmost to woo you into exclusivity. There will be much talk of “long-term partnership”. Yet it is a one-sided monogamy they seek. Fidelity is not in a consultant’s nature. Chances are they are already advising your competitors, with only the thinnest of Chinese walls between teams.

Follow their example and hire their rivals, too. Ideally, sit them in adjacent rooms at your offices. Consultants are fiercely competitive, and nothing will better spur them on to even longer reports than seeing their nemeses wandering the halls of your company. If bored, invite representatives of two warring firms to a meeting and watch them tussle for your favour.

As I look back on my career, I am not too proud to admit that I have occasionally fleeced the odd firm. But I maintain that my profession is a noble one. “Impact”, after all, is our industry’s watchword. (Admittedly, I never was quite clear what it meant, but you cannot deny it sounds lofty.)

One final thought to conclude: there is never a problem too big or small for a consultant. That I can confirm from experience. Your bill, including expenses, is attached. Good luck. ■

Read more from Bartleby, our columnist on management and work:

[A refresher on business air-travel etiquette](#) (Aug 4th)

[The dark and bright sides of power](#) (Jul 27th)

[Workplace advice from our agony uncle](#) (Jul 20th)

Also: How the Bartleby column got its name

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The great untangling

Can India Inc extricate itself from China?

Narendra Modi is testing a wide array of economic weapons

Aug 14th 2023 | Mumbai



CHINA AND India are not on the friendliest of terms. In 2020 their soldiers clashed along their disputed border in the deadliest confrontation between the two since 1967—then clashed again in 2021 and 2022. That has made trade between the Asian giants a tense affair. Tense but, especially for India, still indispensable. Indian consumers rely on cheap Chinese goods, and Indian companies rely on cheap Chinese inputs, particularly in industries of the future. Whereas India sells China the products of the old economy—crustaceans, cotton, granite, diamonds, petrol—China sends India memory chips, integrated circuits and pharmaceutical ingredients. As a result, trade is becoming ever more lopsided. Of the \$117bn in goods that flowed between the two countries in 2022, 87% came from China (see chart).



The Economist

India's prime minister, Narendra Modi, wants to reduce this Sino-dependence. One reason is strategic—relying on a mercurial adversary for critical imports carries risks. Another is commercial—Mr Modi is trying to replicate China's nationalistic, export-oriented growth model, which means seizing some business from China. In recent months his government's efforts to decouple parts of the Indian economy from its larger neighbour's have intensified. On August 3rd India announced new licensing restrictions for imported laptops and personal computers—devices that come primarily from China. A week later it was reported that similar measures were being considered for cameras and printers.

Officially, India is open to Chinese business, as long as this conforms with Indian laws. In practice, India's government uses a number of tools to make Chinese firms' life in India difficult or impossible. The bluntest of these are outright prohibitions on Chinese products, often on grounds related to national security. In the aftermath of the border hostilities in 2020, for example, the government banned 118 Chinese apps, including TikTok (a short-video sensation), WeChat (a super-app), Shein (a fast-fashion retailer) and just about any other service that captured data on Indian users. Hundreds more apps were banned for similar reasons throughout 2022 and this year. Makers of telecoms gear, such as Huawei and ZTE, have received the same

treatment, out of fear that their hardware could let Chinese spooks eavesdrop on Indian citizens.

Tariffs are another popular tactic. In 2018, in an effort to reverse the demise of Indian mobile-phone assembly at the hands of Chinese rivals, the government imposed a 20% levy on imported devices. In 2020 it tripled tariffs on toy imports, most of which come from China, to 60%; then, at the start of this year, raised them to 70%. India's toy imports have declined by around three-quarters since 2019.

Sometimes the Indian government eschews official actions in favour of more subtle ones. A common tactic is to introduce bureaucratic friction. India's red tape makes it easy for officials to find fault with businesses that are out of favour. Non-compliance with the tax rules, so impenetrable that it is almost impossible to abide by them all, are a favourite accusation. Two smartphone makers, Xiaomi and BBK Electronics (which owns three popular brands, Oppo/OnePlus, Realme and Vivo), are under investigation for allegedly shortchanging the Indian taxman a combined \$1.1bn. On August 2nd news outlets cited anonymous government officials saying that the Indian arm of BYD, a Chinese carmaker, was under investigation over allegations that it paid \$9m less than it owed in tariffs for parts imported from abroad.

A convoluted licensing regime gives Indian authorities more ways to stymie Chinese business. In April 2020 India declared that investments from countries sharing a border with it must receive special approvals. No neighbour was named, but the target was clearly China. Since then India has approved less than a quarter of the 435 applications for foreign direct investment from the country. According to *Business Today*, a local outlet, only three received the thumbs-up in India's last fiscal year, which ended in March. In July reports surfaced that a joint venture between BYD and Megha Engineering, an Indian firm, to build electric vehicles and batteries failed to win approval for security reasons.

Luxshare, a big Chinese manufacturer of devices for, among others, Apple, has yet to open a factory in Tamil Nadu, despite signing an agreement with the state in 2021. The reason for the delay is believed to be an unspoken blanket ban from the central government in Delhi on new facilities owned by

Chinese companies. In early August the often slow-moving Indian parliament whisked through a new law easing the approval process for new lithium mines after a potentially large deposit of the metal, used in batteries, was unearthed earlier this year. Miners are welcome to submit applications, but Chinese bidders are expected to be viewed unfavourably.

In parallel, India is using policy to dislodge China as a leader in various markets. India's \$33bn programme of "production-linked incentives" (cash payments tied to sales, investment and output) has identified 14 areas of interest, many of which are dominated by Chinese companies.

Home-grown cure

One example is pharmaceutical ingredients, which Indian drugmakers have for years mostly procured from China. In February the Indian government started giving handouts worth \$2bn over six years to companies that agree to manufacture 41 of these substances domestically. Big pharmaceutical firms such as Aurobindo, Biocon, Dr Reddy's and Strides are taking part. Another example is electronics. Contract manufacturers of Apple's iPhones, such as Foxconn and Pegatron of Taiwan and Tata, an Indian conglomerate, are allowed to purchase Chinese-made components for assembly in India provided they make efforts to nurture local suppliers, too.

Some Chinese firms, tired of jumping through all these hoops, are calling it quits. In July 2022, after two years of efforts that included a promise to invest \$1bn in India, Great Wall Motors closed its Indian carmaking operation, unable to secure local approvals. Others are trying to adapt. Xiaomi has said it will localise all its production and expand exports from India, which today go only to neighbouring countries, to Western markets. Shein will re-enter the Indian market through a joint venture with Reliance, India's most valuable listed company, renowned for its ability to navigate Indian bureaucracy and politics. ZTE is said to be attempting to arrange a licensing deal with a domestic manufacturer to make its networking equipment. So far it has found no takers. Given India's growing suspicions of China, that may take a while. ■

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Ready for lift-off

Flying taxis could soon be a booming business

Electric aircraft are well-suited to short journeys

Aug 17th 2023 | PARIS



Alamy

PARIS HAS long been at the heart of the history of flight. It is where the Montgolfier brothers ascended in the first hot-air balloon in 1783, and where Charles Lindbergh completed the first solo transatlantic aeroplane journey in 1927. Next year, if all goes to plan, Paris will be the site of another industry first when Volocopter, a German maker of electric aircraft, launches a flying-taxi service during the Olympic Games. At the Paris Airshow in June the company, and some of its rivals, paraded a new generation of battery-powered flying machines designed for urban transport.

The electrification of aviation has often been written off as a pipe dream, with batteries presumed too heavy a substitute for hydrocarbon fuel in an airborne vehicle. For longer journeys, such as Charles Lindbergh's across the Atlantic, that may well be true. Yet upstarts like Volocopter are betting that electrification can unlock a boom in demand for clean and quick aerial journeys over shorter distances.

The main form of flying taxi under development, called an electric vertical take-off and landing (eVTOL) aircraft, looks somewhat like a super-sized drone, carrying between one and four passengers, plus a pilot. Powered by batteries, they are both quiet enough to quell complaints in crowded cities, and fast: capable of up to 300kph, enough to comfortably outpace a car, especially one stuck in traffic. Indeed, optimists hope the absence of traffic in the sky will also make eVTOLs well-suited to autonomous operation. They could prove handy for transporting goods, too.

That vision has inspired giddy predictions. Morgan Stanley, an investment bank, reckons global spending on eVTOLs could hit \$1trn by 2040. Volocopter is not the only player staking out the terrain. According to the Vertical Flight Society, a non-profit, more than 400 contenders have developed eVTOL designs. Joby, a Silicon Valley startup, has already raised \$2bn from investors. Archer, another, hopes to have “hundreds or thousands” of its craft flying by the 2028 Los Angeles Olympics.

Despite the enthusiasm, challenges remain. One is technical certification, which is turning out to be a lengthy process as aviation regulators grapple with an entirely new form of aircraft. Some manufacturers, such as Volocopter and EHang, a Chinese firm, are close to having machines in service. In April Volocopter opened an assembly plant in Germany. But others are further off. Late last year Joby was forced to push back its launch by a year to 2025 thanks to, among other things, regulatory delays. Many have even longer to go.

The bigger question is whether the business of flying taxis will be viable. eVTOLs currently range in price from \$1m to \$4m. Although their cost may come down as the industry develops, they are likely to remain expensive pieces of machinery. Brian Yutko of Wisk, a maker backed by Boeing, says that flying-taxi rides will be “accessible to the masses”. Joby promises that its fares will be comparable to catching a taxi. Yet some studies suggest the cost could end up as high as \$7 per km, many times a regular taxi fare. Even without a pilot, flying taxis may remain a convenience affordable only to a lucky few.

An alternative opportunity for electrification lies with small fixed-wing planes designed to transport a few dozen passengers over distances of a few

hundred kilometres—for instance, between nearby cities. Heart Aerospace, a Swedish firm, plans to have a 30-seater plane with an all-electric range of 200km in the air by 2028. In September last year Eviation, an Israeli company, successfully tested a nine-seater electric plane with a range of 400km.

According to McKinsey, a consultancy, air travel accounts for just 8% of journeys between 150km and 800km in America. In Europe it is only 4%. Most such journeys are taken by car, even in Europe, where buses and trains are more readily available. That creates a big opportunity for environmentally friendly short-haul flights, especially given that 90% of America's population and 50% of Europe's live within a 30-minute drive of a regional airport. Expect plenty more experiments with electric aircraft in the years ahead. ■

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The fast and the dubious

Is Vietnam's EV darling heading for a crash?

After an explosive trading debut, VinFast looks wildly overvalued

Aug 17th 2023



Getty Images

ON AUGUST 15TH VinFast, a Vietnamese electric-vehicle (EV) manufacturer, made its trading debut on the Nasdaq, an American stock exchange. It was quite the entrance: the company's share price rocketed, pushing its market capitalisation from \$23bn to \$85bn. That is almost as much as Ford and General Motors, two giant American carmakers, combined, and seven times that of Vingroup, its parent company. On August 16th it fell a little, to \$69bn.

Investors are racing to get a stake in VinFast. The company is still a minnow in the EV business, but has big ambitions. In May Pham Nhat Vuong, the company's founder and Vietnam's richest man, said it hoped to sell 50,000 cars this year, up from 7,400 last. Although most of its vehicles are currently sold in Vietnam, it has its eyes set on the American market. Last month it broke ground on a factory in North Carolina, and has already begun selling imported vehicles in California, where it has 13 dealerships.

The reviews have not been glowing. The VF8 model VinFast is selling in California is “simply not ready for America”, says Kevin Williams, an industry journalist. “Yikes,” is how Steven Ewing, another reviewer, titled his assessment of the car, citing a poor steering experience. At \$46,000, it is not much, if any, cheaper than the entry-level models offered by rivals like Tesla, America’s EV goliath. A mere 128 VF8s were sold in America between February and May, according to Experian, a data-analytics firm.

Even if VinFast achieves its lofty growth targets for the year, its valuation will continue to strain belief. It made a \$2.1bn net loss last year, and has said it will break even, at the earliest, at the end of next year. AlixPartners, a consultancy, reckons EV makers need to produce around 400,000 cars a year before they start turning a profit. After that, the company would still have a long way to go before it caught up with the industry’s leaders. Last year Tesla sold 1.3m EVs. BYD, a fast-growing Chinese carmaker, sold 1.9m, around half fully electric and half plug-in hybrid.

With a mere 1% of its shares put up for trading, VinFast’s lofty market valuation is vulnerable to rapid swings. Investors in the company may be in for a bumpy ride.■

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Schumpeter

The battle between American workers and technology heats up

The flashpoints are AI and electric vehicles

Aug 15th 2023



Mari Fouz

FOR MORE than 200 years Luddites have received bad press—worse even than the British Members of Parliament who voted in 1812 to put to death convicted machine-breakers. Yet even at the time, the aggrieved weavers won popular sympathy, including that of Lord Byron. In an “Ode to Framers of the Frame Bill” the poet wrote: “Some folks for certain have thought it was shocking/ When Famine appeals, and when Poverty groans/ That life should be valued at less than a stocking/ And breaking of frames lead to breaking of bones.” He used his maiden speech in the House of Lords to urge for a mixture of “conciliation and firmness” in dealing with the mob, rather than lopping off its “superfluous heads”.

Once again, technological upheaval is rife and there is a widespread feeling that the old ways are in danger of being trampled under foot by the march of progress. In America two big labour disputes—one looming, the other well

under way—are, among other things, grappling with potentially seismic transformations caused by decarbonisation and [artificial intelligence](#) (AI).

The United Auto Workers (UAW) union, representing employees of Ford, General Motors and Stellantis (maker of Chrysler and Fiat), is threatening a strike when labour contracts end on September 14th. As well as fighting for sharply higher pay, one of its goals is to extend wages and other benefits offered in conventional car manufacturing to people working on electric vehicles (EVs), the production of which typically uses more robots and fewer blue-collar workers. Over in [Hollywood](#), writers and actors are at an impasse with studios over pay and conditions in the streaming era, a dispute that has been muddied by the vexing question of how AI will reshape the industry if new tools can be used to write scripts or simulate actors. Such struggles may shape how workers in other industries view the impact of technology on their jobs.

A new generation of union leaders has come out swinging. Shawn Fain is the first president of the UAW in 70 years to emerge from outside the union's ruling clique. He was elected in March by the rank and file, after a years-long corruption scandal led to a change in the union's voting procedures. From the start, Mr Fain has cast himself as a firebrand. He publicly threw a bargaining proposal from Stellantis into the bin. (The biggest shareholder in the firm, Exor, part-owns *The Economist*'s parent company.) Meanwhile, the Writers Guild of America and SAG-AFTRA, which represents actors, have gone on strike simultaneously for the first time in more than 60 years. Fran Drescher, leader of the actors' guild (and star of "The Nanny", a 1990s sitcom) has made clear that the showdown is part of a wider struggle. "The eyes of labour are upon us," she said in a thundering speech announcing the strike.

The fights are taking place in an unusually supportive environment for unions. Late last month more than half of the Senate's Democrats signed a letter to the "Big Three" carmakers arguing that workers at their battery plants should be eligible for the same deal offered to other UAW members. President Joe Biden, who equates "good" jobs with union jobs, has just reinstated a rule shelved during the Reagan administration that will, in effect, boost wages for construction workers on government-backed projects. Nationwide, public support for unions is at 71%, its highest level

since the mid-1960s, according to Gallup, a pollster. Both in Detroit and in Hollywood, unions are tapping into growing popular disquiet over ballooning pay for CEOs. Even the Republicans, though vehemently anti-union, are trying to rebrand their relationship with workers. American Compass, a conservative think-tank, calls for the creation of worker-management committees, similar to Europe's "work councils", which give employees a voice in how a business is run.

Some academics contend that workers are right to be wary of technological change. "Power and Progress", a newish book by Daron Acemoglu and Simon Johnson, both of the Massachusetts Institute of Technology, wades through a thousand years of history to argue that new technologies lead to better livelihoods only when they create jobs, rather than just cost savings, and when countervailing forces, such as unions, shape their effect. It berates techno-optimism, and at times sounds like a Luddites' manifesto.

Speaking to your columnist, Mr Johnson expresses optimism that the UAW and the Big Three can find a way to ensure the switch to EVs does not lead to widespread job losses. He points to the eventual embrace by unions of the containerisation of shipping, which saved countless hours of labour at ports but also led to a surge in the amount of cargo that passed through them, preserving jobs and benefits for dockers. In theory, as EV production scales up, prices will come down and more drivers will buy them. If they put their feet on the gas the Big Three may even be able to reverse the decline in America's car exports, fuelling demand for even more workers. Massive subsidies handed out by the Biden administration to promote EV production afford the industry a rare opportunity to regain the initiative.

Bish, bash, bot

By contrast, Mr Johnson's prognosis for writers and actors in the age of AI is darker, likening their plight to that of the weavers-cum-Luddites whose jobs were rendered unnecessary by machines. That view helps explain why they are seeking to curtail studios' use of AI. Yet the technology's impact on Tinseltown need not be zero-sum. By speeding up the writing process, for instance, AI could lower costs and allow more content to be created.

What's more, the gales of creative destruction can be held back only for so long. For unions to secure their members' livelihoods they need to work with technological change, rather than against it. That means using a Byronesque combination of conciliation and firmness to ensure that it is used to grow the pie for everyone, rather than doubling down on anti-corporate rage. If not they may end up, like the Luddites, on the wrong side of history. ■

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Finance & economics

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How the wheels came off

The German economy: from European leader to laggard

Its problems are deep-rooted, knotty and show little sign of being fixed

Aug 17th 2023 | Berlin



THE 2010S were Germany's decade. A *Jobwunder* (employment miracle) that began in the 2000s reached full flower, largely unimpeded by the global financial crisis of 2007-09, as labour reforms introduced by Gerhard Schröder, chancellor from 1998 to 2005, combined with China's demand for manufactured goods and a boom in emerging markets to add 7m jobs. From the mid-2000s to the end of the 2010s, Germany's economy grew by 24%, compared with 22% in Britain and 18% in France. Angela Merkel, chancellor from 2005 to 2021, was lauded for her grown-up leadership. Populism of the Trump-Brexit variety was believed to be a problem for other countries. Germany's social model, built upon close relationships between unions and employers, and its co-operative federalism, which spread growth across the country, wowed commentators, who published books with titles such as "Why the Germans Do It better". Germany's footballers even won the World Cup.

The 2020s are shaping up to be very different, and not just because the national football team is faltering. Alternative für Deutschland, a far-right populist party, is polling at 20%. Germans are unhappy with their government. Most worrying, Germany's vaunted economic model and state look unable to provide the growth and public services people have come to expect.

This is partly a story of a country uncomfortably exposed to circumstances, not least war in Europe and slowdown in China. According to IMF forecasts, Germany will be the only G7 economy to contract this year. Less widely appreciated, though, is the fact that the country's long-term prospects have dimmed. Germany is exposed to a triple whammy: its industry looks vulnerable to foreign competition and geopolitical strife; its journey to net-zero emissions will be difficult; and its workforce is unusually elderly. To make matters worse, the German state appears ill-prepared for these challenges.



The Economist

Interest rates have risen rapidly in the euro zone, as they have across the rich world, to deal with the inflation unleashed by covid-19 and Russia's war in Ukraine. Higher rates are starting to hurt German construction and business investment. Yet the country tends to be less sensitive to rate increases than most. Far more difficult are changes wrought by external factors. More than

any other major European economy, Germany depends on China (see chart 1), meaning the Asian giant's slower than expected recovery from zero covid is proving painful. Meanwhile, the gas-price shock of last year still reverberates—and gas futures signal that prices will remain roughly double their pre-pandemic level in the coming years. Energy-intensive industrial production has yet to recover from last year's lows. And the country's consumers are struggling: real wages have only just started to grow, having fallen to levels last seen in 2015.

Ministers are mulling how to respond. The Greens, part of a coalition government with the Social Democrats and FDP, a pro-business party, want to spend €30bn (\$33bn, or 0.7% of GDP) on subsidising electricity for industrial use and funding green building and social housing. "The current weakness of the construction sector could indeed be used by the public sector to build more instead," agrees Monika Schnitzer, head of the German Council of Economic Experts, an official body. The FDP, for its part, would like to cut taxes and create incentives for the private sector to invest, such as by allowing faster depreciation of investment goods. Both plans would lead to a wider fiscal deficit, and thus involve accounting trickery to get around the country's strict deficit limits.



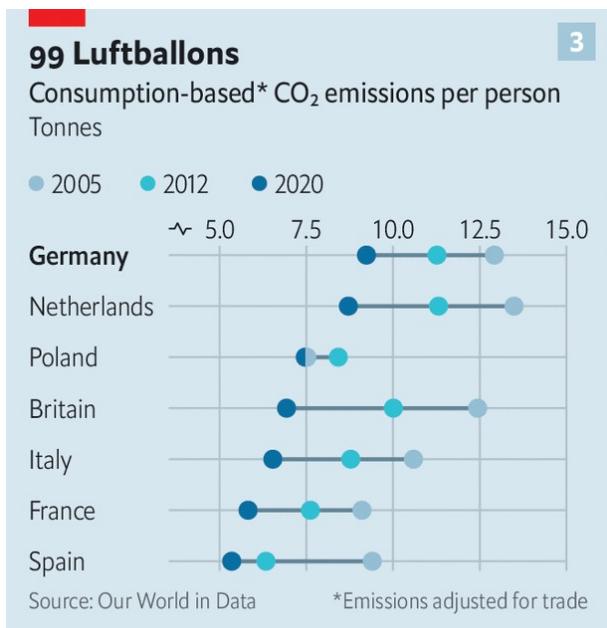
The Economist

Whatever response politicians eventually agree upon, Germany's problems seem likely to last for a while. The purchasing-managers' manufacturing index is at its lowest since the early months of covid. Surveys such as the IFO index show that German business leaders are gloomy about the future. Expectations for the next six months continue to deteriorate. The IMF reckons that the country's economy will grow by only 8% between 2019 and 2028, about as fast as Britain, the other European struggler. Over the same period, France is forecast to grow by 10%, the Netherlands by 15% and America by 17% (see chart 2).

Mein Gott

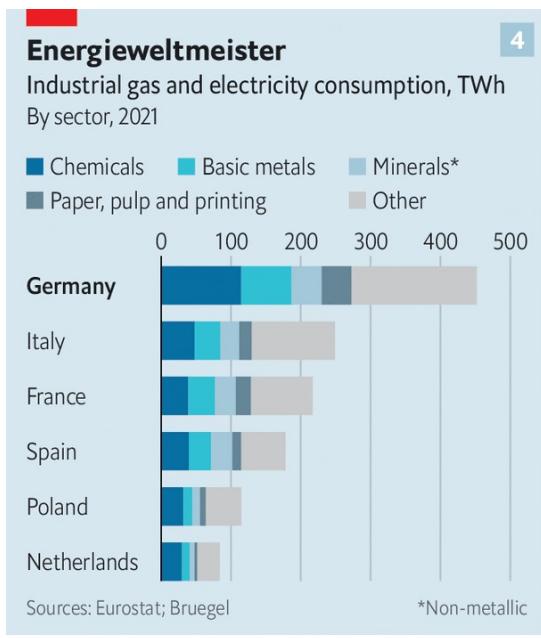
The first challenge Germany faces arises from geopolitics. Both America and Europe want to re-engineer supply chains in order to be less reliant on any single non-Western supplier, in particular China. The world order that emerges will provide some benefits for Germany. Firms seeking to "re-shore" production of crucial inputs, such as semiconductors, or build factories for new products, such as electric vehicles (EVs), may be lured to its shores. Tesla, an EV-maker, has already built a factory near Berlin, and plans to expand it to create Germany's biggest car plant. Intel has agreed to create a €30bn chipmaking hub in Magdeburg, central Germany. On August 8th TSMC and three other chipmakers announced plans for a €10bn fab in Dresden.

Yet these investments come at great expense to the German taxpayer, with politicians engaging in a global subsidy race. Germany will provide around €10bn in subsidies to Intel; another €5bn will go to TSMC and collaborators. Meanwhile, reducing trade links with countries beyond the West will hurt given Germany's reliance on global supply chains. According to our calculations, both it and the Netherlands combined (the two countries' figures are hard to disentangle because of a shared reliance on the port of Rotterdam) have more exposure to autocracies than any other major European economy. Annual trade with such countries is worth 10% of the two countries' GDP, compared with 5% in France. Little surprise, then, that an IMF paper from 2021 shows that Germany would suffer more than anywhere else in the OECD if trade in high-tech goods between the club's mostly rich members and China was severely restricted.



The Economist

Emerging Chinese rivals also pose a considerable threat, not least to carmakers. Germany's famous old brands—BMW, Mercedes, Porsche, Volkswagen—risk being left behind as consumers switch to EVs. The combined market capitalisation of the four companies is now less than half that of Tesla. Much like the German economy as a whole, their business model was working just too well to adapt. They now face growing competition from China, where exports of EVs are surging. The country's carmakers bet big on such cars in anticipation of growing demand. As a result, China sold 2.7m vehicles overseas last year, many of them under the labels of Western carmakers, up from fewer than 400,000 in 2015. Around two-fifths were electric or hybrid. Indeed, Sixt, a German car-rental firm, recently ordered 100,000 vehicles from BYD, a Chinese carmaker.



The Economist

Germany's transition to net-zero emissions is the next difficulty for the economy. The country has already undergone one uncomfortable transition: from being a pioneer of renewable energy to a climate laggard. This has left its annual carbon footprint, of 9 tonnes a person, around 50% higher than that of France, Italy or Spain (see chart 3). Although Germany is one of the most energy-efficient countries in Europe—meaning waste is low—it consumes enormous amounts of energy owing to its large industrial base (see chart 4). Making this energy greener will require awkward trade-offs.

The original plan, dreamed up in the glorious 2010s, was to replace nuclear energy with renewables and cheap Russian gas. Neither now looks possible. Russian gas will not flow to Germany any time soon. Meanwhile, Mrs Merkel often preferred to spend on pensions, rather than on renewables. NIMBYish hostility to strengthening the grid, especially in the power-hungry south, has not helped.

Atomkraft? Nein danke

Ministers used last year's energy crisis to pass controversial laws, watering down conservation rules, that should help speed up the introduction of renewables. A network of hydrogen pipes is also being planned. But it will still be a tall (and expensive) order to produce the green energy required.

Even if hydrogen targets are met, the gas will only cover 30-50% of domestic demand by 2030, according to the government's own forecasts. Around four to six onshore windmills a day will have to be built to meet the official target of 80% renewable electricity by 2030—something rendered supremely unlikely by local resistance, a lack of grid connections and an abundance of planning constraints.

Until the windmills are built, firms face uncertainty. In response, they may move to greener, cheaper pastures. Chemical companies, including BASF and Lanxess, have already restructured their German operations, closing facilities. Other energy-intensive outfits, such as those in ceramics, glass or paper, could follow suit. The German government recently agreed to pay €2bn to ThyssenKrupp, Germany's biggest steelmaker, to keep steel mills running, while making them greener. Intel also wants a government guarantee. The chipmaker is in negotiations with local electricity providers in Magdeburg and the federal government, seeking a fixed energy price of €100 per MWh for two decades.



The Economist

It is not just Germany's industrial base that will be less energetic in the future—its population will be, too. Germany is both an old country, and one old in a peculiar way (see chart 5). Its working-age population makes up 64% of the total, just as in America. Yet Germany's median age is 45,

compared with 39 across the Atlantic. Since the country's post-second-world-war baby boom was delayed by a combination of famine, destruction and displacement, there is now a great swell of workers on the verge of retirement.

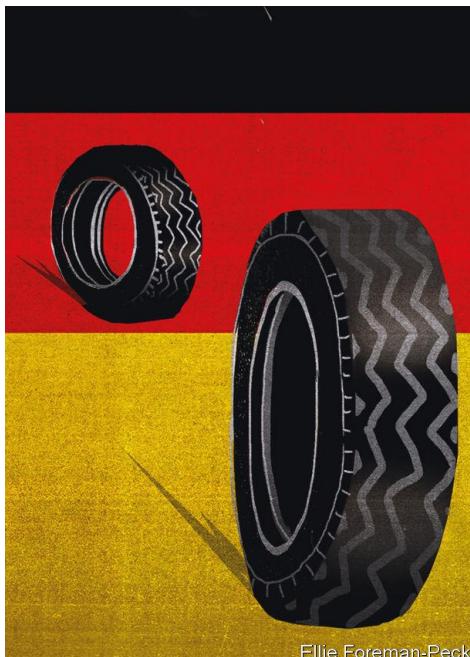
As these boomers quit the workforce, jobs will become more difficult to fill. Already, firms are struggling. Even during last year's energy crisis, Germany's much-lauded Mittelstand—smallish firms that are often world leaders in their niche—cited a paucity of suitable workers as their most pressing concern. Without immigration or more women and elderly folk in the workforce, the labour market will lose 7m of its 45m workers by 2035, calculates Enzo Weber of the Institute of Employment Research, a think-tank. As he notes: "The raw figures are dramatic."

Yet making it easier for parents to work full-time would clash with Germany's traditional family model, and schools and nurseries are already short-staffed. Once, such problems would have been circumvented by attracting workers from eastern Europe, using the lure of higher Western wages. But many economies to the east are booming, and their labour markets are also tight. Two-thirds of Polish industrial firms, for example, cite labour shortages as a factor limiting their production, compared with less than one-quarter in the euro zone. In a sign of the times, Hubertus Heil, Germany's labour minister, recently travelled to Brazil as part of a campaign to entice health and care workers to the country. A law introduced in 2020 to welcome more workers from outside the EU had to be updated this year, in order to further lower barriers to entry, after failing to attract sufficient numbers.

Overcoming these three challenges—geopolitics, climate change and demography—will require a nimble, digitally savvy and highly capable state. Unfortunately, Germany's state is none of these things. The country's success has for a long time masked the inadequacy of its institutions and administration, which is now being exposed. As Ms Schnitzer of the country's official economic advisory council puts it: "The state is suffocating under its own rules and procedures."

Per Fax bitte

Take digitisation. Germans famously love to pay using cash. They complained in their thousands when Google rolled out its Street View feature, forcing the firm to turn many of the country's houses into a blurry mess on the site. According to EU data, only Bulgarians, Italians and Romanians use digital government services less than Germans. This will be a problem as the country's labour force shrinks, when it will become all the more important to eke every last drop of productivity from workers.



Even optimists are losing hope. “Artificial intelligence is often irrelevant for us, because there is no AI for a fax machine yet,” sighs Ann Cathrin Riedel, who runs NExT, an advocacy group that seeks to digitise public bureaucracies. She cites examples of municipalities that have to plan their school needs without knowing the number of children who will turn up because they do not have the required data. A law introduced in 2017 decreed that, by 2022, 575 services would be available in digital form. In the end, just 128 were. And many merely provided an online front-end. “Now you can digitally apply for housing benefits, but the administration prints out the page and puts it into the same folders as before,” notes Ms Riedel.

Sclerotic bureaucracy is a problem when companies must adapt to a fast-changing global economy and the entire capital stock serving fossil fuels needs to be replaced. At the moment, it takes more than 120 days for a

German firm to receive an operating licence, compared with fewer than 40 in Italy and Greece. Construction permits take more than 50% longer than the OECD average. Clinical trials are so difficult that biotech firms set up research centres abroad. Almost 70% of Germans think the state is overwhelmed. Without enormous improvements, it will become a bottleneck as the economy tries to adjust.

The problem is not a lack of funds—it is the nature of the administration itself. Observers paint a picture of a government stuffed with lawyers and unable to steer policy or even monitor consultants properly. Germany's federal structure has created a patchwork of digital fiefs that are fiercely guarded. Olaf Scholz, the country's Social Democrat chancellor, has so far shown little interest in deep reform of the state, and seems keener on fiscal rules than bold change. The last time Germany was in such a mess was the late 1990s, when *The Economist* labelled the country the sick man of the euro. Back then, German politicians embarked on painful reforms, which ended up being assisted by favourable conditions in the global economy, not least a boom in emerging markets. There is no such boom in sight now. ■

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Seeing cents

Russia will struggle to cope with a sinking rouble

What does the currency's collapse mean for Vladimir Putin's ability to wage war?

Aug 14th 2023



Imago

ON AUGUST 14TH Russia's rouble slipped past the value of 100 to the American dollar, meaning it was worth less than a solitary cent—and was the cheapest it had been since the immediate aftermath of the invasion of Ukraine. The currency is one of the world's worst performers this year, outdone only by perennially troublesome peers like the Argentine peso, Venezuelan bolívar and Turkish lira.

The next day Russian monetary policymakers intervened, scrambling to respond to events for the first time since early in the war. The Bank of Russia raised interest rates by 3.5 percentage points, to 12%. Although the rouble rose a little on the news, it is still, at 96 to the dollar, far cheaper than its level of 60 or so this time last year. Rate rises are unlikely to stem the currency's decline soon, with consequences for Vladimir Putin's ability to wage war.



The Economist

Currency collapses are often prompted by nervous international investors or fleeing domestic capital. Yet trading in the rouble, especially against the dollar, remains thin. Sanctions and capital controls have left Russia isolated. Instead of reflecting the aggregated opinions of speculators, the rouble swings according to the textbook economic model, reflecting the relative strength of exports (which earn foreign currency) and imports (which must be paid for with these earnings).

Since the G7 imposed a \$60 price cap on Russian oil in December, the value of exports has slumped. Russia's earnings were 15% lower in dollar terms from January to July than during the same period last year, a fact not entirely explained by a lower global oil price. Meanwhile, imports have surged as the government prosecutes its war, and buys the goods to do so. In the first seven months of the year Russia's current-account surplus, a measure of how much more foreign currency the country receives than spends, fell by 86%, to \$25bn.

On the one hand, this suggests the oil-price cap is having some impact. Attempts to dodge the policy are not making up for being forced to sell oil at a discount. On the other hand, it suggests Russia is finding ways to import goods. German exports to Russia's friendlier neighbours, for instance, have shot up suspiciously.

A cheap currency raises the rouble value of the government's oil revenues, but it also raises the cost of the imports. In June Andrei Belousov, Russia's deputy prime minister, said the value at the time, of 80-90 roubles a dollar, was best for the country. When the rouble was far stronger last year, the Russian government was happy to use it as evidence Western sanctions were failing. That confidence has now gone. On August 14th Maxim Oreshkin, an adviser to Mr Putin, wrote a column stressing the need for a strong rouble and blaming its collapse on the central bank.

The emergency rate rise helped the rouble only a little. Russia's isolation means higher interest rates are unlikely to tempt "hot money" (speculative funds seeking short-term returns). The focus may now turn to the domestic capital that is at risk of fleeing. Strengthening capital controls could stanch the flow, but would take time to have an impact. As this piece was published, the government was reportedly due to meet to decide whether to force exporters to sell foreign-currency earnings.

Direct intervention in currency markets is another option. The central bank has scaled back purchases of foreign currency. Under a budgetary rule, Russia used to buy other currencies in exchange for roubles if it had a surplus of oil and gas revenue, in order to build up reserves. On August 9th this rule was abandoned. According to official figures, the country had foreign-currency reserves of \$587bn at the start of August, suggesting the central bank has the firepower to prop up the rouble. The problem is that some \$300bn of these reserves are frozen by the West.

Unless the government can secure more oil revenue, it faces a choice. The state could cut back on spending, including on its armed forces, in order to reduce imports. Alternatively, the civilian economy will take the pain. Rising inflation and higher interest rates will weaken the purchasing power of ordinary Russians, forcing them to buy fewer foreign goods. Thus the fate of Russia's economy will not be decided by the judgments of international financiers but by the depths of Mr Putin's aggression. It is a far more unhappy situation in which to be trapped. ■

Editor's note (August 15th 2023): This article has been updated to incorporate news of the Bank of Russia's emergency interest-rate rise.

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Unemployed and uncounted

China's consumers, officials and statisticians all lack confidence

Strange solutions to a barrage of bad economic news

Aug 17th 2023 | HONG KONG



Getty Images

CHINA'S ECONOMIC problems are distinctive. Inflation is too low, not too high. Many cities have too much housing, not too little. The country's unmatched saving rate suggests it is, if anything, making excessive provision for its future.

China's response to economic difficulties is also—how to put this politely?—idiosyncratic. Consider the way it handled a barrage of bad news this week from the National Bureau of Statistics (NBS). The bureau reported retail sales and industrial production were both worse than expected in July. Property sales slumped again. Urban unemployment rose. And this data followed earlier releases showing declining consumer prices, a precipitous drop in exports, vanishing foreign-direct investment and weak demand for credit.

To soften the blow, the People's Bank of China (PBoC) duly lowered interest rates, as other central banks would do. But it reduced its medium-term rate by only 0.15 percentage points and its one-week rate by even less—not so much a cut as a nick.

What explains its restraint? The PBoC used to rely on loan quotas, money-supply targets and jawboning to make its monetary policy work; the bank's former governor would say his benchmark for policy rates was the economy's underlying "potential" growth rate. That might contribute to its inertia, as potential growth is a slow-moving variable, governed by fundamentals like productivity and demography. Other central bankers would say their job is to change interest rates as much as necessary to keep an economy's actual growth close to its potential. Although the PBoC is making the transition to a new set of levers and dials, it still seems to lack confidence in interest rates as a stabilisation tool.

The idiosyncrasies of China's policymaking do not end there. Indeed, the official response to bad news includes failing to report it. Since China's economy reopened, the unemployment rate among urban youth (aged 16 to 24) has been rising conspicuously, leading to uncomfortable headlines. In June the rate reached 21.3%. Analysts expected it to rise again in July. Rather than face embarrassing figures, the NBS decided to stop publishing them.

This decision invited ridicule. One online commentator feigned gratitude that the bureau buried the figures, rather than fiddled them. Another offered an analogy: "A TV advert said to quit smoking, so I quit TV." A third invoked a line from "Creation of the Gods", a recent film: "What a horse sees is decided by the man who rides it."

In explaining its decision, the bureau said it needed to review its methods. Measuring youth unemployment is undeniably difficult, because youngsters juggle studies, work and job-hunting. To count as unemployed, a person has to be looking for work. Many jobless youngsters are not, because they are concentrating on their education. In the first quarter of the year, for example, two-thirds of China's 96m urban youths were neither in work nor looking for it. Of the remaining third, a little over 6m were both searching for a job and failing to find one. It is this subgroup of 6m who count as unemployed.

There are other subtleties. In most big economies, such as America and the euro area, a person can count as unemployed only if they have taken steps to find a job in the past four weeks. China casts a wider net. Its unemployment figures include those who looked for work in the past three months. If China adopted the four-week standard, its youth unemployment rate could drop by seven percentage points, according to calculations using 2020 data by Zeng Xiangquan of Renmin University.

The right response to such difficulties is, of course, to air them. China has hidden other data, too. Its publication of the Gini coefficient, a measure of income inequality, has been stop-start. There is still no figure for 2022. It released a measure of consumer confidence every month for more than 30 years, until confidence fell sharply in April. None of these responses to China's problems will help solve them. The country's statisticians lack confidence in their methods, its central bank lacks confidence in its tools and the country's consumers lack confidence in the future. ■

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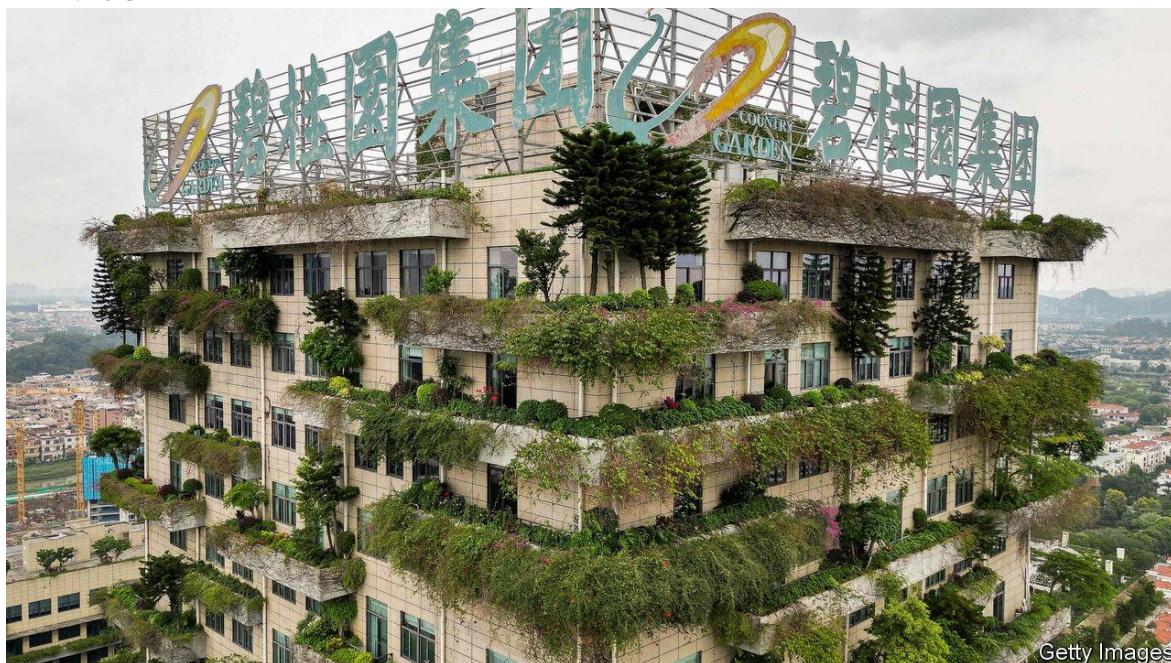
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Homesick

How bad could China's property crisis get?

Country Garden is on the edge of default. Here is a worst-case scenario

Aug 16th 2023 | Beijing



Getty Images

HOUSEHOLDS ACROSS China have been thrown into panic over the past week. The company building their flats, Country Garden, missed \$22.5m in coupon payments on August 6th. Now the firm, one of the world's largest homebuilders, has until early September to make the payments or follow hundreds of other developers into default and restructuring. Trading in its bonds, which are worth just pennies on the dollar, was halted on August 14th.

Officials across the country are watching closely. Country Garden is renowned for its huge projects in China's second- and third-tier cities. The firm's debts are smaller than those of Evergrande, a big, heavily indebted company that defaulted in 2021. But at the start of the year Country Garden was building four times more homes than Evergrande was before it defaulted. At the rate Country Garden was delivering them in the first half of 2022, at least 144,000 buyers will not receive homes they were promised by

the end of this year. A sudden debt meltdown at the firm would leave even more families out in the cold.

China's [housing crisis](#) turns three this month, if measured by the introduction of the government's "three red lines" policy, which sought to limit leverage. Throughout, officials have struggled to manage confidence and expectations. At the start, few observers believed Evergrande could collapse, and that the government might fail to put a stop to the pain. Until recently, most thought that Country Garden was immune to default. Since late last year officials have sought to calm the market by drawing up an informal list of healthy developers, including Country Garden, which investors could feel comfortable funding and Chinese citizens could trust.

The calculation has changed in recent days. Country Garden's issue is not one of over-leverage in the style of Evergrande. Instead, it is a victim of a loss of confidence among regular folk—a sign the government is losing control. After a short rebound following the lifting of covid-19 controls, the property crisis has intensified. Prices are dropping. Sales among the 100 biggest developers fell by 33% in July compared with a year earlier. Country Garden's tumbled by 60%. The firm's decline is forcing market-watchers to confront their deepest fears about the property sector.

One is that property supply chains collapse. Over the past three years suppliers of materials, along with the engineering and construction firms that build homes, have often not been paid on time by developers. But so far this backbone of the sector has withstood the pressure. That could change as developers grow shorter on funds. The decline in payments to suppliers is already noticeable. Between 2021 and 2022, Country Garden's transfers to such firms fell from 285bn yuan (\$44bn) to 192bn yuan, according to S&P Global, a rating agency. They are all but certain to fall further this year. Although the biggest contracting firms will probably survive with help from the government, it is not hard to imagine widespread collapses among the myriad smaller engineering and materials companies that do the work on the ground.

Another concern is that the crisis spreads to state firms. Since 2021 Chinese developers have been almost entirely shut out of international bond markets. But the onshore debt market has remained open to state-backed firms. The

large Chinese investors that dominate the market have so far provided a degree of stability; they have not dumped developers' credit as have asset managers in Hong Kong. Any change would spell trouble. And in recent weeks investors have noted pressure in the domestic bond market. Sino-Ocean, a state-owned developer, has shown signs that it may struggle to repay debts. Homebuyers have chosen state developers because they are seen as safer. If the crisis hits state firms, that notion would be shattered.

The fear that the collapse of a developer will bring down a large Chinese bank has mostly been dismissed. Banks' exposure to developers, analysts say, is reasonable. They would survive even the fall of a firm like Country Garden. But other types of contagion cannot be ignored. If property continues to weaken, the government may ask banks to offer more loans to the industry, says Michael Chang of CGS-CIMB Securities, a broker. This would lower returns and also be a poor allocation of credit at a time when China's economy is suffering.

No worry will loom larger in the minds of officials, however, than threats to social stability. Country Garden may have to cut prices to generate sales. This could create competition and lead to swifter price falls across the industry, pushing people to delay home purchases in the hope that prices will fall still further. During past downturns, those who bought homes too early, missing a discount, have protested and demanded a matching reduction in price.

Indeed, Country Garden's biggest creditors are not banks or bond holders, but folk who have paid for homes upfront. Some 668bn yuan, or about half the firm's liabilities, were put up by homebuyers. Last year thousands stopped paying their mortgages in protest at years-long delays in delivering homes. There is now the threat of much broader protests across the 300 cities in which Country Garden builds.

So far officials in Beijing have decided against direct intervention in the property market. Country Garden almost certainly has the \$22.5m it needed to cover payments this month. By not paying up, its bosses are signalling a desire to eventually restructure its debts—perhaps betting that the firm is too big to fail. This puts the central government in an excruciating position. Letting Country Garden fail could lead to wider panic, more economic pain

and potentially more defaults, risking contagion and social unrest. Yet stepping in with a rescue package would put officials on the hook for many more bail-outs, and prop up an unsustainable industry. ■

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Buttonwood

Why investors are gambling on placid stockmarkets

What looks like a safe bet carries a hidden danger

Aug 17th 2023



SOD'S LAW, the axiom that if something can go wrong then it will, is about as British as it gets. But traders around the world have their own version: that markets will move in whatever direction causes the most pain to the most people. This year, they have been vindicated by a soaring stockmarket that few saw coming, in which the biggest winners have been the shares that were already eye-wateringly expensive to begin with. In April fund managers told Bank of America's monthly survey that "long big tech" was the most faddish trade going, making it an obvious one for the professionals to avoid. Over the next few months shares in the biggest big tech firms duly left the rest of the market in the dust.

Other than simply pay up and pray for the run to keep going, what is a value-conscious investor to do? The pluckiest option—calling the market's bluff and betting on a crash—has left many of the hedge funds that tried it running for cover. In June and July, say Goldman Sachs's brokers, such

funds abandoned their positions at the fastest pace in years. Those looking on may not thrill at the prospect of recreating their experience. But if you don't think stocks can rise much more yet can't stomach the risk of shorting them, logic dictates a third option. You can try to profit from them not moving much at all.

A growing number of investors are doing just this—or, in industry jargon, selling volatility. The trade-du-jour is the “buy-write” exchange-traded fund (ETF), a formerly obscure category that is now hoovering up capital. Since the start of 2023, buy-write ETFs have seen their assets balloon by 60%, to nearly \$60bn.

In practice, such investors are buying baskets of stocks while selling (or “writing”) call options on them. These are contracts that give the buyer the right (though not the obligation) to buy the stocks for a set price (or “strike price”) in the future. Usually the strike price is set “at the money”, or at whatever level the stocks are trading when the option is written. If they then rise in price, the buyer will exercise the option to purchase them at the below-market value. Conversely, if they fall, the buyer will let the option expire unused, not wanting to pay above-market value for the stocks.

The original investor, who sold the call option and bought stocks, is betting that share prices stay precisely where they were. That way, they get to pocket the option price (“premium”) without having to sell the stocks for less than they are worth. If prices instead increase, the option seller still keeps the premium, but must forgo all the share-price growth and sell the stocks for their original value. If they fall, the investor takes the hit as the option will not be exercised, meaning they will keep the shares and their losses. This is at least cushioned by the premium they received in the first place.

To those marketing them, buy-write ETFs are more than just a punt on placidity. Global X, a firm that offers 12 such funds, lists their primary goal as “current income”. Viewed in this light they might appear like a dream come true, because regularly selling options can generate a chunky income stream. One of the more popular vehicles is the Global X Nasdaq 100 Covered Call ETF, with assets worth \$8.2bn. Averaged over the year to June, each month it has collected option premiums worth 3% of assets and

made distributions worth 1% to investors. Even in a world of rising interest rates, that is not to be sniffed at. Ten-year Treasuries, by comparison, yield 4.2% a year.

Readers who do not believe in free lunches may sense a rather large catch coming. Yet it is not the familiar one applying to bets against market turbulence, which is that years of steady profits can be followed by a sudden, unexpected shock and a total wipeout. A buy-write ETF may well fall in value, but in this respect it is no riskier than a corresponding “vanilla” fund that just owns the underlying stocks.

The real hitch is that while such ETFs offer equity-like potential losses, their profits can never exceed the monthly income from selling options. Those profits thus resemble the fixed-income stream generated by a bond. They also up-end the logic for buying stocks in the first place: that a higher risk of losses, compared with bonds, is worth the shot at wild, uncapped returns. The nightmare scenario is that stocks go on a blistering bull run that buy-write investors miss out on, followed by a plunge that hurts them almost as much as everyone else. This year has already had the bull run. If Sod’s law continues to hold, buy-writers should watch out.■

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Free exchange

Democracy and the price of a vote

Free elections are heralded as a solution to poverty. Reality is not so simple

Aug 17th 2023



A TYPICAL ECONOMIST does not have all that much in common with a typical protester in a failing dictatorship. Dismal scientists favour cautious lessons, carefully crafted and suitably caveated, backed by decades of data and rigorous modelling. Protesters need electrifying arguments and gargantuan promises about just how good life will be as soon as their aims are achieved, since that is how you recruit people to a cause. But the two groups share at least one trait. They both tend to be ardent democrats.

Democratic institutions are good for economic growth. That is one of the few things on which, after decades of probing the link between politics and prosperity, economists agree. Dictators may be able to control the state, its resources and much of society. But countries that have long-established elections and associated institutions also tend to have trustworthy governments, competent finance ministers and reliable legal systems. In a paper published in 2019, Daron Acemoglu of the Massachusetts Institute of

Technology and co-authors split countries into dictatorships and democracies. They found that 25 years after making a permanent switch from the former camp to the latter, a country's GDP was one-fifth higher than it would otherwise have been.

The problem is that making the switch takes longer and is more expensive than often assumed. Look beyond Mr Acemoglu's black-and-white division. Allow some countries to be more democratic than others—after all, it makes little sense to put a centuries-old democracy in the same category as one finding its feet—and a different picture emerges. In a study published last year, Nauro Campos of University College London and co-authors found that regimes face problems while trying to get rid of autocratic tendencies. On average, countries lose 20% of GDP per person in the 25 years after escaping dictatorship relative to their previous growth path, in part because many struggle with the transition to democracy. Today there are more such inbetween regimes than ever (87, according to the Economist Intelligence Unit, our sister outfit).

Reliable institutions are a prerequisite for development, but democratic ones take a long time to build. Countries do not finish one day under a military dictator and start the next with a fully formed supreme court. Civil services that know when to leave the private sector be, legal systems that protect property rights, and thriving charities and universities take decades to develop. Investors take even longer to be convinced. Democracies spend more on health and education, which pays off, but only after decades.

More immediately, overhauling politics shakes the economy. Few autocrats are sensible technocrats, but they stick around, while democratic progress comes in fits and starts, occasionally kicking into reverse. Countries often need several new leaders and constitutions before reform sticks. There is always a risk that a democratic experiment will end in a coup, war or uprising. For businesses, making big bets on stability is often too much of a gamble. Local ones do not want to get close to politicians and anger those who will be next in charge. Foreign creditors want to lend to a government that will still be around to pay them back.

Elections also carry costs. Autocrats fix them, which is complicated and expensive. But winning one—the task ahead of a politician in a newly

democratic country—is often more expensive still. After all, influencing through persuasion (with, say, promises of shiny new sports stadiums) soaks up more money than repression. A party-run media empire will be able to spend billions of dollars. Vote-winning welfare promises will be even pricier. New democrats also tend to rely on networks of crony-capitalist allies to campaign, protect and fund them. These networks can be more sprawling than the ones that kept their predecessors in power. Neither the powerful top brass, such as generals or businessfolk, nor the voters they bring in, will be particularly keen on a pay cut.

Few candidates are really rich themselves, meaning payments often come from the state once candidates are in office. Fiscal balances fall foul of corruption, as inner circles siphon cash. The possibility of losing the next election sometimes adds urgency to such activities, rather than discouraging them. Worse, new presidents sometimes choose to, in effect, rent out parts of the government. Rather than dissolve state-run companies, they like to use board positions as rewards and dish out licences for national monopolies. The civil service changes hands. Flagship investments—planned for elsewhere—migrate to supportive regions. There is no money, expertise or time left to worry about growth.

Stuff the ballot boxes

As costly as change is, the circumstances that provoke it are scarcely better. Mr Acemoglu finds that GDP per person tends to stop growing in the five years before a country becomes a democracy. Suharto, a former dictator in Indonesia, resigned in 1998, a year after the Asian financial crisis began. In 2011 Egypt's Tahrir Square was filled with protesters demanding “Bread, Dignity and Freedom”. Today, once again, Egypt is brimming with political protest after years of crisis. So are Sri Lanka and Pakistan.

There is nothing more likely to push politicians towards reform, or populations towards protest, than inflation, joblessness and falling living standards. All too often, autocrats are to blame for these problems in the first place. But swapping leaders or holding an election will not immediately fix decades of economic mismanagement. The difficulties of democratisation may also help explain why so many countries are stuck somewhere short of full democracy. Although a popular vote offers sizeable economic benefits,

they take time to emerge, while the costs are more immediate. People who are no more able to make ends meet after overthrowing an autocrat, despite the grand promises they were sold by popular leaders, are more likely to turn their back on reform altogether. The path to democracy is fraught. That is why history is littered with failed experiments. ■

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Science & technology

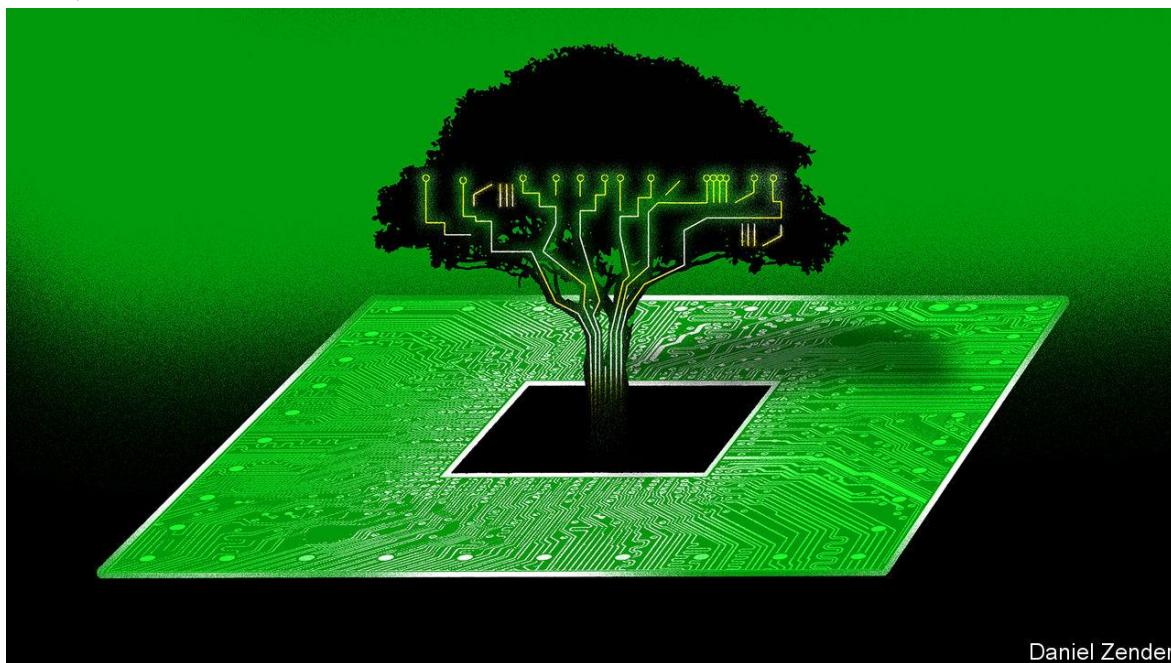
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Mean and green

Can computing clean up its act?

The industry consumes as much electricity as Britain—and rising

Aug 16th 2023 | Helsinki



Daniel Zender

“WHAT YOU notice first is how silent it is,” says Kimmo Koski, the boss of the Finnish IT Centre for Science. Dr Koski is describing LUMI—Finnish for “snow”—the most powerful supercomputer in Europe, which sits 250km south of the Arctic Circle in the town of Kajaani in Finland.

LUMI, which was inaugurated last year, is used for everything from climate modelling to searching for new drugs. It has tens of thousands of individual processors and is capable of performing up to 429 quadrillion calculations every second. That makes it the third-most-powerful supercomputer in the world. Powered by hydroelectricity, and with its waste heat used to help warm homes in Kajaani, it even boasts negative emissions of carbon dioxide.

LUMI offers a glimpse of the future of high-performance computing (HPC), both on dedicated supercomputers and in the cloud infrastructure that runs much of the internet. Over the past decade the demand for HPC has boomed, driven by technologies like [machine learning](#), genome sequencing and

simulations of everything from stockmarkets and nuclear weapons to the [weather](#). It is likely to carry on rising, for such applications will happily consume as much computing power as you can throw at them. Over the same period the amount of computing power required to train a cutting-edge AI model has been doubling every five months.

All this has implications for the environment. HPC—and computing more generally—is becoming a big user of energy. The International Energy Agency reckons data centres account for between 1.5% and 2% of global electricity consumption, roughly the same as the entire British economy. That is expected to rise to 4% by 2030. With its eye on government pledges to reduce greenhouse-gas emissions, the computing industry is trying to find ways to do more with less and boost the efficiency of its products. The work is happening at three levels: that of individual microchips; of the computers that are built from those chips; and the data centres that, in turn, house the computers.

Start with the microchips themselves. Digital computers have become vastly more efficient over the past 80 years. A modern machine can do around 10trn calculations for the same amount of energy as a single calculation would have consumed in the aftermath of the second world war. Much of that enormous progress was a result of the industry's attempts to stick to Moore's Law—the observation that the number of components that can be crammed onto an integrated circuit doubles every couple of years.

When the chips are down

For several decades one happy side-effect of Moore's Law was that, as circuitry shrank, it also became more frugal. That effect is known as Dennard scaling, after Robert Dennard, a scientist then working at IBM who wrote a paper on the subject in 1974. During the mid-2000s, though, the tricky physics of ultra-tiny components meant that relationship began to break down. Computers are still becoming more efficient as their components shrink, but the rate at which they are doing so has slowed sharply.

That has forced chipmakers to work harder in pursuit of gains that they used to get free. The CPUs in LUMI—the general-purpose chips that run

programs and co-ordinate the rest of the machine—are made by AMD, an American chip designer. Besides supercomputers its CPUs, alongside those of Intel, its larger rival, power many of the data centres that make the internet work. In 2010, with Dennard scaling confined to the history books, the firm put improving energy efficiency “at the top of our priority list”, says Samuel Naffziger, the product technology architect at AMD.

These days its chips use an array of tricks to try to keep power consumption down. They are covered with sensors that monitor and minimise the amount of power sent to parts of the circuit depending on the tasks assigned to them. Other improvements have focused on making sure that as much of the chip as possible is doing useful work at any given moment, since idle circuitry wastes power to no purpose. AMD hopes that a combination of even more clever tricks and even smaller components will allow it to boost the efficiency of its most powerful chips 30-fold by 2025, compared with 2020.

Another option is to shift work from general-purpose CPUs to specialised chips designed for a narrower range of mathematical tasks. The best-known are “graphics processing units”, or GPUs. Originally developed to produce snazzier graphics for video games, GPUs have turned out to excel at many tasks that can be broken up into small bits, each of which can then be worked on simultaneously. Similarly specialised chips increasingly handle tasks like networking, which would previously have been left to the CPU to deal with.

Such system-level tweaks are the second scale at which efficiency can be improved. “When you are playing with thousands of CPUs and GPUs, how you connect them up can make or break a supercomputer’s energy efficiency,” says Justin Hotard, who is in charge of high-performance computing at Hewlett Packard Enterprise, a firm that specialises, among other things, in efficient supercomputers.

Exactly how best to wire everything up is still an active area of research. Sending a signal to another chip elsewhere in the computer consumes a great deal of energy. The goal is therefore to minimise how often it happens, and minimise the distance the signal has to travel when it does. HPE prefers something known as a “dragonfly topology”, a two-layer system in which groups of chips are connected to each other in clusters, and those clusters are

wired up to each other in turn. The system is modular, which makes it easy to scale up by simply adding new nodes. And a paper published in February by Francisco Andújar, a computer scientist at Valladolid University, and his colleagues, showed, after a great deal of mathematical analysis, that the dragonfly setup is close to the ideal design for efficient supercomputing.

And efficiency need not come at the cost of performance. Top500.org, a website, publishes rankings of supercomputers by both speed and efficiency. Its most recent, published in June, list LUMI as the seventh-most efficient machine in the world as well as the third-fastest. Frontier, a computer installed at Oak Ridge National Laboratory in Tennessee, is by far the world's fastest, around four times quicker than LUMI. Nevertheless, when it comes to efficiency, Frontier ranks sixth.

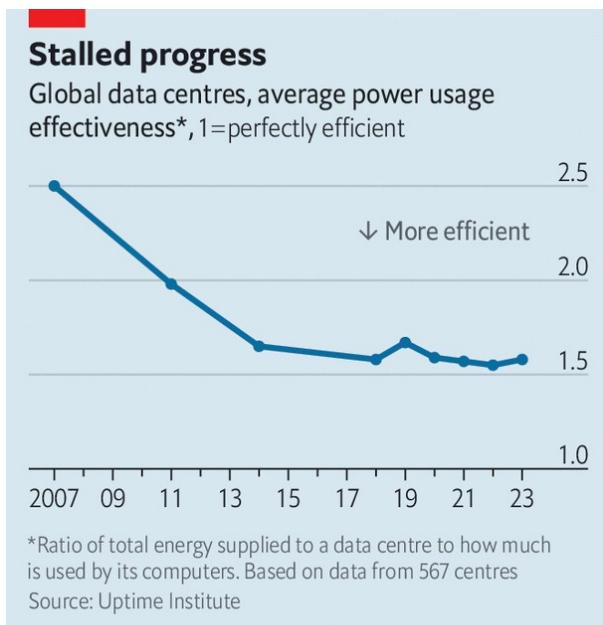
The final scale at which gains can be made is that of the data centre, the high-tech shed in which both supercomputers and the more quotidian servers that power the internet live. Computing produces a great deal of heat. Despite the newfound focus on efficiency, a modern CPU or GPU can produce 500 watts or more of heat at full tilt. With tens of thousands in a single data centre, that means disposing of several megawatts of heat.

Keeping them cool requires energy in turn. The standard measure of a data centre's efficiency is the power usage effectiveness (PUE), the ratio between the data centre's overall power consumption and how much of that is used to do useful work. According to the Uptime Institute, a firm of IT advisers, a typical data centre has a PUE of 1.58. That means that about two-thirds of its electricity goes to running its computers while a third goes to running the data centre itself, most of which will be consumed by its cooling systems.

Reaching the Finnish line

Clever design can push that number much lower. Most existing data centres rely on air cooling. Liquid cooling offers better heat transfer, at the cost of extra engineering effort. Several startups even offer to submerge circuit boards entirely in specially designed liquid baths. Thanks in part to its use of liquid cooling, Frontier boasts a PUE of 1.03. One reason LUMI was built near the Arctic Circle was to take advantage of the cool sub-Arctic air. A neighbouring computer, built in the same facility, makes use of that free

cooling to reach a PUE rating of just 1.02. That means 98% of the electricity that comes in gets turned into useful mathematics. “That is closing in on the limits of what is possible,” says Dr Koski.



The Economist

Even the best commercial data centres fall short of such numbers. Google’s, for instance, have an average PUE value of 1.1. The latest numbers from the Uptime Institute, published in June, show that, after several years of steady improvement, global data-centre efficiency has been stagnant since 2018 (see chart). Economics, rather than computer science, is the main reason. As demand for computing has boomed, it makes sense for firms to keep older, less efficient infrastructure running for longer.

What is presently merely a nice to have may soon become a legal requirement. Mindful of their carbon-reduction targets, the governments of America, Britain and the European Union, among others, are pondering new rules that could force data centres to become more efficient. A new German law would mandate a minimum PUE of 1.5 by 2027, and 1.3 by 2030. “We want LUMI to illustrate how high-performance computing can get across the line on net-zero carbon emissions,” says Dr Koski. Those wanting tips could do worse than book a trip to Finland. ■

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Regenerative dentistry

Scientists want to fix tooth decay with stem cells

Regrowing natural enamel would be better than a filling

Aug 16th 2023



Science Photo Library

THE HUMAN body is a marvellous thing. But like anything built by evolution, it has plenty of flaws. Consider teeth. Whereas sharks grow new teeth throughout their lives, adult humans get one set, which must last 60 years or more.

That is tricky. A combination of poverty, sugar-rich [diets](#) and poor hygiene means 2.5bn people around the world suffer from tooth decay, in which acid produced by mouth-dwelling bacteria eats away at the hard enamel that coats the outside of a tooth. That can open the door to painful infections, which cause further damage. Once decay has set in, all a dentist can do is fill the gap with an artificial plug—a filling.

But in a paper published in *Cell*, Hannele Ruohola-Baker, a stem-cell biologist at the University of Washington, and her colleagues offer a possible alternative. Stem cells are those that have the capacity to turn themselves into any other type of cell in the body. It may soon be possible,

the researchers argue, to use those protean cells to regrow a tooth's enamel naturally.

The first step was to work out exactly how enamel is produced. That is tricky, because enamel-making cells, known as ameloblasts, disappear soon after a person's adult teeth have finished growing. To get round that problem, the researchers turned to samples of tissue from human foetuses that had been aborted, either medically or naturally. Such tissues contain plenty of functioning ameloblasts.

The researchers then checked to see which genes were especially active in the enamel-producing cells. Tooth enamel is made mostly of calcium phosphate, and genes that code for proteins designed to bind to calcium were particularly busy. They also assessed another type of cell called odontoblasts. These express genes that produce dentine, another type of hard tissue that lies beneath the outer enamel.

Armed with that information, Dr Ruohola-Baker and her colleagues next checked to see whether the stem cells could be persuaded to transform into ameloblasts. The team devised a cocktail of drugs designed to activate the genes that they knew were expressed in functioning ameloblasts. That did the trick, with the engineered ameloblasts turning out the same proteins as the natural sort. A different cocktail pushed the stem cells to become odontoblasts instead.

Culturing the cells together produced what researchers call an organoid—a glob of tissue in a petri dish which mimics a biological organ. The organoids happily churned out the chemical components of enamel. Having both cell types seemed to be crucial: when odontoblasts were present alongside ameloblasts, genes coding for enamel proteins were more strongly expressed than with ameloblasts alone.

For now, the work is more a proof of concept than a prototype of an imminent medical treatment. The next step, says Dr Ruohola-Baker, is to try to boost enamel production even further, with a view to eventually beginning clinical trials. The hope is that, one day, medical versions of the team's organoids could be used as biological implants, to regenerate a patient's decayed teeth.

Stem-cell-based therapies are not the only ones heading to clinical trials. Another class of treatments is known as biomimetic repair. This involves rebuilding the tooth crown using synthetic proteins, which are similar, but not quite identical, to human enamel. Unlike stem-cell treatments, the proteins could be included in toothpaste, mouthwash and even cough drops. But synthetic formulations can be less durable than human enamel.

It will take time for either technology to arrive in the clinic. One question is just how durable the enamel made by stem-cell-derived ameloblasts proves to be. Another is how best to deliver the stem cells to a patient's mouth. But these findings are promising. As any dentist will tell you, prevention is better than cure. But a better cure would be welcome nonetheless. ■

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The second shall be first

A pair of Indian and Russian probes approach the Moon

Both are looking for ice; one will mark a spacefaring first

Aug 16th 2023



Getty Images

WHEN A CALENDAR month can boast two full Moons, as this August does, the second is customarily called a Blue Moon. When a week boasts two Moon landings, the second is customarily called...well, no one knows; such a one-two punch is not something that has ever happened. But there is a decent chance that the week beginning on August 21st will change that.

Chandrayaan-3, an [Indian mission](#) currently orbiting the Moon, blasted off on July 14th. It arrived in orbit around the Moon three weeks later, having taken a fuel-efficient but comparatively slow approach to leaving Earth orbit. It has spent the days since then slowly lowering its orbit towards the tight, circular loop from which the mission's lander will attempt a touch down on August 23rd.

Luna 25 headed into space from Vostochny, in Russia's far East, only on August 10th. But it took a more direct route and entered lunar orbit on

August 16th. Its operators plan to get it down on to the Moon's surface on August 21st, shortly after dawn at its landing site.

That landing site, like *Chandrayaan-3*'s, will be at a much higher lunar latitude than any previous landing, only about 600km from the Moon's south pole. The region is of interest because there is evidence that there may be water ice below the surface—or even, in a handful of craters close to the pole where the Sun never rises above the horizon, sitting at the surface as frost. A NASA camera on a South Korean orbiter is currently taking pictures of their Stygian depths using a camera so sensitive that it can see the details of landscapes lit only by the light reflected from distant peaks and the stars above.

Scientists want to understand how and when that ice got into these darknesses in the sky. As the Earth's ice caps contain records of past events, so may the lunar ice. Proponents of lunar settlement, and space industrialisation, see ice as a source of oxygen, water and rocket propellant. An American mission due to launch in November is aiming to land on the edge of a crater called Malapert, which is much closer to the pole than the Indian and Russian landing sites and contains some of the enigmatic permanently shadowed regions. Researchers in both America and China are looking at Malapert as a possible site for human exploration.

Successful landings on August 21st and 23rd will be an encouraging omen for such future endeavours. They are not guaranteed. Russia has not run a successful interplanetary mission since the fall of the Soviet Union. Yuri Borisov of Roscosmos, the Russian space agency, has said he thinks *Luna 25* has a 70% chance of success.

India, for its part, may be more confident, in part because of past failure. In September 2019 *Chandrayaan-2* got to within a couple of kilometres of the lunar surface before something went wrong, and it crashed. Details of quite what went wrong have never been made public, but it seems reasonable to assume that ISRO, the Indian space agency, would have satisfied itself that there will be no repeat. If it succeeds, India will become just the fourth country, after America, the Soviet Union and [China](#), to have landed on the Moon. If Russia makes it down, it will be simply repeating achievements its

antecedent superpower treated as routine half a century ago. The second landing, if it is the second, will be the true first. ■

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Sports science

Should women's football have different rules from men's?

Women are not just smaller men

Aug 16th 2023 | SYDNEY



Reuters

A LITTLE BOY, face covered in red and white paint (and a dab of ketchup) screams with delight when England equalise with Colombia in their quarter-final match. Stadium Australia, just outside Sydney, is packed. Your correspondent is rubbing shoulders with England fans in white and red, Colombian ones in yellow and Australians giddy from their team's earlier victory over France.

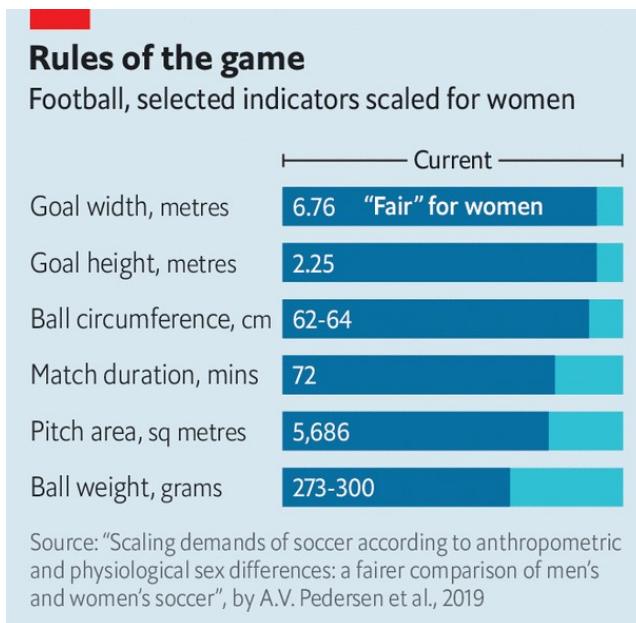
The [women's football World Cup](#), held this year in Australia and New Zealand, is setting records. England eventually beat Colombia, and then Australia, to set up a final against Spain on August 20th. Attendance at the tournament is over 1.8m, up from 2015's record of 1.4m. TV viewership across all matches is set to pass 2bn, double the previous high point.

Much of the coverage has compared the women's game with the men's. One striking advert tries to dispel the idea that the women's game is less skilful.

It shows a series of impressive highlights, ostensibly featuring members of the French men's squad. Later, the digital trickery is revealed: viewers have actually been watching the women's team. A paper published last month in *Sport Management Review*, a journal, had participants watch videos of men and women playing football. Viewers rated the men's videos more favourably than women's—but the difference vanished when the players were blurred to hide their sex.

Yet another study, published in 2019 by Arve Vorland Pedersen, a neuroscientist and sports scientist at the Norwegian University of Science and Technology, and his colleagues, concludes that the women are indeed playing a game that is subtly different—and considerably harder—than the one being played by the men.

The researchers start from the observation that women are physically different from men in many ways. Women are shorter than men (168cm v 182cm in a Norwegian sample). Female footballers are lighter (65kg v 76kg). Women are slower (4.84 seconds to run 30 metres, v 4.25), and cannot jump as high (36cm v 57cm). Those differences persist even among the most athletic members of each sex.



The researchers then try to scale the size of a football pitch to account for those anthropometric differences. A pitch that was the same relative size for women as it is for men would, they say, be 93 metres long and 61 metres wide, down from the current recommended dimensions of 105 metres x 68 metres (see table).

Nor is it just the pitch. Shorter female keepers can cover a smaller part of the goal than a man can. To achieve parity between the sexes, the women's goal, say the researchers, should be shrunk from 7.32 metres wide and 2.44 metres high to 6.76 metres across and 2.25 metres high. Even the ball would change: taking account of women's lower leg strength would require a ball weighing 287 grams, rather than the 430-grams of a standard male ball (though that would alter how the ball behaves in flight). Put another way, say the researchers, expecting women to play with a men's ball is a bit like asking men to kick a 623-gram basketball-sized sphere around.

Admittedly, the maths are rough-and-ready. And the researchers are quick to say they are not arguing that the rules should actually be changed (such discussions, they say, are for the game's administrators). But although football expects men and women to play by the same rules, many other sports try to account for sex differences. In athletics, women put lighter shots, throw lighter discs and leap over lower hurdles than men do. The WNBA, a women's professional basketball league in America, uses a lighter ball. Volleyball uses a lower net. Indeed, women's football used lighter balls until the 1990s.

But changing the rules of a sport is as much about culture as it is about science. World Rugby, the international governing body for rugby union, is planning tests of a ball sized for women's smaller hands. The response from the players themselves is said to have been mixed. Some are keen on the idea. Others worry that, after fighting for so long to be taken seriously, making the women's game even slightly easier might damage its reputation.

Designing for women is less controversial when it comes to kit. In the past, women's football boots were derived from shoes designed for a man's weight, foot size and biomechanics. Boots made specifically for women are beginning to appear. A firm called Ida Sports sells a boot that is wider around the toes, narrower at the heel and gives more support round the arch,

with shorter and more plentiful studs. Among other benefits, one hope is that this might reduce the incidence of knee injuries, to which women seem more susceptible. “So many people blame the design of the woman’s body,” says Emelia Funnell, Ida Sports’ research lead. Instead, she says “it’s the fact that the world has been designed for men.” ■

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Culture

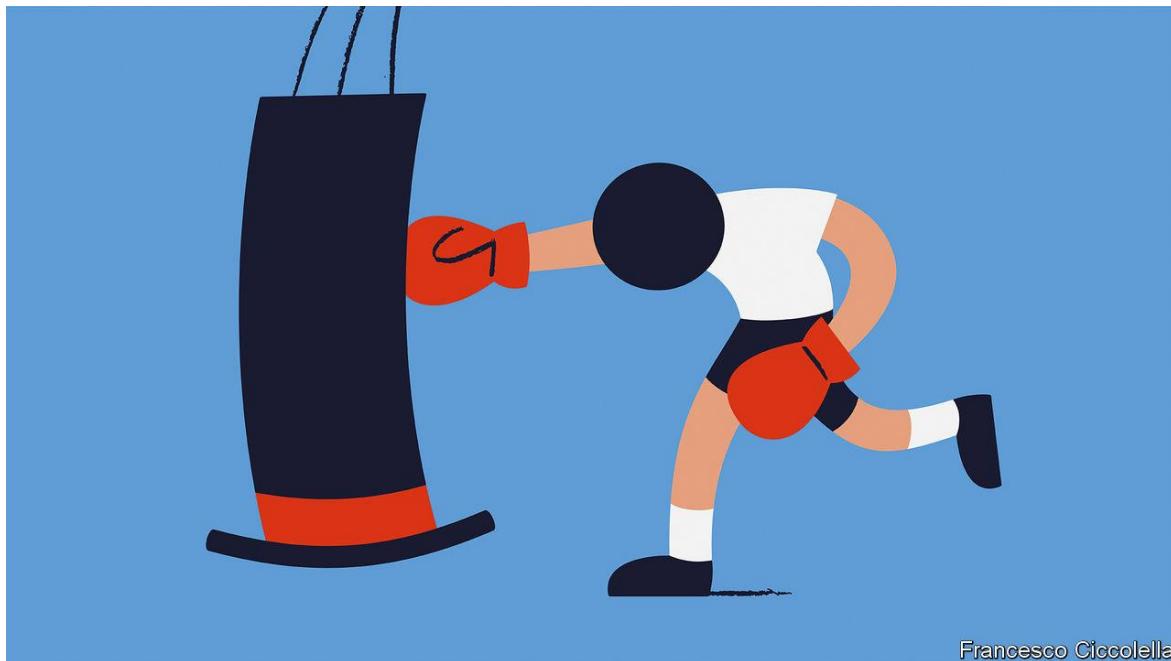
- [Conservatives are attacking capitalism](#)
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- [Mint, wax, poisonous plants: beauty tips from Renaissance Italy](#)
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The right stuff?

Conservatives are attacking capitalism

Four new books show how the reactionary right and left have converged

Aug 11th 2023



Decades of Decadence: How Our Spoiled Elites Blew America's Inheritance of Liberty, Security and Prosperity. By Marco Rubio. *Broadside Books*; 256 pages; \$32 and £20

Regime Change: Towards a Postliberal Future. By Patrick Deneen. *Sentinel*; 288 pages; \$30. *Forum*; £22

The Capitalist Manifesto: Why the Global Free Market Will Save the World. By Johan Norberg. *Atlantic Books*; 352 pages; \$24.99 and £20

Tyranny, Inc: How Private Power Crushed American Liberty—And What to Do About It. By Sohrab Ahmari. *Forum Books*; 288 pages; \$28

TWO DECADES ago [Johan Norberg](#), a Swedish liberal, wrote a bracing polemic called “In Defence of Global Capitalism”. Leftists hated it and sniffed that he was “on the ‘crazy right’”. Now, when he makes exactly the

same arguments, people on the right accuse him of being “woke left”. “I’m not the one who’s changed,” he writes.

The angriest critiques of global capitalism come increasingly from the populist right. This is true in several Western countries, but especially so in America. Republicans used to extol the benefits of free trade and free markets. Now, following Donald Trump’s lead, Republican candidates demand higher barriers, especially to goods from China, and berate corporations for their “wokeness” in supporting greenery and diversity. Four new books illuminate this shift, which fans of economic liberty find alarming.

The critiques target two villains: corporations and liberalism. Sohrab Ahmari, a socially conservative Iranian-American journalist, is part of the anti-corporate crowd. In “Tyranny, Inc” he claims that we live in “a system that allows the asset-owning few to subject the asset-less many to pervasive coercion—coercion that, unlike governmental actions, can’t be challenged in court or at the ballot box.”

Many of his complaints sound lefty. Amazon uses intrusive cameras to monitor its warehouse workers; other firms snoop on their minions’ private emails and web browsing. Employers set unpredictable working hours, which staff cannot easily refuse because they need to put food on the table. Life for the bottom 50% in America is precarious, stressful and unjust.

Other complaints reflect Mr Ahmari’s social conservatism. He disapproves of unpredictable working hours partly because of their effect on family life. He rages that woke corporations such as [Disney](#) and American Express “train” workers to accept controversial progressive ideas on race and gender.

He is a deft storyteller. A favourite trick is to describe some terrible injustice as if it occurred in a dictatorship like China or Iran and then to reveal—he, presto!—that it happened in America. He highlights genuine injustices, such as the way some firms abuse gag clauses, non-compete agreements and the arbitration process.

His analysis, however, is flawed. Private firms in America have far less power over workers than he claims. When they behave abusively, they are

often challenged in court. More important, with unemployment at 3.5%, disgruntled employees can credibly threaten to quit.

To tame corporate tyranny, Mr Ahmari would supercharge the state. It should encourage unionisation, play “a far more active role in co-ordinating economic activity” and require speculators who buy a company and want to change things to submit to the veto of “workers, local communities and other stakeholders”.

This is a recipe for slower growth and less innovation. Indeed, it is often hard to distinguish Mr Ahmari’s economic proposals from those of Elizabeth Warren or Bernie Sanders on the Democratic left. Yet he thinks his mix of social conservatism and economic populism is the future of the Republican Party, helping it win elections long after Donald Trump has retired or gone to jail. He may be right. This was the calculation made by J.D. Vance, who first rose to prominence as the author of “[Hillbilly Elegy](#)”, which explained the plight of America’s forgotten white working-class, before he ran in Ohio for a Senate seat—and won.

In “Regime Change: Towards a Postliberal Future”, Patrick Deneen, a professor of political science at the University of Notre Dame, gives voice to a gloomy, reactionary strain of thinking. On the first page he laments America’s blighted cities, family breakdown, inequality and “psychic despair”, noting “a growing chorus of voices [reflecting] on the likelihood and even desirability of civil war”.

For all this, he blames liberalism: both the classical sort, which seeks material progress through creative destruction, and the progressive sort that he accuses of upending family and tradition. To turn back the clock, he wants the state to support bigger traditional families (as it does in Hungary) and manufacturing (as it does under Joe Biden). He would restrict immigration, which he says elite liberals support in order to undercut the wages of the native-born and supply themselves with cheap servants.

None of this will work. Plenty of evidence suggests that immigration has little effect on native wages (so curbing it will not raise them); that industrial policy is generally wasteful; that pro-family policies have little effect on fertility; and that Hungary is a kleptocracy.

“Conservative” parties in the West have championed [free markets](#) at least since the days of Ronald Reagan and Margaret Thatcher. But free markets are profoundly unconservative. They bring rapid change, usually making people better off, but also disrupting old ways of doing things. Serious conservatives aim to minimise this disruption without impeding growth too much. Demagogues, however, pretend there is no trade-off: that you can have all the benefits of progress without changing the way you live.

For an idea of how ideas like Mr Ahmari’s and Mr Deneen’s might sound when stripped of nuance for the campaign trail, try “Decades of Decadence”. When Marco Rubio first ran for the United States Senate in 2010, he talked about how wonderful it was that he, the son of penniless Cuban immigrants, could aspire to high office in America. Now, still aspiring to even higher office from within a much-changed Republican Party (despite losing to Donald Trump in the Republican primary in 2016), he has embraced his erstwhile rival’s nativist clichés.

He decries America’s “open southern border” and yearns for the good old days when “we took it for granted that most of the things we bought...were made right here at home by our fellow Americans.” He blames China’s entry to the World Trade Organisation for the fact that “too many hardworking Americans who want to...live normal, decent lives are unable to do so.” To those who say that imports from China might improve American lives, he retorts that such people think of Americans not as “workers, fathers and citizens” but as “consumers...nothing more”.

“The Capitalist Manifesto” by Mr Norberg of the Cato Institute, a think-tank, offers a joyful counterblast to Mr Rubio’s Trumpy stridence. The three decades after 1990, when globalisation took off, have seen greater improvements in human living conditions than the previous three millennia, he shows. Poverty is down, lifespans are longer and technology that only the Pentagon could afford in 1990 is now on every smartphone. “I am not saying that the era has been unequivocally good, only that it has been better than any other era humanity has experienced,” comments Mr Norberg.

When imitation isn’t flattery

Both the new right and the old (and new) left share a zero-sum view of economics, imagining that one person's gain must be another's loss. The old left hated free trade and free markets because they supposedly let rich countries exploit poor ones. Now that many of those poor countries have debunked this argument by prospering, the new right complains that free trade and free markets let China exploit the West.

Mr Norberg shows that all their proposed solutions have been tried before, with dismal results. One study of 50 countries with populist leaders found that 15 years after they take control, their economies are a tenth smaller than those of comparable countries.

In a book packed with vivid examples, one of the most compelling concerns covid-19. Pandemic lockdowns, though widely opposed by the new right, actually achieved many of their stated aims. Borders were closed, migration halted, supply chains disrupted. Global poverty soared—and life became miserable in rich countries, too.

“It is difficult to imagine a stronger and more tragic proof that progress depends on open societies and economies,” Mr Norberg concludes decisively. If only his was the last word. ■

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Travel

A new book pays affectionate tribute to the Paris Metro

“Metropolitain” is an eclectic blend of engineering and travelogue, urban planning and anecdote

Aug 16th 2023



Metropolitain: An Ode to the Paris Metro. By Andrew Martin. *Corsair*; 256 pages; £14.95

THERE IS SOMETHING strangely seductive about the [Paris](#) Metro. Its distinctive warmth. The floral Art Nouveau entrances, designed by Hector Guimard in 1900. The single word “Métropolitain” suspended at street level above descending station steps. From Serge Gainsbourg’s first hit song in 1958 about a ticket-puncher, “Le Poinçonneur des Lilas”, to François Truffaut’s film “The Last Metro” in 1980, the Paris underground and its iconography have marked modern French culture.

“Metropolitain”, [Andrew Martin’s](#) ode to the Paris Metro, is an affectionate and welcome antidote to the prevailing grumbling about litter-strewn platforms and overcrowded carriages in Paris. So enthusiastic is his *amour* for the French underground that he cedes to his inner railway geek. No

tunnel goes unvisited, no track uninspected. Mr Martin includes six pages on Metro tickets and devotes ten chapters to individual lines of the network, starting *évidemment* with Line 1. The book brims with girders and gauges, riveted copper, lateral steel guide-wheels and details on third-rail electrification. It is an eclectic blend of engineering and travelogue, urban planning and anecdote.

What shines through above all is a sense of awe. There is the wondrous quiet of the rubber-tyre-wheeled Paris Metro carriages, compared with the bone-jangling rattle of the London Tube. There is also its sheer density. The French capital's underground has 225km of tracks, compared with 400km in London, yet serves 304 Metro stations, by the author's count, 32 more than the Tube.

The names of Metro stations evoke history at every turn: Pyramides and Iéna (sites of Napoleonic battles) and Montparnasse-Bienvenüë (paying tribute to the network's chief engineer, Fulgence Bienvenüë). Even stations named after humdrum street intersections take on a lyrical quality: Marcadet Poissoniers, Maubert Mutualité. Strange things go on underground. The first recorded murder on the Metro, Mr Martin notes, took place in 1937 at the Porte de Charenton. Laetitia Toureaux, an Italian immigrant suspected of [spying](#), worked in a wax factory by day and, in her free time, as a dance partner for hire at a local music hall. At one Metro stop, she was seen stepping into a carriage; at the next, she was found with a nine-inch knife in her neck.

A literary work this is not, as Mr Martin might concede, judging by his self-deprecating style. He has ignored certain French conventions, refusing to refer to the right and [left banks](#) of the Seine, and makes some odd observations. "How's that going to play out", the author asks of gendered French, "in an increasingly androgynous world?" Nor is Mr Martin well-briefed on the politics of future urban planning in the capital. But as a sincere love letter from a Brit to a French public-transport network under strain, it is a timely reminder of what makes Metro-goers happy when they spend time underground. ■

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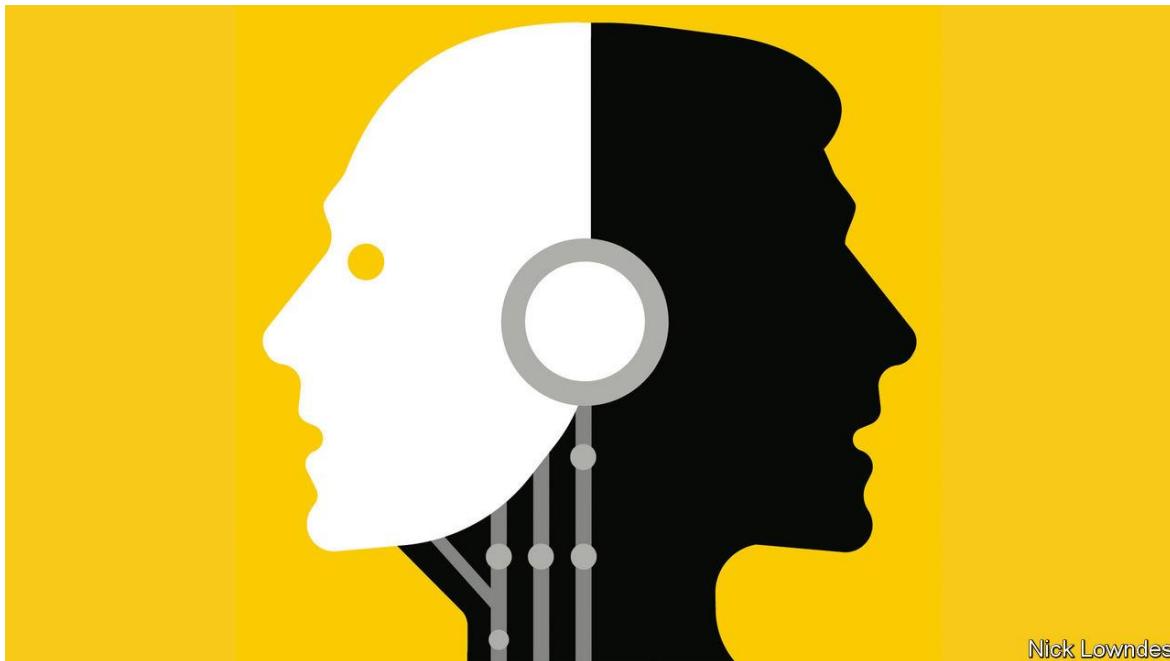
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Johnson

AI could make it less necessary to learn foreign languages

That is good news for travellers, bad news for soulful connection

Aug 17th 2023



Nick Lowndes

ON HOLIDAY, MANY will find themselves in places where they do not speak the language. Once upon a time, they might have carried a phrasebook. The [rise of English](#) has made that less necessary. But most people—at least seven of the world’s eight billion—still do not speak English. That leaves options like pantomime, a willingness to be surprised by what arrives at dinner—or, increasingly, [technology](#).

More and more people are using simple, free tools, not only to decode text but also to speak. With these apps’ conversation mode, you talk into a phone and a spoken translation is heard moments later; the app can also listen for another language and produce a translation in yours.

You may still get a surprise or two. Google Translate may be the best-known name in machine translation, but it often blunders. Take “my wife is gluten-free,” the kind of thing you might say at a restaurant abroad. In French or

Italian, Google Translate renders this as “my wife is without gluten”—true to the words rather than the meaning. DeepL, a rival, does better, offering various options, most of them along the correct lines.

The best tool may not be a translation app at all. Though not marketed for the purpose, ChatGPT, a [generative AI system](#) that churns out prose according to users’ prompts, is [multilingual](#). Rather than entering an exact text to translate, users can tell ChatGPT to “write a message in Spanish to a waiter that my wife and I would like the tasting menu, but that she is gluten-free, so we would like substitutions for anything that has gluten.” And out pops a perfect paragraph, including the way Spanish-speakers actually say “my wife is gluten-free”: *mi esposa es celiaca*. It is a paraphrase rather than a translation, more like having a native-speaking dinner companion than an automated interpreter.

Travel has long been a motivator for study—unless people start to feel AI tools offer a good-enough service. Some are concerned that apps are turning language acquisition into a dwindling pursuit. [Douglas Hofstadter](#), a polyglot and polymath writer, has argued that something profound will vanish when people talk through machines. He describes giving a halting, difficult speech in Mandarin, which required a lot of work but offered a sense of accomplishment at the end. Who would boast of taking a helicopter to the top of Mount Everest?

Others are less worried. Most people do not move abroad or have the kind of sustained contact with a foreign culture that requires them to put in the work to become fluent. Nor do most people learn languages for the purpose of humanising themselves or training their brains. On their holiday, they just want a beer and the spaghetti carbonara without incident (and sometimes without gluten).

As AI translation becomes an even more popular labour-saving tool, people will split into two groups. There will be those who want to stretch their minds, immerse themselves in other cultures or force their thinking into new pathways. This lot will still take on language study, often aided by technology. Others will look at learning a new language with a mix of admiration and puzzlement, as they might with extreme endurance sports: “Good for you, if that’s your thing, but a bit painful for my taste.”

This is largely an Anglophone problem, since native English-speakers miss out on the benefits of language-learning most acutely. In many countries, including Britain and America, schools' and universities' foreign-language departments have been closing. (The British government recently devoted a modest fund to trying to get more secondary-school pupils to study foreign languages.) In the rest of the rich world, there is one thriving language that people still study: English. And in poorer countries, many people are multilingual as a matter of course; Africans and Indians learn languages because they are surrounded by them.

But a focus on the learner alone misses the fundamentally social nature of language. It is a bit like analysing the benefits of close relationships to heart-health but overlooking the inherent value of those bonds themselves. When you try to ask directions in broken Japanese or mangle a joke in halting German, you are making direct contact with someone. And when you speak a language well enough to tell a story with perfect timing or put subtle shading on an argument, that connection is more profound still. The best relationships do not require an intermediary. ■

Read more from Johnson, our columnist on language:

[In northern Europe, a backlash against English is under way](#) (Aug 4th)

[AI is making it possible to clone voices](#) (Jul 20th)

[Talking about AI in human terms is natural—but wrong](#) (Jun 22nd)

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A mirror on our times and theirs

Mint, wax, poisonous plants: beauty tips from Renaissance Italy

A new book tells the rollicking and relatable history of cosmetics

Aug 17th 2023



Bridgeman

How to be a Renaissance Woman: The Untold History of Beauty and Female Creativity. By Jill Burke. *Profile; 336 pages; £25. To be published in America by Pegasus in January; \$28.95*

THREE LITRES of blood from a healthy red-headed man “no older than 25 or 30” could fix bad skin. Eating nettles was a trick for rosier cheeks. A paste made from marble, wheat and bryony, a poisonous plant, could whiten skin. Most beauty products in Renaissance Italy were made from ingredients that seem [strange or foolhardy](#) to modern eyes.

But in “How to be a Renaissance Woman”, a lively new history of beauty culture in 16th- and 17th-century Italy, make-up is a tool to understand society and the female experience. Men controlled finance and government. Women cared about their appearances because “they had to”, not because they were frivolous, argues Jill Burke, a professor at the University of

Edinburgh. [Beauty and power intertwined](#): an attractive appearance offered better marriage prospects and social status.

Beauty products were no mere frippery. They could be both weapons and shields. Marriage manuals of the day recommended wife-beating, and cosmetic recipe-books shared tips on how to hide “dead blood” from blows to the face using wild mint leaves. Giovanna de Grandis, a woman from Rome, was hung alongside four other women for selling [a poison](#) disguised as a blemish remover that killed 46 men. (Ms Burke thinks the men may have been abusing their wives.) One dignitary guessed that 500 men could have been killed by de Grandis’s toxic mixture, their deaths mistaken for plague fatalities.

Cosmetics are a [big business](#)—worth \$430bn in 2022—but all too often they are dismissed as trivial. “What we do with our hair, face and body reflects and affects our social world,” Ms Burke argues. Academic purists may balk at what they perceive as a chatty “history-lite” approach, but Ms Burke draws all her conclusions from primary sources (many of which she translated from the Italian herself).

Most of her sources have not been studied in great depth before, like Giovanni Marinello’s “The Ornaments of Ladies”, published in Venice in 1562. In it “women’s bodies are presented as forever-unfinished projects”, writes Ms Burke. Marinello promised readers the kind of physique described by poets and painters, such as Titian’s female nude “Venus of Urbino”. He offered 1,400 recipes to improve imperfections such as stretch marks (ladies would “do well” to “remove this defect after the birth and make your belly look like it should”); grey hair (women with “younger husbands” might be especially concerned); and extra flab (he suggested wrapping the troublesome area in wax overnight).

Visual culture was evolving rapidly. The Renaissance era’s technologies—the full-length mirror and the printed [book](#)—shaped views of femininity. So too have 21st-century innovations: social media and photo-editing apps. Social-media users see Botox-smoothed features and photoshopped bodies. In the same way, argues Ms Burke, the popularity of single-point perspective and naturalism in drawing meant Renaissance women were bombarded with

“endless images of newly realistic naked goddesses being churned out in sculptures, painting and prints”.

Some women pushed back. Blond hair was idealised in art, and [bleaching](#) was common. But as a teenager, the painter Giovanna Garzoni, famous for her meticulous flowers and insects, depicted herself in a self-promotional portrait as Apollo, the Greek god of the sun, with tousled brown hair. [Artemisia Gentileschi](#), who once proclaimed “as long as I live I will have control over my being”, painted herself with wayward strands of black hair framing her face. In Ms Burke’s view female artists chose to present themselves like this to toy with the stereotypes that equated unruly dark hair with “interior imagination...melancholy creativity and a ‘masculine’ temperament”. Whether with a make-up brush or a paintbrush, women wanted to control how the world would see and remember them. ■

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Uyghur memoirs

Two accounts of surviving and escaping Chinese repression

Tahir Hamut Izgil and Gulchehra Hoja describe the challenges of life outside the Uyghur camps in Xinjiang

Aug 17th 2023



Getty Images

Waiting to Be Arrested at Night: An Uyghur Poet's Memoir of China's Genocide. By Tahir Hamut Izgil. Translated by Joshua Freeman. *Penguin Press*; 272 pages; \$28. *Jonathan Cape*; £14.99

A Stone is Most Precious Where It Belongs: A Memoir of Uyghur Exile, Hope and Survival. By Gulchehra Hoja. *Hachette Books*; 320 pages; \$29. *Virago*; £20

TAHIR HAMUT IZGIL'S friends were shopkeepers and booksellers, lovers of Uyghur poetry who recited it to one another over lamb soup and fresh naan in teahouses and private dining rooms. Police appeared at one of their gatherings in 2016. The poets ordered *baijiu*, Chinese liquor meant to signal that they were good citizens—not religious separatists—and invited the officers to drink. The police collected their identity cards anyway. Later,

many of those poets disappeared into a web of internment camps meant to eradicate their cultural identity and consolidate Chinese power. Only Mr Izgil escaped to tell the tale.

China's religious persecution, detention and torture of Uyghur Muslims in Xinjiang are well-documented, deemed probable "[crimes against humanity](#)" by the UN High Commissioner for Human Rights. News reports often focus on [testimonies of abuse](#) from camp survivors. To grasp the Uyghur experience, however, one must also understand life outside the camps.

That is the subject of two new memoirs by Mr Izgil, a poet, and Gulchehra Hoja, a journalist, both exiles living in America. In details like the *baijiu*, they tell a textured story of how Uyghurs tried to survive and subvert Chinese cruelty. They portray Uyghurs not as static victims of oppression, but as individuals in a system they could choose to accept or reject. Either choice brought them suffering.

Mr Izgil's memoir, "Waiting to Be Arrested at Night", zooms in on the years 2014-17, when Xinjiang was transformed, step by step, into a panopticon of state control. In his youth, Mr Izgil spent three years in prison and in a labour camp as punishment for allegedly trying to take illegal materials abroad. After his release, he found work in film-making, writing poetry on the side. He became a savvy navigator of the invisible red lines in Xinjiang, negotiating with censors and throwing off local officials (often Uyghurs themselves) who harassed him.

But then [Uyghur books](#) were banned; Islamic names were forbidden; butchers had their knives chained to posts. Mr Izgil and his wife were summoned to a police basement, where officers took their blood and scanned their faces and voices. He heard of mass detentions in the countryside, then saw police rounding people up in the city.

One by one, Mr Izgil's friends vanished. He started sleeping with warm clothes by his bed and told his wife to forget him if he was taken. They fled by bribing doctors to fake a daughter's sickness. In 2017 Mr Izgil reached America with his family. But he was dogged by grief for those they left behind who were being crushed by the government. "Night after night/one after another/I spoke the names of ants I've known," he wrote in a poem.

Even those who are ostensibly free are guilt-ridden. “We live with the coward’s shame hidden in that word ‘escape’,” he writes.

Ms Hoja’s memoir, “A Stone is Most Precious Where It Belongs”, begins in her childhood. Her father, a historian, warned her against trusting the Chinese system. As a teenage beauty, Ms Hoja was cast as the lead in a Chinese-made film about Amanisahan, an ancient Uyghur princess. The film-makers suggested she should marry one of their colleague’s sons. She refused, and they expelled her from the film.

Later she considered joining the police to help her brother, who had been imprisoned for burglary, from within the security apparatus. But her parents disapproved. She decided instead to start her own Uyghur children’s programme on state television. The Chinese government co-opted her show, ordering her to promote Mandarin boarding schools for Uyghur children. She coaxed crying, homesick children into lying that they were happy. “My heart clenched like a fist. I felt like an abuser coaching a victim,” she writes.

In 2001 Ms Hoja left China for the first time to visit Europe. She discovered an internet with no restrictions and devoured news about her homeland. Her bosses had promised a promotion on her return. Instead Ms Hoja moved to Washington for a job with Radio Free Asia, an American government-backed news service. She became a top investigative journalist on Xinjiang. When the camp system began, she was among the first to expose it.

The Chinese government denounced Ms Hoja as a terrorist in 2017 and later arrested 24 members of her family. Her father was ripped from a hospital bed. Her mother was chained to a drainpipe in detention. Old friends avoided her for fear of putting their families at risk.

Both Ms Hoja and Mr Izgil remain severed from their loved ones in China. It is no wonder that few Uyghurs have written memoirs like these. Their truth-telling comes at an extortionate price. ■

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Meet me at the bubble pit

The rise of “kidulting”

Experiences that let adults act like children are booming

Aug 15th 2023



Ballie Ballerson

A YOUNG WOMAN slides herself gleefully into a fake bathtub filled with giant plastic “bubbles”. Snack bags of popcorn are handed out inside a room designed to look and sound like the inside of a popcorn machine. Friends snap selfies amid colour-changing lights before heading to the pillow-fight section and pummelling each other with feather-filled cushions.

Dopamine Land, a pop-up interactive museum with venues in Madrid and London, is colourful, creative and silly. Although it is family-friendly, most of the adults milling around on a recent Saturday at lunchtime have no offspring in tow. As the museum’s marketing makes clear, this is a place for the “inner child”.

Dopamine Land is just one example of a new cultural trend called “kidulting”, where adults engage in lighthearted activities traditionally designed for children. In Amsterdam, Wondr invites patrons to “dive into a sea of pink marshmallows” and “write on the walls”. The Museum of Ice Cream, a multistorey playground of pools filled with fake sundae toppings,

has expanded from New York to several other American cities and Singapore. Bubble Planet, which started in Madrid, will soon have 13 cities in its orbit, including Brussels and Toronto.

Ballie Ballerson, which operates a giant ball pit for adults in three British cities, welcomes 25,000 visitors each month. Even museums and immersive exhibitions typically aimed at actual children now host adult-only evenings. This includes KidZania, a model city in London that was (ironically) designed for children to play at grown-up activities, such as having a job. Enthusiasts say that such spaces heighten creativity, human connection and joy, triggering the pleasure-seeking chemical that Dopamine Land is named after.

But kidulting spaces are not for everyone. Their tendency to claim the title of museum can feel spurious to people who think such institutions should impart knowledge. Art exhibitions aim to leave visitors seeing the world a bit differently, but venues like Dopamine Land try for little more than making people feel happy—and sometimes tipsy. That most attendees have smartphones glued to their hands reinforces the critique that these spaces are little more than selfie backdrops for people obsessed with their own image.

But perhaps the shallowness of these places is entirely the point. [Negative emotions](#), including stress, sadness and anger, have reached record highs, according to Gallup, a research firm that started tracking this globally in 2005. When the world feels bleak, the appeal of distraction is stronger. Meanwhile, millennials and Generation Z have found that growing up is not so easy to do. The milestones their parents achieved so effortlessly, such as [buying a home](#) and getting married, have become expensive affairs, out of reach for many.

This all explains the lure of kidulting. Dopamine Land—with its fancy-dress boxes, craft stations and picture-perfect backgrounds—asks nothing of its visitors. There is no information to take in, no rules to follow, no goals to achieve. It is amusing and vapid and brainless. That is what makes it such fun. ■

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Economic & financial indicators

- [Economic data, commodities and markets](#)

Indicators

Economic data, commodities and markets

Aug 17th 2023

Economic data

1 of 2

	Gross domestic product (% change on year ago, quarter* 2023†)	Consumer prices (% change on year ago, basecase 2023‡)	Unemployment rate [%]
United States	2.6 Q2	2.4 1.8	3.2 jd 3.9 3.5 jd
China	6.3 Q2	3.2 5.2	-0.3 jd 0.8 5.3 jd§
Japan	2.0 Q2	6.0 1.3	3.3 jd 2.9 2.5 jd
Britain	0.4 Q2	0.8 0.3	6.8 jd 6.7 4.2 Mar††
Canada	2.2 Q1	3.1 1.7	3.3 jd 3.4 5.5 jd
Euro area	0.6 Q2	1.0 0.9	5.3 jd 5.4 6.4 jd
Austria	1.9 Q1	0.4 0.8	7.0 jd 7.3 5.1 jd
Belgium	0.9 Q2	0.9 0.9	8.0 jd 8.4 5.7 jd
France	0.6 Q2	2.2 1.0	4.5 jd 5.4 7.1 jd
Germany	-0.1 Q2	-0.1 -0.1	6.2 jd 5.9 3.0 jd
Greece	2.3 Q1	-0.3 2.4	2.5 jd 3.8 11.1 jd
Italy	0.6 Q2	-1.4 1.1	5.9 jd 6.1 7.4 jd
Netherlands	0.3 Q2	-1.3 0.9	4.6 jd 5.3 3.5 jd
Spain	1.8 Q2	1.7 2.3	2.3 jd 3.1 11.7 jd
Czech Republic	-0.2 Q1	0.4 0.2	8.8 jd 10.5 7.6 jd‡
Denmark	1.9 Q1	0.8 2.0	3.1 jd 4.0 2.8 jd
Norway	3.0 Q2	1.9 1.9	5.7 jd 4.8 3.3 Mar††
Poland	-0.5 Q2	-1.0 1.3	0.0 jd 0.1 5.0 jd
Russia	4.0 Q2	-0.6 0.6	4.3 jd 6.0 3.1 jd
Sweden	-0.9 Q2	-5.9 1.0	9.3 jd 7.1 9.2 jd‡
Switzerland	0.6 Q1	1.1 1.2	1.8 jd 2.2 2.1 jd
Turkey	4.0 Q1	1.3 3.2	47.8 jd 46.3 9.0 jd‡
Australia	2.3 Q1	-0.9 1.6	6.0 Q2 5.5 3.7 jd
Hong Kong	1.5 Q2	-5.2 3.5	1.9 jd 1.9 7.9 jd‡‡
India	6.1 Q1	5.3 6.2	7.1 jd 5.5 8.1 Apr
Indonesia	5.2 Q2	na 4.9	3.1 jd 3.8 5.5 Q1‡
Malaysia	5.6 Q2	4.7 4.7	2.4 jd 2.7 3.4 jd‡
Pakistan	10.7 Q2**	8.9 1.7	26.20 jd 32.22 0.1 Mar††
Philippines	4.3 Q2	-3.6 5.4	4.7 jd 5.5 4.5 jd‡
Singapore	0.5 Q2	0.3 1.0	4.5 jd 5.0 1.9 jd
South Korea	0.8 Q2	2.4 1.3	2.3 jd 3.0 2.7 jd‡
Taiwan	1.5 Q2	7.0 0.8	1.9 jd 2.0 3.5 jd
Thailand	2.7 Q1	7.8 3.2	0.4 jd 1.5 0.9 jd‡
Argentina	1.3 Q1	2.7 -2.4	11.6 jd 11.6 6.9 Q1‡
Brazil	4.0 Q1	8.0 2.4	4.0 jd 4.5 8.0 jd††
Chile	-0.6 Q1	3.4 0.1	6.5 jd 7.5 8.5 jd††
Colombia	0.2 Q2	-1.0 1.0	18.8 jd 18.8 9.8 jd
Mexico	3.7 Q2	3.6 2.4	4.6 jd 5.0 2.7 jd
Peru	-0.4 Q2	-2.2 1.3	5.9 jd 6.5 6.7 jd‡
Egypt	3.9 Q1	na 3.8	36.4 jd 33.0 7.1 Q1‡
Israel	3.3 Q2	3.0 3.0	3.3 jd 4.1 3.4 jd
Saudi Arabia	8.7 2022	na 1.0	2.3 jd 2.2 5.1 Q1
South Africa	0.2 Q1	1.4 0.5	5.7 Jan 5.7 32.6 Q2

Source: Haver Analytics. *% change on previous quarter, annual rate. †The Economic Intelligence Unit estimate/forecast. ‡Not seasonally adjusted. **New series. **Year ending June. ††Lates: 3 months; ‡‡3-month moving average.

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Economic data

2 of 2

	Current-account balance (% of GDP 2023†)	Budget balance (% of GDP 2023†)	Interest rates 10-yr govt bonds: change on latest/%	Currency units per \$: % change Aug 16th on year ago
United States	-2.8	-0.7	4.3	146 -
China	2.0	-0.8	2.4 46	7.29 -0.9
Japan	2.9	-5.2	0.6	45.0 146 -7.8
Britain	-3.3	-4.3	4.6	239 0.78 0.4
Canada	-0.6	-0.9	3.8	102 1.53 -4.4
Euro area	1.9	-3.3	27	170 0.92 0.5
Austria	2.0	-2.4	3.3	176 0.92 0.5
Belgium	-1.9	-4.4	3.3	178 0.92 0.5
France	-1.7	-5.0	3.2	163 0.92 0.5
Germany	5.3	-2.3	2.7	170 0.92 0.5
Greece	-5.9	-1.8	4.0	69.0 0.92 0.5
Italy	0.9	-4.8	4.4	120 0.92 0.5
Netherlands	7.5	-2.3	3.0	174 0.92 0.5
Spain	1.8	-1.1	3.6	154 0.92 0.5
Croatia	-1.2	-4.5	4.3	68.8 32.8 0.5
Denmark	10.5	1.5	30	107 6.63 7.0
Norway	17.6	12.5	1.4	76.0 106 -0.4
Poland	-0.2	-4.8	5.6	5.0 409 12.7
Russia	2.4	-3.7	11.4	240 95.4 35.6
Sweden	4.2	-0.3	2.8	146 10.9 -4.9
Switzerland	6.8	-0.7	1.0	90.0 0.88 8.0
Turkey	-5.4	-4.8	18.3	196 27.1 33.6
Australia	1.5	0.2	4.2	97.0 1.55 -7.7
Hong Kong	9.1	-1.5	4.0	138 7.83 0.1
India	1.3	-5.9	7.2	50 83.0 0.0
Indonesia	0.9	-2.6	6.4	57.0 15.282 -3.4
Malaysia	2.9	-5.0	3.9	8.6 4.63 -3.5
Pakistan	-1.7	-7.0	16.1 ††	330 295 -27.4
Philippines	-5.3	-7.0	6.5	64.0 56.5 -1.2
Singapore	16.3	-0.7	3.2	54.0 1.36 1.5
South Korea	1.7	-2.7	3.9	72.0 1.337 -2.1
Taiwan	13.2	-0.4	1.2	1.0 31.9 -5.9
Thailand	1.1	-2.7	2.8	54.0 35.4 0.2
Argentina	2.3	-4.2	na	na 32.0 0.5
Brazil	-1.9	-7.6	11.1	74.8 49.7 3.6
Chile	-3.6	-1.9	5.6	106 82.3 3.5
Colombia	-4.0	-4.2	10.5	-121 41.18 2.6
Mexico	-1.9	-3.5	9.1	64.0 17.1 16.9
Peru	-1.3	-2.0	6.7	-108 3.71 4.6
Egypt	-1.0	-6.4	na	na 30.9 -38.0
Israel	4.7	-2.0	3.9	144 3.75 -13.1
Saudi Arabia	3.2	-1.4	na	na 3.75 nil
South Africa	-1.8	-5.7	10.3	27.0 19.1 13.8

Source: Haver Analytics. †5-year yield. ††Dollar-denominated bonds.

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Markets

		% change on:		
		Index Aug 19th	one week	one month
in local currency		2022		
United States S&P 500	4,904.4	+1.4	14.7	
United States Nasdaq	13,146	+1.7	20.7	
China Shanghai Comp.	3,159.1	+2.9	2.0	
China Shenzhen Comp.	1,967.6	-3.5	-0.4	
Japan Nikkei 225	31,766.8	-1.4	21.7	
Japan Toxix	2,280.8	-1.0	19.5	
Britain FTSE 100	7,356.9	-3.0	-1.3	
Canada S&P TSX	19,899.1	-1.9	2.7	
Euro area STOXX 50	4,284.3	-0.8	12.9	
France CAC 40	7,260.3	-0.8	12.1	
Germany DAX	15,793.9	-0.4	13.4	
Austria ATX-HIB	281,700	-0.2	18.8	
Netherlands AEX	7358.9	-1.7	9.8	
Spain IBEX 35	9,350.5	nil	13.6	
Poland WIG	68,865.1	-1.6	19.9	
Russia RTS, 5 terms	1,014.6	1.0	4.5	
Switzerland SMI	10,992.3	-0.8	2.5	
Turkey BIST	7,662.3	0.8	39.1	
Australia All Ord.	7,411.8	1.7	2.6	
Hong Kong Hang Seng	18,329.3	-1.6	-7.3	
Singapore STI	65,534.1	-2.7	7.7	
Indonesia IDX	6,900.5	6.4	67.7	
Malaysia KLC	1,463.5	0.1	-2.1	
Pakistan KSE	48,164.4	-0.2	18.1	
Singapore STI	3,213.6	-3.0	-1.2	
South Korea Kospi	2,575.6	-3.1	12.9	
Taiwan TWI	16,468	-2.5	16.3	
Thailand SET	1,519.6	-0.6	-0.9	
Argentina MERV	563,247	22.1	178.7	
Brazil Ibovespa	115,956	-2.4	5.3	
Mexico IPC	53,927.7	-0.7	11.1	
Egypt EGX 30	18,662.5	1.7	23.7	
Israel TA-125	1,864.2	-2.3	3.5	
Saudi Arabia Tadawul	11,392.8	0.9	8.0	
South Africa JSE AS	7,914.5	-2.5	2.6	
World, dev'd MSCI	2,925.6	-1.7	12.4	
Emerging markets MSCI	975.8	-3.2	2.0	

		US corporate bonds, spread over Treasuries	
		Index	Aug 29th
		2022	2022
Bond points	basis point	basis point	basis point
Investment grade	138	154	154
High-yield	423	502	502

Sources: Refinitiv Datastream; Standard & Poor's Global Fixed Income Research. *Total return index.

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Commodities

The Economist commodity-price index

	2015=100	Aug 8th	Aug 15th*	% change on month	% change on year
Dollar Index					
All Items	143.7	140.5	-4.8	-7.5	
Food	136.4	131.8	-2.8	-7.8	
Industrials					
All	150.6	148.5	-6.3	-7.3	
Non-food agriculturals	109.9	111.2	-0.6	-28.7	
Metals	162.7	159.6	-7.4	-1.1	
Sterling Index					
All items	172.4	168.2	-2.3	-12.3	
Euro Index					
All items	145.6	142.4	-2.2	-14.0	
Gold					
\$ per oz	1,927.5	1,908.2	-3.8	7.4	
Brent					
\$ per barrel	86.3	85.1	6.8	-7.9	

Sources: Bloomberg; CME Group; Cotlook; Refinitiv Datastream; Fastmarkets; FT; ICCO; ICO; ISO; Live Rice Index; LME; NZ Wool Services; Thompson Lloyd & Ewart; Urner Barry; WSJ. *Provisional.

The Economist

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Graphic detail

- What drives people to vote the way they do?

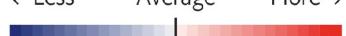
Red giveaway

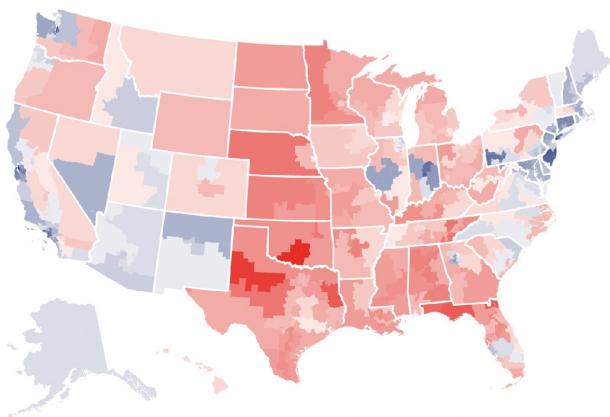
What drives people to vote the way they do?

A new study, using data on charity donations, highlights the role of moral values

Aug 17th 2023

Share of charitable donations given nearby*

← Less Average More →




*Geographically and socially

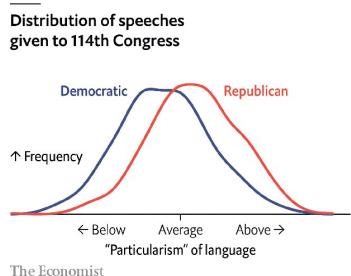
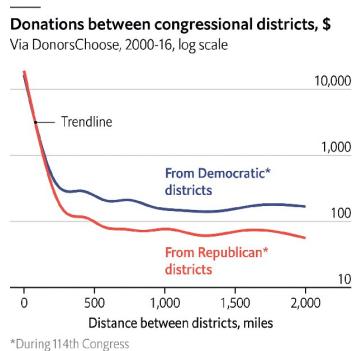
The Economist

UNDERSTANDING HOW voters choose a candidate is a fundamental topic in political science. In an ideal democracy, voters would study policy manifestos and pick the slate that most closely matches their views. Reality, however, is messier.

One long-standing explanation of voters' behaviour is that they support candidates who represent or advocate for the interests of their social group—often defined on the basis of age, class, ethnicity or gender. A more recent school of thought, called “moral foundations theory”, posits that a few broad philosophical values, such as the importance of fairness or authority, shape peoples’ political preferences.

Such principles are harder to measure than demographic data. In the past, proponents of this interpretation have had to rely on surveys, which may not accurately reflect respondents’ true beliefs or voting records. But a recent paper, by Benjamin Enke and Steven Sun of Harvard, Raymond Fisman of

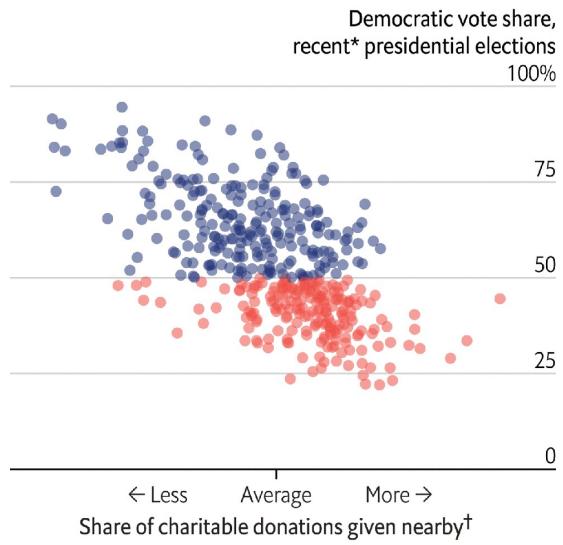
Boston University and Luis Mota Freitas of Oxford, managed to assess variation in one such value—“particularism” versus “universalism”—from real-world data. They found that it predicts American voters’ choices more accurately than many oft-cited demographic variables do.



The particularism-universalism axis tracks how much people favour those close to them, such as family or neighbours, over those with whom their ties are weaker. This distinction maps neatly onto the philosophical differences between America’s major political parties. Using speeches made by members of Congress, the authors found that Republican lawmakers typically used far more particularist language than Democratic ones did.

To test if the same is true for voters, the authors devised a clever method to measure particularism in each of America’s congressional districts using charitable donations. DonorsChoose, a non-profit, allows people to donate online to classroom-funding requests from public-school teachers. It provided data on 4m donations, including the locations of donors and recipients. The authors argued that the more people in a district prioritised giving to nearby schools, the more particularist they were. They measured proximity both geographically and socially, by analysing the number of Facebook friendships linking pairs of districts. The latter measure reflects the strong ties people who move to cities have with their places of origin.

Congressional districts



*2008, 2016 and 2020 †Geographically and socially

The Economist

People in every district gave more to nearby causes than far-off ones. But the most particularist districts were also the most Republican. The ten most particularist districts had a Democratic vote share 45 percentage points lower than the ten least. Differences in levels of particularism could predict some 25% of the variation in a district's vote share, more than the amount explained by some core demographic characteristics, like income (0.2%) and education (2%). Moreover, its effect remained statistically significant even after accounting for the impact of other traits, such as a district's racial make-up.

These findings do not refute other explanations of voter behaviour: predictions using both demography and particularism were more accurate than those based on either alone. But they do suggest that explanations of elections that exclude philosophical values are probably incomplete. ■

Chart source: “Universalism and political representation”, by B. Enke et al., NBER working paper

The Economist explains

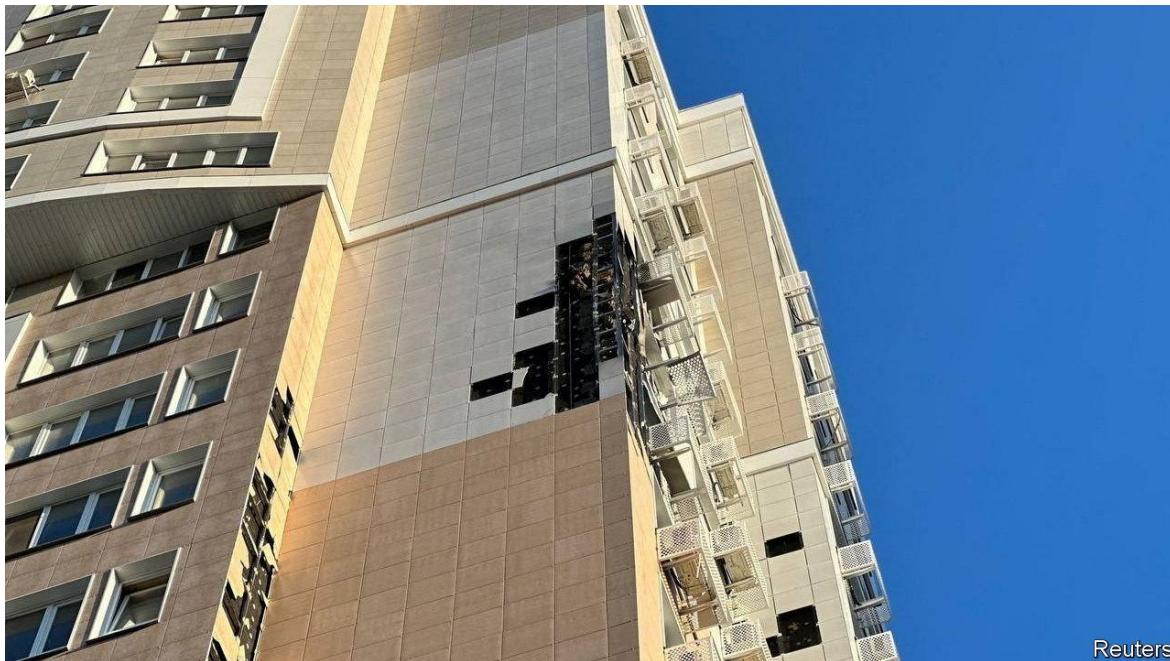
- [Why are Moscow's air defences performing so badly?](#)
- [Why was RICO, a mafia-targeting act, used to charge Donald Trump?](#)

The Economist explains

Why are Moscow's air defences performing so badly?

The city is curiously unprepared for drone attacks

Aug 14th 2023



Reuters

ON AUGUST 9TH a plume of smoke rose over the Zagorsk manufacturing plant, north of Moscow, which supplies optical equipment to [Russia's armed forces](#). An explosion there killed one person, wounded 60, and left eight unaccounted for, according to officials, who downplayed the obvious explanation: that it was the result of a Ukrainian drone strike. Since May dozens of [“kamikaze” drones](#), apparently launched from Ukraine, have struck Russia's capital or sites nearby. One high-rise building, home to three government ministries, was hit twice in successive attacks on July 30th and August 1st. That suggests that some of these drones are hitting their targets, rather than merely causing damage when crashing. Moscow is one of the world's best-protected cities. Why is it struggling to defend itself?

The Moscow Air Defence Directorate was established in 1918, with 36 anti-aircraft guns. Since then it has been upgraded many times and the system now includes surface-to-air missile complexes, radar and jet fighters. The

outer layer of defence—known as the A-135, and which covers the whole city—is one of very few fixed anti-ballistic missile systems in the world. Activated in 1995, it has around 100 missiles intended to intercept nuclear warheads. Inside this is the S-50M complex, which includes radars, control centres and long- and short-range surface-to-air missile launchers. With the notable exception of Kyiv, Ukraine’s capital, the rest of Europe has nothing like it.

But drones are not on Moscow’s radar—either metaphorically or literally. Its air defences were designed to deal with high-speed bombers and cruise and ballistic missiles. Old radar systems automatically filter out low, slow-moving objects (such as birds) which might cause false alarms. Unfortunately for the Kremlin, that also means they frequently miss drones. Not that it appears to have given much thought to the problem: Russia’s current air-defence plan, which covers the period up to 2030, does not mention the technology at all.

That seems a strange decision. Though defence against drones is tricky—America, for example, has struggled to protect its forces from such attacks in Syria—several countries have successfully altered and augmented their defence systems to deal with increased risks from drones. Israel, which in recent years has been a frequent target of rocket attacks from both Islamic Jihad and Hamas, an armed Palestinian Islamist movement, has upgraded its “Iron Dome” to tackle drones as well. Though it took them several months, the Ukrainians can now reliably shoot down drones attacking Kyiv. And though drone attacks on Moscow itself are new, Russia has long been aware of the problem: its airbase in Khmeimim in Syria has been attacked by small drones many times since 2018.

But rather than trying to develop a coherent strategy, since the attacks on Moscow began Russian authorities have mostly relied on ad hoc workarounds. One is positioning tactical air-defence systems in the city centre, including a Pantsir-S1 vehicle (normally used on battlefields) on the roof of a Ministry of Defence building on the Moskva river. Officials credit the Pantsir—which carries up to 12 surface-to-air missiles plus two 30mm automatic cannons—with shooting down several drones. But its efficacy is doubtful: Pantsirs seem to have performed poorly against drones in Syria, Libya and Armenia, where many were apparently destroyed by the drones

they were trying to defend against. In 2018 a Russian military journalist claimed that the Pantsir was practically incapable of detecting small, slow targets.

It is not that Russia lacks kit, but that it might deploy better. Ukraine has plenty of Russian-made air-defence weapons; according to General Mark Kelly, the head of the US Air Force's Air Combat Command, they are “pretty capable” when operated by Ukrainians. In March 2022 he noted that the Russians, meanwhile, were struggling to use their surface-to-air weapons effectively.

So far the attacks on Moscow have been largely symbolic, involving only a handful of drones with small warheads. But in the next few months Ukraine plans to produce hundreds of long-range drones with bigger explosive payloads. That could force the Russians to get organised, perhaps by bringing back surface-to-air systems from Ukraine to defend the capital. Failure to do so would lead to mounting damage to Moscow, both physical and psychological. ■

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The Economist explains

Why was RICO, a mafia-targeting act, used to charge Donald Trump?

The legislation is a powerful and increasingly flexible tool

Aug 15th 2023



Getty Images

THE MAFIA, a sex cult and several titans of Wall Street have all been brought down by America's Racketeer Influenced and Corrupt Organisations (RICO) Act, a legal tool designed to tackle organised crime. Now a version of it could be used to nail a former president after a grand jury in Georgia [indicted Donald Trump](#), along with 18 of his associates, on August 14th. What are RICO charges and how might they apply to Mr Trump?

Congress first passed the legislation in 1970 while trying to target the Italian-American mafia. In America, you cannot be prosecuted for simply being a mobster; that constitutes a “status crime”, and the Eighth Amendment protects against it. And, as anyone who has seen “The Godfather” knows, the more powerful a crime boss is, the less likely they are to be the one actually getting their hands dirty. To get around this problem, lawmakers developed RICO, a broad statute allowing prosecutors to charge members of a long-running enterprise for their patterns of

behaviour and connections to the organisation. Some active involvement is still necessary: the prosecution must prove that the accused committed two out of thirty-five possible offences, ranging from murder and kidnapping to bribery, fraud and obstruction of justice. Defendants face up to 20 years in prison if convicted.

RICO worked, contributing significantly to the [sharp decline of organised crime](#) in America in recent decades. The bosses of the five major mafia families in New York, for example, were all felled by RICO charges between the late 1980s and early 2000s. And it is not only useful against those at the top. In 2021 federal prosecutors in Brooklyn brought RICO charges against the Colombo crime family, a mafia entity. The breadth of the legislation allowed prosecutors to levy racketeering charges against the boss and many of his underlings simultaneously. That let them shut down the enterprise quickly rather than having to painstakingly peel off individuals.

Over time, prosecutors began targeting enterprises beyond the mob. In the late 1980s Rudy Giuliani—then Manhattan’s top federal prosecutor, having spearheaded the state’s mob-boss takedown—rocked Wall Street when he threatened two swanky investment firms with RICO indictments. (Mr Giuliani’s pioneering use of RICO-style laws feels ironic now that he is one of Mr Trump’s co-defendants in Georgia.) The threat of the law’s stiff penalties forced one firm to settle on lesser charges; the other collapsed after spooked investors fled. In 2020 New York’s Eastern District used RICO to hand down a 120-year prison sentence to the leader of “NXIVM”, a cult that forced women and teenagers to become sex “slaves”.

More than 30 states have their own versions of RICO laws. But the Georgia statute is particularly broad: it includes many types of crime and is lax on how longstanding an enterprise’s activities must be. That scope has allowed lawyers in the state to experiment with new applications of the legislation—most notably Fani Willis, the district attorney in Fulton County responsible for the case against Mr Trump. Ms Willis has previously used the statute against teachers who conspired to inflate students’ scores in state exams, and rappers associated with the same record label for facilitating criminal gang activity. In both cases, the charges brought by Ms Willis helped define the targeted enterprise in ways others had not done before.

She has done something similar with Mr Trump, positioning him as the kingpin of an enterprise that conspired to “unlawfully change the outcome” of the 2020 presidential election. The case accuses Mr Trump and 18 co-conspirators—a collection of lawyers including Mr Giuliani and politicians including Mark Meadows, Mr Trump’s former chief of staff—of operating in Georgia, Arizona, Michigan and elsewhere “for a period of time sufficient” for the group to “pursue its objectives”, which it claims include defrauding the state, committing perjury, forgery, and theft. (Mr Trump and Mr Giuliani have denied wrongdoing.)

The 19 accused have until August 25th to appear before the court in Atlanta. Unlike the federal act, Georgia’s version of RICO carries a minimum sentence (an undesirable five years), which might compel Mr Trump’s co-defendants to settle and co-operate rather than risk prison time. The outcome will be watched closely. Alan Dershowitz, a former law professor, once derided RICO’s expansive powers as a “cheap” attempt by lawmakers to use “one statute to solve all the evils of society”. Many opponents of Mr Trump will be hoping that criticism proves true. ■

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Obituary

- Richard Simpson strove to balance buyers against manufacturers

Safety first

Richard Simpson strove to balance buyers against manufacturers

America's first consumer-product-safety tsar died on July 21st, aged 93

Aug 17th 2023



U.S. Consumer Product Safety Commission

YOU COULD make a good case, back in 1973, that Richard Simpson was the most powerful man in America. President Richard Nixon, who appointed him, could send battalions of young men to Vietnam and order the building of the space shuttle. But Mr Simpson, who was amiable, big-built and had a boyish smile, could order you to unplug your TV antenna immediately from the wall; make you heave your built-in gas cooker out of your kitchen; take Uncle Jack's flaming lighter away, with which he liked to perform his trick of lighting cigarettes at a distance; and could reduce little Johnny to tears by saying no, he could not have a back step on his tricycle, to give his friends rides. His agency could force mass recalls of faulty products and, if it met resistance, bring in criminal penalties. These, in his soft-spoken way, he called "motivations".

He was chairman of the brand-new Consumer Product Safety Commission for only three years, from 1973 to 1976, but in that time his agency was

reckoned to have saved Americans from buying 25m dangerous things. Its remit was vast, covering around 11,000 product categories (though not food, drugs, cars, cosmetics, anything radioactive or, for some reason, insecticides). A congressman once told him that he had “life-or-death over whether consumers have anything to consume”. Mr Simpson admitted that he did have a frightening amount of power. It would be all too easy to overstep, but he meant to do good if he could.

Scientifically, for he was an electrical engineer by training, he drew up lists of the most dangerous things, ranked by number of accidents caused per year and the severity of the injuries. Data from hospital emergency rooms showed that, each year, around 700,000 injuries were caused by children’s toys; 500,000 by playground equipment, mostly swings; 150,000 by glass doors and windows, and 140,000 by power lawn-mowers. Human bumbling was a factor, of course. But it did not need to be compounded by products that were likely to pinch your fingers, poison your child, or electrocute you. Those had to be tracked and banned.

When he came to the agency from the Commerce Department, where he had been doing similar work, he found 50 cases already in train, and jumped right in. His first act was to tell mattress manufacturers that their products had to be resistant to fire, and by his deadline, or else display a label confessing that they didn’t comply. The manufacturers were outraged to be told that, and by a man who had been a manufacturer himself. They were also annoyed when almost all the CPSC’s meetings, rather than being cosy corporate huddles, were thrown open to anyone at all. He took pride in making them transparent as a goldfish bowl.

In fact, though registered Republican, the new chairman took no sides. His creed was “Hard work and long hours”. He had been brought up in grinding poverty in Missouri, one of nine children. His father was a carpenter, but the family lived on welfare. He was the first in his family to graduate from high school, let alone go on to university, making his way with scholarships and night jobs. Eventually he built up a business making naval electronics that had sales of \$4m a year.

This self-made man was going to run the CPSC as he chose. The agency had been set up anyway by a Democratic Congress, and from the start he

proclaimed his independence. Traditionally, at least under Nixon, agencies were staffed with party loyalists. But when the White House said it reserved the right to “chop” unacceptable candidates, he fought back. It would be less than honourable, he told two congressional committees, when he was spending his days resisting capture by manufacturers, to allow his agency to be captured by politicians. He got his way.

In his first three and a half months on the job, besides the mattress showdown, he also refused to postpone ordering child-resistant packaging for oven-cleaning aerosols; told people to disconnect their Little Wonder TV antennae; urged them to stop using glue which might, just possibly, cause birth defects in future offspring; and had a grand round-up of fireworks before July 4th, including \$15,000-worth of firecrackers from a single company. Notable later victories included a fire-proof standard for children’s pyjamas and the finalising of mandatory child-proof rules for pill-bottles. He was wary of getting emotional about injured children, but two of his own, when small and playing “Doctor”, had eaten so many candy-flavoured aspirins that they had ended up in hospital. One victim of the obligatory “press and turn” tops was Nixon himself, who once called in his staff to help him open a pesky bottle of allergy pills. The cap bore presidential tooth-marks, where he had gnawed it in his despair.

It was cigarettes that eluded Mr Simpson, though they were both unhealthy and a cause of countless fires. He hoped to get most of them banned under the Hazardous Substances Act, by setting a maximum level for tar and nicotine. The surgeon-general had already declared them hazardous, but the tobacco companies claimed to be exempt from both the act and the agency. The second part was true; Mr Simpson could not deal with them. He had to settle for going after makers of butane lighters, which not only produced monster flames but didn’t go out when dropped; and matchbook-makers, telling them it wasn’t good enough to merely put on their products, “Close cover before striking”.

It was impossible to remove all risk from life, and he didn’t try. Only 15% of product-caused accidents, he reckoned, could be avoided by improved safety codes. He took care to balance that benefit against the cost to manufacturers, as well as to the wider economy in higher prices and lost jobs. On his desk he had a figurine of a boy attempting a hand-stand, and his job felt like that

much of the time. But he revelled in it, and when, frustratingly, his term was not extended he felt the agency had probably fulfilled its purpose anyway; safety was now drilled into people's minds.

Up to a point. When he relaxed, which was not often, he hunted quail and pheasant, played golf and smoked cigars. Not risk-free, any of that. But it was the sort of risk he approved of. ■

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