The Economist

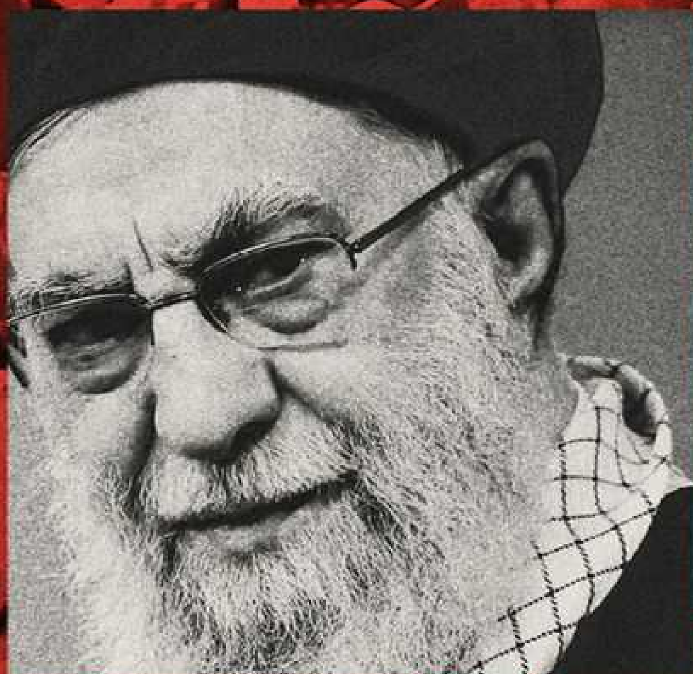
The geopolitical multinational

Curbing legal immigration

Central banks under attack

How geniuses are made

JANUARY 17TH–23RD 2026



Horror in Iran

The Economist

January 17th 2026

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The world this week

The world this week

Politics

January 15th 2026

Big cities were likened to battlefields in Iran, as nationwide protests rocked the regime. Thousands of people are thought to have been killed, although government-imposed internet blackouts hid the extent of the unrest and the authorities' vengeance. Thousands have been arrested; the head of Iran's judiciary said they would face fast trials and executions. Donald Trump threatened "strong action" if the Iranian authorities executed protesters, but later claimed the killing had stopped and executions had been suspended. As America contemplated striking Iran, it evacuated some personnel from its military bases in the Middle East as a precaution against a possible attack from Iran.

Uganda's government shut down the internet and curbed mobile service ahead of presidential elections. The authorities have also detained hundreds of opposition supporters and repeatedly attacked opposition rallies in recent weeks. President Yoweri Museveni, who is 81 and has run the country for four decades, looks set to win a seventh term regardless of how Ugandans vote.

Somalia said it would annul all bilateral agreements with the United Arab Emirates, including several port deals, claiming the country was undermining its national sovereignty. The decision follows reports that the UAE played a role in facilitating Israel's recognition of the breakaway region of Somaliland.

The foreign ministers of Denmark and Greenland went to Washington for talks with J.D. Vance, America's vice-president, and Marco Rubio, the secretary of state. After the meeting the Danish minister said that America seemed to be still intent on "conquering" Greenland, but that they had agreed to form a working group. There was no mention of the working group from the American side in its comments.

Russia's war in Ukraine passed a grim milestone: it has lasted longer than Russia's Great Patriotic War with Germany in 1941-45. Whereas Russia got to Berlin in that war, in Ukraine it has advanced just a few dozen miles. The UN's human-rights office in Ukraine reported that 2,500 civilians were killed during 2025 and 12,140 were injured. The combined number of dead and injured was 31% higher than in 2024 and 70% higher than 2023. There has been no let-up in 2026. Russia struck Lviv with an Oreshnik hypersonic nuclear-capable missile, only the second time it has used the weapon in the war.

Hungary will hold elections for parliament on April 12th, the country's president announced. Viktor Orban, the populist-right prime minister, faces his biggest electoral challenge since taking office in 2010. The opposition Tisza Party has opened up a big lead in the opinion polls over his Fidesz party.

After 25 years of negotiations the European Union finalised an agreement with the Mercosur bloc of South American countries, creating a free-trade association of 700m people. The EU took its time approving the deal amid fierce lobbying by farmers' groups (hundreds of tractors were still being rolled out onto the streets of Paris this week). Agriculture is a relatively small part of the pact and there are lots of exemptions; reductions in tariffs will apply to only a fraction of beef imports, for instance. But overall, tariffs will be removed on 90% of goods and trade in services made easier by 2040.

The government in Venezuela, now led by Delcy Rodríguez following America's removal of Nicolás Maduro, claimed it had started to release political prisoners. The government said hundreds had been set free, though human-rights groups put the number in the dozens. Meanwhile, María Corina Machado, Venezuela's exiled opposition leader, was due to meet Donald Trump at the White House.

Canada's prime minister, Mark Carney, visited China for talks. The trip was planned to heal relations between the two countries, which worsened significantly when Canada imposed 100% tariffs on Chinese-made electric cars in 2024. China is Canada's second-biggest trading partner. Just ahead of Mr Carney's visit, Taiwan, perhaps somewhat unhelpfully, thanked Canada for its recent support and celebrated their close relations.

Tensions remained high in Minneapolis following the fatal shooting of a female activist by an immigration agent. A Venezuelan migrant was shot and injured by an immigration officer at a traffic stop. America's Department of Homeland Security said it would send hundreds more immigration officers to the city to bolster the security of its operations there.

The State Department extended the government's crackdown on immigration by issuing an order to pause the processing of visas from people in 75 countries "who would become a public charge on the United States". The list includes Brazil, Pakistan and Russia, but does not apply to tourist or student visas.

The American Senate passed a bipartisan bill that would allow people to sue over AI-generated non-consensual depictions of themselves. The House has passed similar bills; it is unclear if they will be combined as one. The bills come amid outrage about images of scantily clad women that were generated on Grok, a chatbot developed by Elon Musk's xAI. The British government has suggested it may ban Mr Musk's X for hosting the images, though America's State Department has warned that an outright ban would violate principles of free speech. Mr Musk said that Grok would no longer allow users to make such images.

Kemi Badenoch, the leader of Britain's opposition Conservative Party, sacked Robert Jenrick from her shadow cabinet and suspended his party membership for plotting to defect to another party in a way that would damage the Tories. Mr Jenrick was seen by many as an effective spokesman for the Conservatives on justice and hard-line immigration policies, and was tipped as a future leader. Rumours have swirled for months that he would like to join Reform UK, Nigel Farage's populist-right party.

A hearing began at the International Court of Justice in The Hague into whether Myanmar's persecution of the Rohingya constitutes genocide. The Gambia, which launched the case in 2019, claims the Rohingya were "targeted for destruction" by the armed forces. Myanmar rejects the accusation, saying the army carried out a legitimate counter-insurgency operation.

A construction crane fell onto a train that was travelling through Thailand's Nakhon Ratchasima province, killing at least 32 people. The crane was working on a high-speed rail link connecting Thailand to China when it collapsed just as the train was passing by.

Prosecutors in the trial of Yoon Suk Yeol, who was impeached as South Korea's president last year, called for the death penalty if he is found guilty of insurrection. Mr Yoon briefly imposed martial law in December 2024, plunging the country into political turmoil. He denies the charges. South Korea hasn't executed anyone since 1997.

Lee Jae Myung, who was elected as South Korea's president after the fall of Mr Yoon, went to Japan for talks with Takaichi Sanae, the prime minister. Mr Lee had earlier paid a visit to China, which has fallen out with Japan over Taiwan and has subsequently tightened its exports of rare earths to the country. Mr Lee and Ms Takaichi vowed to co-operate closely on security and trade. They ended their talks with a bizarre drumming session in which they banged out several K-pop hits. Ms Takaichi will hope she attains a K-pop level of popularity at a snap general election she is said to be planning for February.

The world this week

Business

January 15th 2026

The independence of America’s Federal Reserve was thrown into question, as the Justice Department issued subpoenas relating to Jerome Powell’s testimony to Congress last year about the cost of renovating the central bank’s buildings. Mr Powell said the “unprecedented” threat of criminal charges was a pretext for attacking the Fed for not setting interest rates on “the preferences of the president”. Donald Trump, who has roundly criticised Mr Powell for not lowering rates quickly enough, insisted that he knew nothing about the subpoenas.

Christine Lagarde, president of the European Central Bank, and Andrew Bailey, governor of the Bank of England, joined a dozen central bankers who issued a statement in support of Mr Powell. “We stand in full solidarity” with him and the Fed, they said; “full respect for the rule of law and democratic accountability” are critical for central-bank independence.

Jamie Dimon, the chief executive of JPMorgan Chase, said the subpoenas were "not a great idea", and would result in the "reverse consequences of raising inflation expectations".

While some Senate Republicans also expressed their support for Mr Powell, the market reaction to the spat has been muted. Although the gold price hit a new high, long-term Treasury yields were largely unchanged.

JPMorgan Chase was one of several banks to criticise Mr Trump's proposal for a 10% cap on credit-card interest. Though details of the proposal are vague, the bank joined others in the industry to warn that a rate cap would "significantly change" its business and ultimately reduce credit for consumers. JPMorgan Chase has just become the new issuer for Apple's credit card. The share prices fell of several card issuers, including American Express and Capital One.

Apple will use Google's Gemini AI models to revamp Siri, its virtual assistant, this year, a loss for OpenAI, which was competing for the deal. Google also announced a partnership with several big retailers, including Walmart, that will allow shoppers to pay for goods in the Gemini chatbot. The announcements helped push the market value of Alphabet, Google's parent company, above $4trn for the first time.

Despite a trade war with America, China reported a record annual $1.2trn trade surplus (it had already broken the previous record by the end of November). China's exports to America fell by 20% in 2025; just 11% of the total number of goods that China sent abroad went to the US, the lowest share since the 1990s. Chinese factories instead tapped other markets. Exports to Africa were up by 26%, ASEAN countries by 13% and the EU by 8%.

Paramount showed no signs of backing away from its hostile bid for Warner Bros Discovery, even though the film studio has decided not to engage with it and supports an offer from Netflix. Paramount filed a lawsuit to force Warner Bros to disclose how it accounted for the value of Netflix's deal, among other things, and said it would nominate a slate of directors to sit on Warner's board. "We are committed to seeing our tender offer through," it warned. Netflix is reportedly considering a rejig of its offer, changing it to an all-cash deal in order to woo Warner's shareholders.

Struggling under a pile of debt, Saks Global, which owns the Bergdorf Goodman, Neiman Marcus and Saks Fifth Avenue chains of upmarket department stores, filed for bankruptcy protection. In its filing the company said its problem was not the demand for luxury goods, but "inventory availability and vendor confidence". Some suppliers refuse to send their goods to its stores because they haven't been paid.

Riding the AI boom, TSMC, a Taiwanese company that manufactures most of the world's high-end chips, reported a 25% year-on-year increase in revenue for the fourth quarter of 2025, to $34bn, and a 35% jump in net profit, to $16bn. It expects an even bigger rise in revenue this quarter.

Boeing took 1,075 net orders for aircraft in 2025, ahead of Airbus, which booked 1,000 net orders. It was the first time Boeing beat Airbus on that measure since 2018. It also delivered 600 commercial planes, though Airbus delivered more, at 793. After several years of safety mishaps, production woes and labour strikes, Boeing's turnaround seems to be gaining traction.

Glencore and Rio Tinto confirmed that they are talking about merging again, just over a year after a previous attempt to combine the mining companies came to naught. A merger would create the world's largest producer of copper, the price of which has soared by 50% in the past 12 months amid high demand for green energy and AI-related businesses, such as chipmaking.

The world this week

The weekly cartoon

January 15th 2026

Dig deeper into the stories behind this week's cartoon:

What the collapse of Iran's regime would meanBereft of legitimacy, the reeling regime in Iran massacres its own peopleHow Iran's regime has hidden its brutal crackdown

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

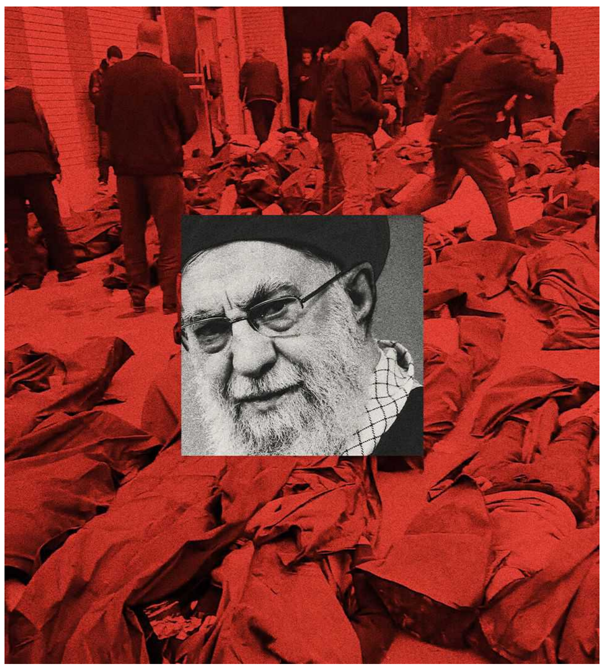
Leaders

Leaders | Extraordinarily high stakes

What the collapse of Iran's regime would mean

Thousands have died and America has threatened to strike back against the horror there

January 15th 2026



WHEN PROTESTERS took to the bazaars and streets of Iran, the supreme leader, Ali Khamenei, met them with bullets. After two weeks of chants of "death to the dictator", militiamen allied with the Revolutionary Guards and toting automatic rifles rode in on swarms of motorbikes. With snipers, they shot their fellow citizens, aiming at their faces and genitals. Morgues are overflowing. Bodies in bags are stacked on bloodied pavements. Several thousand may be dead. Thousands of the wounded have been arrested, some dragged from hospital beds to prison cells and an uncertain fate.

This ought to be the moment that ends the theocrats' 47 years in power. Iranians deserve to live in a democratic and prosperous country, not least because of their bravery. The world would benefit if Iran was turned from being a nuclear threat and an exporter of violence across the Middle East to a tolerant, stable trading power. But protests alone don't end tyranny. What would an American strike contemplated by President Donald Trump do to bring about the mullahs' downfall? And if the regime were to topple, what might follow?

Iran's rulers are merciless because of their weakness. They have nowhere to turn and nothing to offer their people but violence. At home, Iran's citizens must endure a shrinking economy, rapidly rising food prices, joblessness and worsening poverty. Abroad, the regime has been humiliated, as its proxy forces in Lebanon, Syria and Gaza were battered or destroyed, mostly by Israel, since 2023. Last year's 12-day war showed that the regime could not even protect its own commanders and nuclear sites. After crushing protests in previous years Mr Khamenei sometimes offered concessions, such as relaxing the dress code for women. This month his government proposed a general stipend worth $7 a month, hoping to buy off public anger. That was met with derision.

The days ahead are fraught with uncertainty and danger. The protesters have withdrawn from the streets, though for how long nobody can say. The bleakest outcome would be that the regime remains in power, bonded by blood, condemning Iranians to a stagnant, enduring oppression. Bad, too, would be a collapse of Iran into worse violence. The break-up of Yugoslavia in the 1990s, the invasion of Iraq in 2003 and civil war in Syria offer stark lessons in how hard it is to end decades of repression without provoking mass bloodshed. Kurdish, Azeri, Baluchi or other separatists could rise up and Iran could descend into chaos. Add the presence of enriched uranium, nuclear scientists and religious extremists, and the risks are grave. Fear of what comes next may explain why some inside Iran have so far failed to join the protests.

In between are scenarios in which the regime fragments. Perhaps the Revolutionary Guards will oust the supreme leader. Or a faction of guards may seize power in the name of the people, and seek legitimacy by holding rival factions to account for the recent killings. If so, they could be helped by the regular army, which so far has stood aside. Either way, the new men in charge could seek to strike a deal in which America lifted sanctions in exchange for strict limits on Iran's nuclear programme and ballistic missiles.

America could attempt to land a blow against a regime that has been a running sore in Washington for over four decades. This week Mr Trump first threatened “very strong” action against Tehran, while calling for more protests, and then appeared to retreat—whether as a ruse or out of caution is unclear. If he attacks, his preferred option would surely be a limited strike. Perhaps he could aim for a political decapitation, somewhat like the one he recently oversaw in Venezuela, whereby the detested Mr Khamenei is deposed or killed. Or America could drop bombs and missiles on selected sites inside Iran, perhaps targeting structures associated with the Revolutionary Guards.

At less risk, America could help end the communications blackout imposed by the regime, by smuggling Starlink kits into Iran. One sign this matters is that security forces are hunting for those already in the country. The White House is also giving tacit support to an exiled opposition figure, Reza Pahlavi, the former crown prince, who fled from Iran when the shah was toppled in 1979. From a safe distance in Maryland he, too, has been urging protesters to rise up to bring democracy. In the absence of organised opposition inside Iran, perhaps the country could restore some form of monarchy, (see our interview with Mr Pahlavi).

However, just to run through the options shows how hard it will be for American action to succeed. If Mr Trump orders strikes, Iran is armed with a formidable battery of short- and long-range missiles that could hit back across the Middle East, leading to an unpredictable escalation—which is why countries there are warning against an American attack. A decapitation from the air would require exquisite intelligence against an adversary who is forewarned. Even with the ayatollah gone, a Caracas-style deal with the Revolutionary Guards is unlikely to create lasting stability, because grieving Iranians will yearn for vengeance against generals with so much fresh blood on their hands.

The stakes are extraordinarily high. With Mr Trump in office, old certainties in geopolitics are melting away. His concern will never be to respect international law, nor to foster a club of liberal democracies. But, even as Iran is abandoned by its allies, China and Russia, he is readier than any recent American president to bring about big changes if he believes they will enhance America’s influence and his own prestige. Each intervention is a test of what sort of world that will create.

Once every popular uprising seemed to herald the birth of a new democracy. Alas, after the failures of the Arab spring, it is no longer easy to imagine that Iran’s path could be so simple. The hope nonetheless is that, in time, the collapse of the regime will favour Iran’s courageous people, who have proved once again that they are their country’s greatest blessing. ■

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Leaders | Multinationals and geopolitics

America's gunboat capitalism will make the world poorer

And Donald Trump's use of companies as a tool of state will make it no safer

January 15th 2026

For mUCH of modern history, multinational enterprises have acted hand in glove with the state. Britain and the Netherlands were bankrolled by their East India companies, and provided military and diplomatic support in return. Germany's Krupp and Japan's Mitsubishi aided industrialisation while their governments secured mines and markets abroad. American interventions helped oil firms secure foreign resources. Then for a spell, starting in the 1980s, governments stepped back and multinationals spread, unconstrained, across the globe. Today, however, gunboat capitalism is back.

When the bosses of many of the world's biggest companies assemble in the Swiss mountain resort of Davos next week, a preoccupation will be the stunning intrusion of governments into their cross-border dealings. As war has returned to Europe and authoritarian China has become more assertive, politicians have redrawn the map for global business, setting out where multinationals can and cannot operate.

America's president, Donald Trump, is taking things further. He sees companies as a useful tool to enhance state power. He has urged American oil bosses to return to Caracas or face retribution, pressed defence firms to stop buying back shares, and demanded that tech companies selling advanced processors to China share a cut with his government.

This return of state meddling will have destabilising consequences for Western multinationals, which make about $23trn in annual sales, $2.4trn in profit and employ millions across the globe. It will mean a less prosperous world—and not necessarily a safer one.

The shifting geopolitical order is already reshaping Western multinationals, as our Briefing sets out. Tariffs, subsidies and sanctions have steered capital away from places including China and Russia, and towards home markets. In 2016 American multinationals did 44% of their capital spending domestically; today the share is 69%. Foreign sales have fallen in real terms, while those made at home have risen. The retreat is more striking still in industries that governments often regard as "strategic", such as software, drugs and carmaking.

As Jamieson Greer, Mr Trump's trade representative, tells us on our Inside Geopolitics show this week, the heyday of globalisation is not coming back. The future is likely to hold yet more state involvement. The allure of commercial riches motivated Mr Trump's toppling of Nicolás Maduro in Venezuela and is guiding his efforts to secure a truce between Russia and Ukraine. But Mr Trump is also binding business closer to the state. His administration has taken stakes in a clutch of mining companies and a struggling chipmaker; its National Security Strategy, published last month, says it will continue to do so. The more America champions its own businesses and penalises others, the more it becomes rational for other countries to support their own enterprises.

What will the new world of gunboat capitalism involve? For a start, it will be more costly and less efficient—and that matters more than in the past, because today's multinationals are a far bigger part of modern economies. America's global leviathans account for more than a fifth of domestic private-sector employment, two-fifths of physical investment and three-quarters of profits. This heft is a function of the vast infrastructure that moves goods and information around the planet, which has made it simpler to do business across borders, raising profits for shareholders and lowering prices for consumers. When companies are forced to allocate capital on geopolitical lines, they become less productive, reducing prosperity for all.

Already there is evidence that multinationals are losing profitability compared with firms that operate only domestically. We examined the return on invested capital of Western non-financial firms with sales over $10bn for 2023 and 2024. In seven out of nine industries, multinationals' returns trailed those of domestic rivals. In many of these areas, the gap between domestic and global firms has widened since 2018-19.

Such hefty costs could still be worth paying, if they kept countries safer. As authoritarian regimes around the world become more aggressive, democracies face an urgent need to spend more on defence. Likewise, a hit to chipmakers' profits might be a reasonable price to pay if an embargo prevented an adversary from making a technological leap that would translate into a big difference in military might.

The secret is to intervene wisely. Yet Mr Trump's approach is beset by problems. For a start, it focuses on the wrong sources of strength. Commercial prowess is no longer about securing access to the most oil or other natural resources. Instead it comes from innovation and intangible capital, which help push out the frontiers of technology and make products indispensable to consumers. But with his war on science and immigration, Mr Trump is weakening the prospects for innovation.

What is more, intervention is muddled, seemingly by design. America's policy on selling semiconductors to China has zigged and zagged, depending on who has the president's ear. The risk is that every decision becomes open to lobbying, if not outright graft. And because uncertainty over policy gives the administration what it most craves—maximum leverage—businesses cannot make plans.

Given the president's proclivities, it is hard to see the Trump administration overcoming those flaws. The deeper question, therefore, is whether other governments could do better—whether, in fact, successful gunboat capitalism could become part of any country's competitive advantage.

This newspaper is sceptical, and not just because of America's overwhelming military power. As the golden age of globalisation dims, the lesson to remember is that governments create rents; rents distort markets; and distorted markets make countries poorer and their citizens less enterprising. The allure of gunboat capitalism is that it offers both prosperity and security. The reality is that it will bring neither. ■

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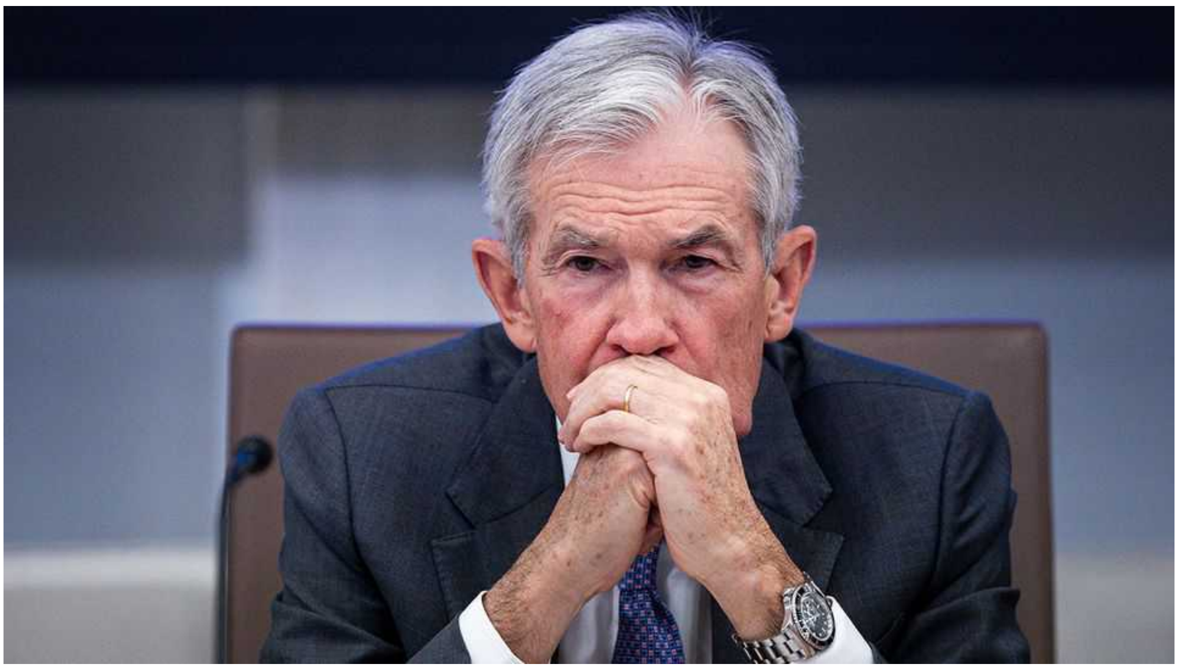
Leaders | Central bankers of the world, unite!

A private memo from central banks to governments

You come at the king (of finance), you best not miss

January 15th 2026



HEADS OF CENTRAL banks from around the world have released a statement "in solidarity" with Jerome ("Jay") Powell, the chairman of the Federal Reserve, who says he faces charges from the Trump administration as retribution for not cutting interest rates faster. The Economist has seen a private memo the central bankers also sent their own governments:

Dear Prime Minister/President (delete as appropriate)—We know that you think it absurd for technocrats to rise up in solidarity with anyone. But what do you think you're doing? Jay's fight has shown us how bad things could get for us if you keep breathing down our necks. This episode should remind you how bad things will get for you, if you don't back off.

You think inflation was bad in 2022 and 2023? Remember that the typical annual rate of global inflation in the 1970s and 1980s was 7-8%. Some say its subsequent fall was good luck rather than good policy—the result of globalisation and cheap goods. Ha! It would be quite the coincidence if global forces just happened to bring price rises into line with our targets. Since the Fed declared its 2% goal in 2012 annual average inflation has been 2.3%; Turkey, where Recep Tayyip Erdogan tried to exert presidential control over monetary policy, has suffered price increases ten times as high. It was independent central banks wot dun it.

What will you tell voters if you let inflation out of the bag? They are already furious with you over high prices. The lesson incumbents have learned lately is that inflation is electoral poison. No wonder Jay's fightback seems to be working. Mr Trump denied all knowledge of the investigation; Republican senators are threatening to hold up his nominations to the Fed. Treasury Secretary Scott Bessent must be screaming down the phone to the West Wing as we write.

It is not just voters who are on our side. Bond markets are, too. Don't be fooled by the muted reaction to the latest attack on Jay. Investors predicted, correctly, that he would gain political support. The moment your moves against us look like working, you will find that vast government debts become more expensive to service while your currencies wobble. You will be stuck between the rock of inflation and the hard place of austerity. Look at Japan. Its new prime minister has stopped decrying interest-rate rises now she is in office and likely to be blamed for a weak yen.

You also need us to be credible. Remember when Liz Truss nearly broke the British bond market? The Bank of England was able to stop the fire sale only because everyone knew it was not monetising debt when it started buying bonds. Blur the lines between fiscal and monetary policy too much, and you will find there is no lender of last resort who does not arouse suspicion. The financial system will become less stable even as you are making the economy more volatile.

Yes, we have made mistakes. We know that several rounds of quantitative easing (QE) went off the rails, and there has not been a public reckoning. And we should have offset your fiscal laxity after you turned on the stimulus taps too much during the covid-19 pandemic. But at least we have mostly cleaned up our own mess. What would you have done without us to do the dirty work of making mortgages more expensive to slow the economy? Price controls? You might as well ask Nicolás Maduro how to run an economy—or Mr Trump to take a factual approach to Greenland.

We are sometimes guilty of empire-building, and Mr Bessent's suggestion of a public review of QE is not the world's worst idea. We will remember that not every attempt to hold us accountable is an outrage. But you have no idea how bad things could get if you ignore our success over the past three decades and gun for macroeconomic regime change. You have been warned. ■

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Leaders | The channel

Without democracy, Donald Trump's Venezuelan oil quest will fail

Sidelining the democratic opposition and its leader, María Corina Machado, would be a mistake

January 15th 2026

WHAT HAS changed in the days since American forces snatched Nicolás Maduro, Venezuela's dictator? His corrupt regime remains. The opposition, despite its popularity, appears no closer to power. The biggest shift concerns oil. After weeks of an American blockade, the country's storage facilities were almost full and production had been curbed. Starved of petrodollars, Venezuela was facing a renewed currency crisis. Now a deal imposed by Donald Trump should mean that oil flows again. The earnings, in turn, will soon start pouring into an American-controlled escrow account.

The deal gives America control over Venezuela's oil sales. The regime looks set to receive a share of revenues, but locals have little more than Mr Trump's word that they will benefit. An executive order designates the cash as "sovereign property of the Government of Venezuela held in custody by the United States, and not as the property of the United States". Marco Rubio, the secretary of state, will apparently determine how to spend it on Venezuela's behalf.

How Mr Trump runs the new channel between those oilfields and global markets will do much to determine Venezuela's prospects. Rules he imposes will help to decide how easily Venezuela's leaders can continue to steal—and hence erode what are likely to be meagre profits. The rules will also set the stage for the expansion, or not, of Venezuelan oil output, upon which Mr Trump has pinned so much.

Transparency will be vital. An opaque system would permit the sort of graft that dogged the UN's oil-for-food programme in Iraq, from 1995 to 2003. The regime may try to skim profits from new contracts under which oil will be sold. Russia and China, and no doubt other oil-trading autocracies, will encourage graft. One way to guard against this is radical openness.

Another is for private firms to act freely and competitively. Mr Trump is right to say he will allow oil sales to China. He should also resist any urge to sideline those, such as ExxonMobil, not yet ready to invest. Letting them trade will boost competition and spur them to get more deeply involved later.

Most important, Mr Trump should set a timetable for a democratic transition. America should not be in the business of blockading and controlling Venezuelan oil in the long run. Nor would it want to if market prices remain depressed and returns on investment prove lean. For investors to be assured that their property rights will be protected, they need to trust that independent courts will guard against future expropriation. That depends on a measure of democracy and the rule of law. For its part, the old regime relies heavily on the flow of dirty cash to buy the loyalty of the men with the guns.

Democracy is also what ordinary Venezuelans yearn for. Nine in ten want the results of an election stolen by the regime in 2024 to be respected now—or for a fresh vote within a year, says a new poll commissioned by The Economist. Their sentiment cannot be wished away.

Mr Trump was due to meet María Corina Machado, the leader of Venezuela's democratic opposition, on January 15th. She is popular, and the closest thing Venezuela has to a democratic champion. Mr Trump will no doubt want her support for his oil deal. He should also back her to help return democracy and the rule of law to Venezuela. That is the only path towards the long-term stability that voters and investors crave. ■

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Leaders | 250th birthday

America has coped with worse things than Donald Trump

Lessons from history for the next three years

January 15th 2026

AS AMERICA is about to turn 250, its politics are raw, fractured and volatile. Take the killing of Renee Good in Minneapolis by an ICE agent on January 7th. Americans have long been able to watch the same bodycam videos and draw the opposite conclusions. What is new is that the federal government immediately branded the dead mother a “terrorist” and squashed an investigation into what went wrong. It is almost as if President Donald Trump is trying to provoke unrest, to give himself an excuse to crack down.

History offers lessons for a country on edge. American progress has seldom been smooth. It has come through failure and renewal, advance and retreat—and because men and women chose to stand up when faced with a crisis.

Across seven monthly chapters this year, running to July 4th, The Economist will examine moments that strained the republic, drawing on contemporaneous coverage. The hope is to provide context for America's current predicament. Mr Trump's presidency is a serious test, but not a wholly unfamiliar one.

He is not the first president to treat critics as enemies of the state. In 1798, under John Adams, the Alien and Sedition Acts criminalised "false, scandalous and malicious writing" against the government. More than a century later, during and after the first world war, Woodrow Wilson's administration jailed and deported dissidents, censored the press and tolerated mob violence against those deemed "un-American". In each case repression was described as lawful and necessary, in the name of security, order and patriotism—language heard again today.

Nor is this the first time that America has suffered an erosion of norms about how power is exercised and defeat is accepted. After the civil war Andrew Johnson blocked civil rights for freed slaves and undermined Reconstruction, for a while hollowing out democracy in the South. Watergate revealed how law-enforcement and intelligence agencies could be bent to partisan ends, and how democracy depends on officials and reporters who refuse to play along. In both cases decency ultimately survived because Americans chose to defend it.

And if America often feels as if it is on the brink—struggling to cope with a polarised public—it has been there before, too. The country's first constitution, the Articles of Confederation, proved too weak to hold the republic together, nearly leading to collapse. Its successor papered over slavery with compromise and euphemism, postponing a reckoning that would come through civil war. In the 1930s the Depression exposed a political system ill-equipped to deal with mass unemployment. More recently, an election decided by the Supreme Court in 2000 showed how heavily the system relies on good faith and restraint, qualities that are now in much shorter supply.

This time is different in some ways. History does not repeat itself precisely. But a stubborn belief in the unique awfulness of now flatters the present and trivialises the achievements of those who overcame worse odds. Americans have felt such strains before. The past offers grounds neither for despair nor complacency. Recovery has never been automatic. It has required citizens to confront failure, resist abuses of power and repeatedly renew the country's founding ideals, which include government by the people through Congress, not by the president alone.

Renewal has also sometimes required a shock: a civil war, a depression, or an existential threat from a peer country. The challenge to the current generation of Americans is to change the country's course—again—without the need for something so calamitous.■

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Letters

Letters | A selection of correspondence

Britain's relationship with the EU

Also this week, the cost-of-living crisis, Lewis and Clark, historical games, working hours, dating

January 15th 2026

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The thought of Britain getting closer to the European Union is an excellent idea ("Reset ambitions", January 3rd). However, the EU we left is not the same EU today. The world has moved on and so too has Britain. The EU market is, and always will be, important to Britain, as both parties benefit. Any closer relationship should be conducted in good faith, and as you point out, flexibility is needed. Under Labour the attempt to build a closer relationship seems to be at a cost to Britain. Witness the Erasmus student-exchange scheme. It will cost Britain £570m ($765m) to re-join in year one.

The Conservatives point out that they turned down a similar arrangement when they were in government at a cost of £140m, which was thought to be too expensive then.

When Britain joined the European Economic Community, as it was in 1973, its six members made up around 20% of world GDP. The EU has morphed into 27 members that now make up only about 18% of world GDP, and that is projected to shrink. Looking to where future growth will be Britain had the sense to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, giving it preferential access to a market of 500m people in the Indo-Pacific region. The CPTPP accounts for some 15% of world GDP, which could rise over the next few years as Asian economies expand. This is where growth will come from over the next decade.

In 2025 Sweden proposed that the EU join the CPTPP. Rather than putting the clock back in an attempt to rewrite history, why don't we let the EU come to us and encourage them to join the CPTPP, which surely would be better for the EU and Britain? It would be a better way to forge a closer relationship of mutual respect.

Adrian BlackshawBishopstone, Herefordshire

I find myself deeply frustrated by the repeated statements in The Economist that Brexit was the biggest mistake of modern times. You readily repeat negative forecasts from Remoaner organisations that doom and gloom will inevitably follow, but even the EU recognises that Britain has grown faster than its biggest economies.

We have a free-trade agreement with the EU that means most imports and exports are tariff free. Anyway most of Britain's exports are in services, and these are growing quite well. If we rejoined the single market tariffs on imports from outside the EU would be reimposed. Tax on goods we don't wish to tax would have to be reimposed. Administration costs totalling billions would be payable to Brussels. Regulations by the thousand would come pouring in without any vetting in Britain.

Britain did the only sensible thing it could do having spent over 40 years trying to get EU to be more market friendly and less dictatorial. It left.

Jolyon CulbertsonHaslemere, Surrey

I read with interest your article claiming that America's affordability crisis is mostly a mirage ("Fake blues", January 3rd). Although it may be true that wages have kept up with core inflation, the affordability that most of the people in this country think about relates to the cost of food. At my local grocery store, beef prices have tripled over the past five years, and pork and chicken have doubled. Cheap off-brand cookies that used to be $1 are now $2. Oats that used to sell for $3 now sell for $7. Soda that used to be $1.25 for two litres is now $3. Grapes that used to sell for $1.25 a pound now sell for $3. Paper towels are twice as expensive.

The price of durable goods such as washing machines may not have gone up much, but how often does one buy a new washing machine? Meanwhile, every week regular shoppers are faced with $10 packs of bacon. That is no illusion. That is the reality from the ground.

Keith SymcoxBristow, Oklahoma

You highlighted well the misperceptions about the affordability crisis. However, concerns about the cost of living may not be a mirage, even if the economics make sense. I am reminded of Albert Hirschman's tunnel parable in his 1973 paper, "The Changing Tolerance for Income Inequality in the Course of Economic Development". Imagine you are in a tunnel caught in a traffic jam. At some point the cars in other lanes are moving. This is initially a good sign, but may create discontent in your lane, even if all are moving but others are moving faster.

These distributional trends are shown in your article. People may notice differential wages gains. Hirschman's parable suggests they care about how wages move relative to others, and subsequently how this then affects their budget and spending. Even if growth in wages outpaces prices it may thus lead to social discontent. If this is the case distributive policies and policies that ease labour mobility, rather than price controls, are the way to go.

Dr Kasper VrolijkSenior fellowFiroz Lalji Institute for AfricaLondon School of Economics

The successful expedition by Meriwether Lewis and William Clark in 1804-06 was indeed pivotal in asserting the newly founded United States' interests on the continent by expanding westward from the Mississippi river to the Pacific ("Lewis, Clark and Pompey, too", December 20th). But it was a Scottish-Canadian explorer, Alexander Mackenzie, who was the first to cross the continent north of Mexico in British territory, and what is now Canada, to the Pacific Ocean in 1793. That was an equally great nation-building event for Canada. Mackenzie's exploits spurred Thomas Jefferson, America's president at the time, to act. Lewis and Clark referred to Mackenzie's writings to help plan their expedition.

Canada helped make America great, too.

DAVID MCINNESOttawa, Canada

I was delighted by your article on historical-strategy video games ("The Great Games", December 20th). In addition to the franchises you mentioned, games such as Anno 1800 and Anno 117 challenge players to build cities, produce goods and ship them across continents to keep residents happy. They illustrate the benefits of trade and the ease with which it can gum up. Sometimes the shared worldview is even clearer.

The developers of Terra Invicta, a science-fiction game that depicts a modern-day alien invasion, classify world governments based on the Economist Intelligence Unit's democracy index. All else equal, more democratic governments are better at scientific research and hence more attractive to the player.

Peter SahuiSydney

I was pleased to see games taken seriously as part of the educational repertoire. Video games, like the Total War series, were my first foray into history as a kid. It also inspired me to try it myself. During my degree I designed a board game known as We Are Coming, Nineveh, modelling the Iraqi army's siege of Mosul in 2016, which was later published and used by officer-training colleges around the world to teach urban warfare and counter-insurgency to its students.

Games create safe-to-fail environments where students are forced to think through situations in real time and prioritise critical thinking over rote learning. The most memorable educational experience I had was spending a week playing a live-action role-playing game with 60 classmates. Set in a fictional country on the brink of civil war, each student spent seven days and seven nights roleplaying, negotiating and strategising to achieve their objectives, whether that was to unify the nation's warring factions, pass a resolution through the UN Security Council, or drag the country into conflict and turmoil. It was the most immersive, memorable and engaging teaching experience I've ever had. Harrison BrewerLondon

Board games are not obliged to have simple rules or systems, your innocently simple example of Risk notwithstanding. You discuss Europa Universalis and Civilization, both of which began life as board wargames, only to be ported to the computer. At the complex end I would call your attention, for example, to board wargames such as Drang nach Osten (more than 1,700 playing pieces, a map with thousands of locations) or Advanced Squad Leader (144-page rule book). Simpler board wargames with only 100 playing pieces and five or ten pages of rules are also available.George PhilliesPresidentAHIKSWorcester, Massachusetts

Bartleby’s column looking at how many hours employees should work (December 6th) referred to a research paper from Duke University asking people if they ever do their best work on Friday afternoons. I saw a note once pinned to the door of a meeting room in the ITT building in Brussels that said, “The only person who got all their work done by Friday was Robinson Crusoe.” I was glad I did not work for ITT.

DANAE PENNLannes, France

The baroque and often hilarious dating suggestions you learned from “A day at dating bootcamp” (December 20th) made me recall the immortal words of my 20-something son. “If all you want is to get laid, just don’t be an asshole. It’s really not that hard.”

Robert VossTenafly, New Jersey

By Invitation

By Invitation | Devotion to deregulation

Javier Milei: Rein in regulators, not big companies

Argentina's president and Federico Sturzenegger, his deregulation minister, call for a radical rethink on government meddling

January 15th 2026

UNTIL THE Industrial Revolution, population and income had been virtually constant for several millennia. Income per head moved from around $1,100 (in current dollars) in Roman times to just $1,500 at the end of the 18th century. People lived roughly the same life generation after generation. Then came all those new machines and manufacturing processes. In the following 200 years, global wealth exploded. Population increased six-fold and income per head ten-fold. Poverty receded dramatically. Today artificial intelligence (AI) is about to do it again. If the Industrial Revolution freed the world from the constraints of human muscle, AI will free it from the constraints of the human brain.

Today it is not a lack of technology or wit that hampers economic growth prospects, but politics, government intervention and, alas, bad economics. In "The Wealth of Nations" Adam Smith used the example of a pin factory to illustrate that growth was possible thanks to the increasing returns to scale embedded in technology and free markets.

Large and dominant firms emerge from superior technology and economies of scale. It should be unquestionable that exploiting these increasing returns to scale is socially beneficial: if we can produce more cheaply, we should want to do so. But economic theory has led policymakers astray. Neoclassical theory labels concentrated market structures as market failures that need to be disciplined, even broken apart. We, conversely, view them as a natural outcome of technology and crucial to growth. If market-leading companies are forced to downscale, not only will costs increase but the incentives to innovate will be dulled, harming growth.

Under this light, consider the two broad traditions in antitrust practice: the American approach, which focuses on exclusionary practices that restrict competition, and the European Union's approach, which targets "exploitative abuse" (ie, excessive pricing by dominant firms). We find the first useful but the second problematic, even if regulators can identify when prices are excessive (a big if).

Here's why. Suppose an airline is the only carrier on a new route and charges an exorbitant fare. It is, obviously, a dominant firm and is overcharging. But is there a competition problem here? Actually not, as long as anyone can enter the market to offer that route. If they can, by definition there can be no competition issue. On the contrary, the high prices and profits of this dominant firm are precisely the signal that needs to be given to attract competitors.

History offers many examples: Nokia once dominated mobile phones, then BlackBerry, until Apple's iPhone displaced them both. It would have been a terrible mistake to restrain the growth of these firms simply because they enjoyed high market shares at certain moments. The crucial question is not whether some firm currently has a large share, but whether entry is blocked —and, more often than not, it is the government itself that blocks entry with licences, quotas, exclusive rights or administrative barriers.

Too much energy is put into chasing large firms operating in contestable markets, too little into tackling the many regulations that restrict competition. There is an uncomfortable paradox here: governments that create legal barriers to entry are a more important enemy to competition than firms that win temporary dominance by innovating (not to mention that these barriers also move resources to less efficient firms).

This is why we believe deregulation is so important for growth. Take AI as an instructive example. In Argentina, we want to keep the industry deregulated. We want companies to know they can explore, produce, sell and profit from that technology unmolested. This may lead to large firms, but we believe that regulating the industry to stop dominant players from emerging is growth suicide.

We trust deregulation and markets so much that we have designed a mechanism to impose some market discipline on regulators themselves. Regulators traditionally hold a monopoly on regulation, and quickly develop a tendency to abuse their authority: they pile on requirements, ask for documents unrelated to any alleged market failure and impose endless delays.

How to subject the regulator to market discipline? One way is to allow regulated and unregulated segments to coexist in the same market. If the regulator solves a real problem, people will operate in the regulated portion, for example by using firms authorised by the regulator. If the regulator does not add value, we allow people to ignore it and use firms not supervised by the regulator. In this framework, responsibility for choosing which market to operate in rests with the consumer. The only rules needing to be applied are to ensure transparency—so that everyone knows which segment they're operating in.

We tried this approach in Argentina with several financial instruments. The result was a blossoming of the unregulated market and fee compression in the regulated market as competition forced the regulator to become more reasonable and less bureaucratic. European capital markets provide analogous examples, such as the coexistence of regulated offerings and "unregulated" boards on the Vienna Stock Exchange, the latter being popular with investors in smaller equity and bond issues because of lighter administrative requirements.

We believe such radical thinking would help in reassessing other areas of government meddling. Let us mention two: public goods and externalities. We are taught that non-rival and non-excludable goods should be government-provided. However, Ronald Coase, a Nobel-prizewinning economist, challenged this view when he showed that British lighthouses were privately provided, financed by nearby ports that internalised the benefits via port fees. May policymakers have over-extended the domain of public goods? Let us share a case that surprised even us: infrastructure in our national parks, such as trails and amenities—another textbook case of a public good. We started off thinking it should be supplied by the state. Yet when we experimented with concessions in which private operators had to build the public infrastructure at their own expense, it turned out not to be a problem. Firms solved the free-rider problem by co-ordinating among themselves and scaling up the infrastructure capacity in incremental steps to keep it profitable. Our point is that you don't need to be an anarcho-capitalist to conclude that it may be worth reassessing the reach of public goods.

Externalities are another standard justification for regulation. However, once an externality becomes sufficiently valuable, property rights tend to emerge, either spontaneously or by design. Take the example of honey and fruit production, important sectors in Argentina. To internalise the externality (that fruit producers help honey producers and vice versa), a local firm, Beeflow, developed a technology that offers targeted pollination services by conditioning bees to visit only the blossoms of a particular crop. In short, the market found a solution that was probably more efficient and more growth-enhancing than government regulation. In the market solution bees can be moved around and used in many orchards. Regulation would have forced (or subsidised) close proximity between the two industries, a less efficient outcome. This is just an example, but it shows that markets can also provide a solution, even a better solution, to externality problems.

Free markets—the core of the deregulation agenda—made the world rich, massively reducing poverty in just two centuries. It is time to double down on our trust in capitalism. Let us get the government out of the way and give people back their freedom, stolen from them by politicians and regulators. ¡Viva la libertad, carajo!■

Javier Milei is the president of Argentina. Federico Sturzenegger is the country’s minister of deregulation and state transformation.

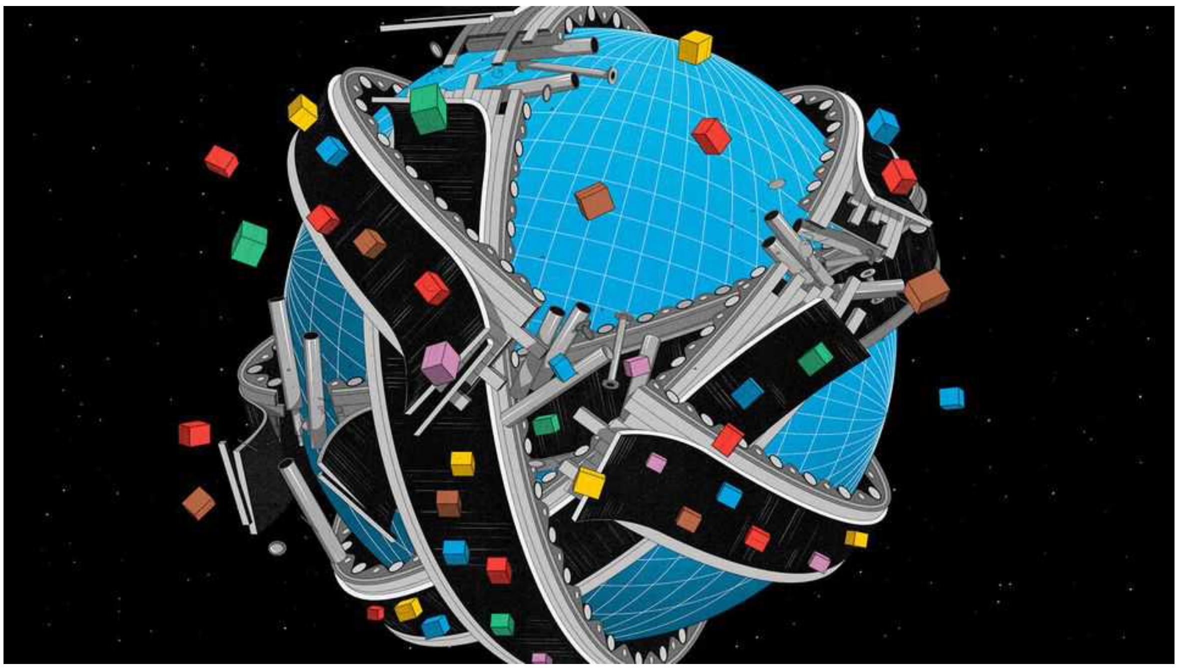
Briefing

Briefing | The disfiguring of big business

Geopolitics is warping multinationals' commercial decisions

Firms are reshaping their operations, at the expense of their profits

January 15th 2026



TO HEAR DONALD TRUMP tell the tale, America's intervention in Venezuela will be a huge boon for American oil firms. They will win lucrative investment opportunities and spend lavishly on them. The oil will flow and the profits will gush.

Yet the oil firms themselves—and the investors who own them—are not persuaded. After attending a meeting on Venezuela at the White House, ExxonMobil's CEO dismissed the country as "uninvestable". Since an irritated Mr Trump responded by threatening to exclude Exxon from Venezuela, its share price has actually risen. For the markets, it seems, any sort of respite from political meddling in a company's commercial decisions, even if motivated by pique, is a distinct plus.

Alas, such moments are not as frequent as they used to be. For several years now, commentators (including The Economist) have warned that politicians' efforts to influence where companies make and sell their wares will undermine the benefits of globalisation and so make multinationals less efficient and less profitable. Sadly, lots of data already suggest that big, global firms are indeed reshaping their operations in response to political interference—and that reorganisation is not helping the bottom line. The era of the geopolitical multinational has arrived.

Big Western multinationals (defined as firms that receive more than 30% of their sales abroad) account for 70% of the global value of listed firms. Their profits have swollen to $2.4trn a year. They employ around 100m people around the world. McKinsey, a consultancy, reckons multinationals are responsible for two-thirds of global exports. They are ubiquitous and iconic. In 2024 5m news articles mentioned one. Even children far too young to make purchases recognise the golden arches of McDonald's or Nike's swoosh.

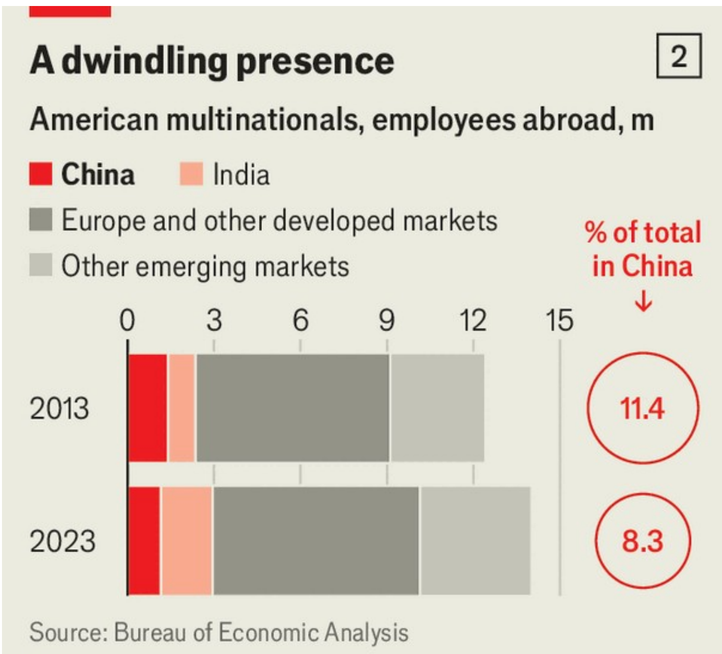
Multinationals' march across the world gathered pace in the 1990s, as many Western and developing countries liberalised trade and investment policies. By the time China joined the World Trade Organisation in 2001, global trade had reached 49% of global GDP, up from 38% a decade earlier. Flows of foreign direct investment (FDI) soared, peaking at $3trn (5.3% of GDP) in 2007, just before the global financial crisis. But even in the aftermath of the crash the rich world's corporate giants were for the most part free to build factories and sell goods where they liked—which, very often, meant China.

International expansion produced many benefits. Firms gained access to cheap labour and cheap suppliers. Slowing growth in the West could be balanced by new, fast-growing markets (again, especially China). Scale meant that firms could cut costs. That helped when it came to battling local incumbents, which tend to understand their home markets better than foreign interlopers.

Yet over the past decade, despite all the attractions of globalisation, Western firms have become more parochial. In 2016, according to fDi Markets, a data provider, American multinationals directed just 44% of their capital expenditure to their home market. That share has climbed steadily since, to an estimated 69% in 2025. Data from the Bureau of Economic Analysis show that in the five years to 2023 sales by the foreign arms of American multinationals fell by 1% in real terms, whereas domestic sales grew by 8%. The share of American firms' employees who are based in America nudged up from 67% to 68% over the same period.

European companies, too, are favouring America over farther-flung markets. The number of employees of European firms in America grew by 8% to 3m between 2018 and 2023, faster than the expansion in the rest of the world, according to Eurostat, the EU's statistical agency. Europe is also investing more in America. Between 2018 and 2024 the continent's stock of FDI in America grew from \$2.8trn to \$3.6trn. America welcomed some 17% of European greenfield FDI (building a new mine or factory, say, rather than buying one) last year, up from 12% in 2018 (see chart 1). Data from Morgan Stanley, a bank, show that the share of European firms' revenue that comes from America grew from 16% to 20% between 2018 and 2024.

Even as they pile into America, Western firms are losing enthusiasm for China. The country now accounts for 2% of the value of greenfield FDI outflows from America, down from 7% a decade ago. European flows have declined from 5% to 3%. European and American firms cut employment in China by almost a tenth between 2019 and 2023. China used to host more American workers than any other foreign country; now it has slumped to fourth in the rankings (see chart 2). A number of big companies, including Starbucks, a coffee chain, IBM, a tech firm, and Airbnb, a short-term lodging platform, have pulled out of China, completely or in part.



There is more to the trend than Western firms’ retreat from China, however. A recent study by the Federal Reserve looked at FDI flows, M&A activity and the capital expenditure of multinationals. Researchers found that companies were increasingly active in countries that are ideologically aligned with their home country. The finding held for investment even when America and China were removed from the analysis. In a similar vein, capital spending fell at subsidiaries located in countries that were diverging ideologically from the home country. That ideological affinity was measured by how often the two countries voted the same way at the UN general assembly. Such affinity, it turns out, has almost as close a correlation with the sums invested as physical proximity between the two countries concerned. Geopolitics, in other words, has become almost as important to investment decisions as geography.

This wholesale realignment of multinationals is not solely owing to geopolitics. Shifting patterns of economic growth also play a part. In the past five years America's economy has hummed along nicely. Annual GDP growth averaged 2.6% in 2022-25, outpacing much of the rich world. In contrast, China's growth was lower than expected over the same period, averaging 5.1% a year. Europe, for its part, stagnated. Underlying much of America's economic outperformance are its consumers. Between 2020 and 2024 they accounted for 37% of the growth in global consumption. Chinese consumers furnished only 12%.

Another non-geopolitical factor is the growing competition from Chinese multinationals. In many areas China's technological capabilities surpass the West's. Multinational carmakers, such as Volkswagen and Nissan, are setting up joint ventures with Chinese firms to gain insight into their cutting-edge technology. A survey by Kearney, a consultancy, asked firms why they planned to invest in different markets. For those looking to spend in China, technical innovation topped the list.

Chinese brands are gaining cachet with consumers, too. One of the woes of Starbucks and other Western coffee brands in China is the emergence of Luckin Coffee. The Chinese firm now has three times as many coffee shops in the country as Starbucks, Costa and Peet's, two other Western chains, combined. A similar pattern applies globally. Li Ning and Anta, two Chinese sportswear firms, are gaining market share, threatening Nike and Adidas. Chinese firms dominate the smartphone market in Africa and South-East Asia.

But political meddling also plays a big part. The West's growing desire to avoid economic dependence on China, and to hobble it technologically, has led to subsidies, tariffs and export controls that have encouraged multinationals to shift their activity elsewhere. Russia's invasion of Ukraine has added to the impetus to build more redundancy and duplication into supply chains and operations and, where possible, to place them closer to home or in allied countries. Mr Trump's "America First" administration has also bullied the multinationals of allied countries into investing there.

The meddling goes beyond America. Europe is pursuing its own industrial policy, attempting to green its economy and develop more autonomy from both China and America. Emerging markets, including Saudi Arabia, the United Arab Emirates and India, have a raft of policies to attract more investment from rich-world multinationals. China has been explicitly and energetically fostering certain favoured industries for a decade under the slogan “Made in China 2025”.

These policies are reshaping global business most clearly in industries that the West and China consider strategic. In 2021, in the wake of the covid-19 pandemic, the administration of Mr Trump’s predecessor, Joe Biden, launched a review of supply-chain vulnerabilities. This identified a list of products deemed too important to leave entirely in the hands of foreign suppliers, including semiconductors, batteries for electric vehicles (EVs), critical minerals and pharmaceuticals. The EU came up with a similar list, which added cloud-computing capacity for good measure. In both America and Europe, a raft of measures to encourage domestic producers followed.

Under the Trump administration the focus and form of intervention has changed. Green technologies have fallen out of favour but, as the row over Venezuela shows, oil has been added to the list. Mr Trump’s interference has also become more extreme. Aside from sweeping tariffs and outright economic coercion of places like Venezuela, he has also taken government stakes in mining firms, struck deals with chipmakers for a cut of their China sales and bullied pharmaceutical firms into cutting the prices of some products.

Strategic firms have cut ties with China more rapidly than others. Using national statistics The Economist looked at American multinationals in seven industries (chips, pharma, software, computer equipment, other electronics, cars and telecommunications gear) between 2019 and 2023. These firms’ sales, staff and asset bases reveal sharp and widespread decoupling. In six of the seven industries they cut staff in China; in five sales in China fell and the value of Chinese assets declined. The median drop was 15% for staff, 12% for sales and 7% for asset values. Those decreases were markedly bigger than the average across all industries.

Between 2019 and 2023 R&D spending by American firms in China on tech manufacturing (most of which is semiconductors) and chemicals (most of which is pharmaceuticals) fell in real terms. Over the same period total American R&D expenditure in China grew by a third. In those two industries R&D spending was channelled to more friendly places, such in India, Singapore and South Korea.

European multinationals in sensitive industries are also retreating from China. The relevant data on manufacturers of computer components, including chips, are available only for firms from four EU countries, but in all four cases, they cut investment in China between 2021 and 2023, by an average of 46%. Firms from three of the four cut staff and saw sales fall.

Venture capital provides another illustration of the trend. Between 2017 and 2019 Chinese startups accounted for 4% of European and American companies' venture-capital spending in strategic industries—chips, quantum, biotech, critical minerals, artificial intelligence (AI) and EVs—roughly on a par with investments in British startups, according to data from PitchBook, a research firm. That share has shrunk almost to zero. Over the same period corporate investment in strategic startups based in America's allies, such as Britain, Canada and Israel, has grown rapidly.

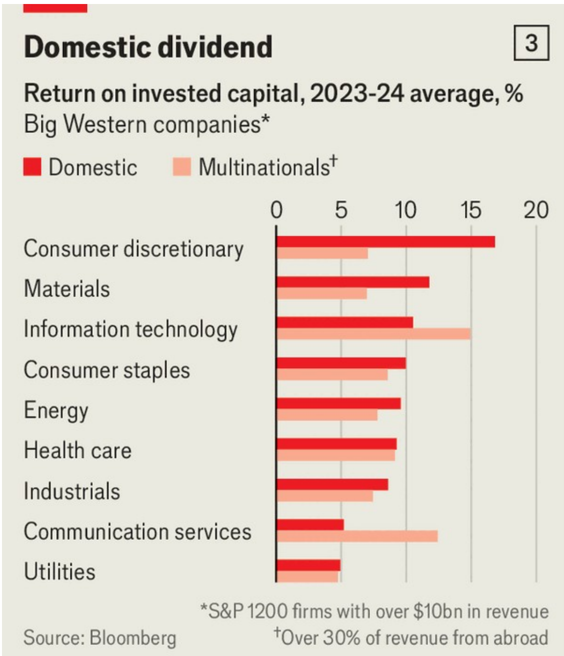
The retreat is bound to hurt Western multinationals. Semiconductor firms and their suppliers are particularly at risk. Their combined sales in China reached about $174bn in 2024, or about 30% of their total. In contrast, the average share of sales in China of Western companies in the S&P 1200, an index of big global firms, was just 6%. Other sensitive industries are also exposed, including data-centre firms (15% of sales in China, we estimate), carmakers (10%) and pharmaceuticals (8%).

The effect of political meddling in strategic industries is compounded by the fact that their importance to the world economy is growing. Data from fDi Markets shows that in 2015 strategic sectors accounted for 11% of global FDI. By 2025 that proportion had grown to 38%. Governments are sticking their oar in, in other words, just as tech firms are spending lavishly on AI data centres and the next generation of chip-producing factories.

On the face of it, some of the interventions may help business. Mr Trump's antagonistic approach is making the EU think twice about slapping America's big tech firms with huge fines. His intervention in Venezuela may eventually create opportunities for American oil companies. But such erratic behaviour creates uncertainty and chills business activity. And it may hurt firms in the long run. Research by the IMF shows that, although protectionist industrial policies may benefit firms initially, they reduce their productivity (and so profitability) in the medium term.

One way this happens is by adding to costs. Lots of firms are duplicating supply chains. A survey by the EU Chamber of Commerce in China found that 26% of multinationals were planning a fully or partially separate supply chain for their China operations. That figure was much higher for firms in sensitive industries, such as machine tools and pharmaceuticals. Plenty of companies are building products just for the Chinese market using Chinese suppliers, from a Western engineering firm that makes robots using local chips to customised ranges of trainers produced by Nike. That pleases locals, but the duplication weighs on balance-sheets.

Another expense comes from investing in places that are less than ideal, often to gain access to a market without paying tariffs, notes Tiago Devesa of McKinsey. BYD, a Chinese Ev-maker, is building a factory in Hungary to dodge the EU's levies. Samsung, a South Korean chip manufacturer, and TSMC, a Taiwanese one, have built plants in Texas and Arizona, respectively. In 2023 TSMC estimated that construction would cost four or five times as much as building in Taiwan. And even once a plant is built, running one outside Asia is pricey. Vagner Rego, the boss of Atlas Copco, a Swedish industrial-machinery firm, says it increased its investments in assembly plants in America three years ago, but finding affordable local suppliers remains a challenge.



Such costs may already be hurting multinationals' bottom line. The Economist examined the profitability, measured by return on invested capital, of Western non-financial firms with sales over $10bn for 2023 and 2024. We split the 750-odd companies up into multinationals and domestic firms. In seven of the nine industries examined multinationals' profits trailed those of their domestic rivals (see chart 3).

Globe-trotting firms did perform better in two industries, IT and communications. But those industries are utterly dominated by tech giants Alphabet, Apple, Meta and Samsung. Domestically focused competitors to such leviathans are almost by definition minnows and their lower margins are hardly surprising.

What is more, in six of the nine industries domestic firms have extended their lead over multinationals since before the pandemic in 2018-19, albeit only slightly. Only in three has the profitability of multinationals improved relative to local firms.

All this suggests that a new breed of multinationals is fast evolving. The chairman of a big European manufacturer outlines what the future may hold. Western firms' operations in China will look increasingly different from those elsewhere in terms of the suppliers and technology they use and the goods they produce. Growing geopolitical risks will force firms to incorporate more redundancy and flexibility into their operations. That will probably entail more diffuse production in multiple locations around the world, although many of these facilities will be final-assembly plants, not necessarily whole factories. Companies will have to think more carefully about which industries they enter where. Building drones in China, even for civilian use, is clearly a bad idea but it may be fine to do so in America. "You don't want to be on the wrong end of the stick at the wrong time," he warns.

This image of a sprawling, hesitant and segmented corporate giant is a far cry from the hyper-efficient firms of the past. It suggests a future in which many of the long-held advantages of globe-trotting companies, such as economies of scale and a focus on cutting costs, will continue to be eroded. That will leave them harder to manage, less nimble and less profitable. Politicians, who tend to like the idea of all-conquering national champions, should prepare instead for a world of muchdiminished multinationals. ■

United States

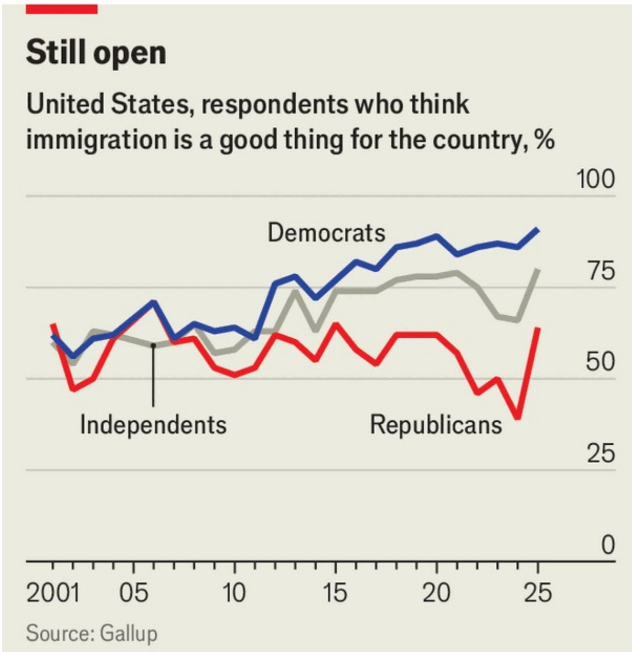
United States | Keep out

MAGA wants a moratorium on legal migration, too

The most committed members of the base mean to impose an unpopular litmus test

January 15th 2026

IT WAS Rick Richards's third time at AmericaFest. The 63-year-old Arizonan arrived at Turning Point USA's annual conference in Phoenix, the week before Christmas, wearing a sweater featuring Donald Trump in a Santa hat. During a session called "Mass migration is causing all the problems, actually" he waited to question the MCs, two Blaze TV personalities. "Do you think we could bring more people to the side of the Republican mindset by being more careful with our words when we talk about immigration?" he asked. Maybe, he continued, we should specify that we're against illegal immigration but we want to bring people in the right way. "Frankly, we don't like legal immigration either," replied John Doyle, a conservative provocateur and one of the hosts. He suggested ending all immigration for at least ten years. Someone in the crowd shouted “100!”, then, “Forever!”



Most Americans share Mr Richards’s view. Majorities of both major political parties think immigration is a good thing. Republican support for newcomers dipped when the southern border was overrun, but has since rebounded. Mr Trump’s incoherence on legal immigration reflects the tensions of his coalition. He has blocked many would-be immigrants from coming to America, detained foreign students and threatened to strip the citizenship of others. This is the handiwork of Stephen Miller, the architect of Mr Trump’s immigration policy, who views America as a country threatened by an “invasion” of outsiders. It is also red meat for his base. But then the president tells the New York Times that he would “love to have a comprehensive immigration policy”, which is Washington-speak for stricter enforcement, a path to citizenship for undocumented migrants and, perhaps, more visas for skilled workers. That’s a thrilling thought for tech titans, such as Elon Musk, who support the president but rely on high-skilled visas to staff their companies.

It is tempting to think that Mr Trump’s success at the southern border could give him political cover to pursue proper immigration reform, which

America has not passed for decades and badly needs. But so far his musings about reform are just words. In practice, over the past year the Trump administration has rewritten America's legal immigration system by executive fiat to make it almost unworkable.

For Millerites, this was not an overnight victory. Throughout American history, waves of new immigrants have preceded nativist backlashes. In 1924 Congress limited the number of people who could come to America each year to 2% of every nationality's population in 1890—before many eastern and southern Europeans had arrived. The law barred immigrants from Asia. Albert Johnson, the bill's sponsor in the House of Representatives, argued that "the myth of the melting pot has been discredited" because newer immigrants were too slow to assimilate. Rigid quotas persisted until 1965, when Congress reformed America's immigration system to prioritise family connections and skilled labour.

That 1965 law became infamous among those sceptical of legal migration. In the 1990s and 2000s Pat Buchanan, a conservative who broke with Republican orthodoxy, echoed Johnson while arguing that Americans are "addicted to this myth" of the melting pot. Though Mr Buchanan's presidential campaigns went nowhere, he was a prolific commentator whose "America First" ideas have influenced MAGA leaders. Young conservatives at AmericaFest fixated on the idea that assimilation has failed, and that America, which they regard as a "pan-European country", has been "conquered". In their telling, culture and heritage bind Americans, not democratic ideals. When that is your starting point then all immigration, legal and illegal, is seen as a threat to cohesion.

Congress has all but given up legislating, so rewriting the 1965 law is a non-starter. But Mr Trump is trying his best to reinstate a discriminatory immigration system through executive action, argues David Bier of the Cato Institute, a libertarian think-tank. His travel ban blocks most legal immigration from nearly 40 countries, most of which are in Africa and the Middle East. About one in five people seeking to move to America will now be barred from doing so. Close to 90% of refugees admitted since Mr Trump's first full month in office are white South Africans. In December the president paused the green-card lottery programme for people from countries with low rates of immigration to America, citing national-security concerns. On January 21st the administration will stop processing visas for immigrants of 75 countries. The State Department argues that applicants from those nations are more likely to end up receiving government benefits, though Mr Bier found that in 2024 non-citizens were actually underrepresented among those convicted of welfare fraud.

That is just the beginning. The head of Citizenship and Immigration Services (USCIS) has said he hopes to eliminate a visa that allows foreign students to stay in America for up to three years after graduation. Many of these students—especially those in science and tech—eventually secure an H-1B visa. Mr Trump has threatened to revoke the citizenship of immigrants who came to America years ago. A fraud scandal in Minnesota has led anti-immigration Republicans to fixate on denaturalising Somali immigrants. And by seeking to end birthright citizenship, the president is trying to change altogether the legal definition of what makes an American (though the Supreme Court seems unlikely to bless that effort).

It is not just the new policies themselves, but how they are being rolled out that makes the system impossible to navigate. Alexander Dgebuadze, an immigration lawyer, calls his search for guidance on vague policies the "chaos to compliance" pipeline. In September, when the administration announced a $100,000 fee for new H-1B visas, he recalls watching Howard Lutnick, the commerce secretary, do TV hits in the hope that he would say something clarifying. It eventually became clear that the new fee applies only to some applicants, but employers are spooked. Mr Dgebuadze reckons his clients have submitted 20% fewer names for the H-1B lottery than at the same point last year. Ellen Freeman, a lawyer in Pittsburgh, says some of her clients are reconsidering whether they want to live in America at all. "There is no more legal versus unauthorised" in the eyes of the administration, she says. "There is no more differentiation."

For decades, Republican presidents supported legal immigration because they knew that taking in clever, entrepreneurial people was in America's best interest. The Trump administration's discriminatory policies and bureaucratic delays threaten America's ability to attract top talent. A recent paper by Shai Bernstein, of Harvard University and his co-authors found that immigrants make up 16% of inventors but are responsible for nearly a third of American innovation. Other countries see opportunity. Though Canada has limited international students, in December it launched an effort to woo foreign scholars.

At AmericaFest, Mr Richards was shocked to find himself so ostracised. He considered for a moment whether Blaze TV's best and brightest were right in arguing that America needs an "immigration moratorium", but decided against it. "All of us were immigrants at some point," he offered. "I thought more people were going to be on my side." ■

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United States | Rental illness

Why America's corporate landlords are not villains

Restricting ownership will probably make housing less rather than more affordable

January 15th 2026

FREESTANDING family homes are one of America's most potent symbols. Tucked behind a tidy garden and hemmed by a white picket fence, the avatar of the country's culture of home ownership is as evocative as bald eagles or apple pie. Corporate landlords, on the other hand, vie with used-car salesmen and hidden airline fees in the emotions they inspire.

On January 7th the president announced a campaign to ban institutional investors from buying single-family properties, and said he hopes to encourage American legislators to codify the move. This is a response to the nebulous politics of affordability, prompted by the approach of midterm elections in November. In a poll conducted in July for Searchlight, a Democrat-aligned think-tank, 48% of respondents gave investor hunger for profits as an important reason for high housing costs, above expensive materials (at 46%) and immigration (17%). Democratic senators have put forward their own bills to restrain institutional investors.

The country's biggest landlords have few political allies, but the assault on them is misguided. According to Cotality, a property-data provider, investors overall bought about 30% of the single-family homes sold in America during the first nine months of 2025, a figure that has risen from below 20% before 2021. The lion's share of buyers are not corporate titans: 14% of sales go to investors with fewer than ten properties, and 11% to those that own between ten and 100. Those that own more, the true institutional giants, bought just 5% of single-family properties.

Even the recent purchases translate into a piddling share of the market. According to the American Enterprise Institute, another think-tank, the total share of the stock of single-family housing owned by corporate landlords nationwide is less than 1%. The total rises above 5% in only 22 of the country's more than 3,000 counties. The contribution to overall housing demand is a rounding error.

But the attack is not just muddled because the biggest landlords are actually small. Where the firms do operate, they play a valuable role, financing and contributing to the supply of homes in growing cities. Corporate investors have moved into single-family housing because of restrictions on the ability of middle- and lower-income families to get mortgages since the financial crisis of 2007-09. The corporate owners and buyers of housing are also some of the most enthusiastic adopters of the technologies that could reduce the costs of American construction, like modular manufactured housing.

Sean Dobson, chief executive of Amherst, a property-investment company, estimates that of the 200,000 residents of single-family homes owned by the firm, around 85% would not qualify for mortgages to buy the homes they live in. "The type of capital that you need for this to work is very conservative. These homes are like an 8% total return thing. It's a beat inflation, low-volatility investment. Now it carries this political risk."

The proposals from the administration are an attempt to paper over a distortion in the housing market, caused by earlier government intervention. Corporate landlords are a tempting target. But banning them won’t make housing more affordable.■

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United States | America’s navy

A strategy that needs rethinking

The president’s plan for a “Golden Fleet” does not add up

January 15th 2026

AMERICA’S NAVY has real problems. The fleet stands at half its cold-war peak strength, with China now boasting over 370 ships to America’s armada of just under 300. Shipbuilding programmes are unable to keep up with plans for a 381-ship navy by 2054. Out of 45 battle-force ships under construction by the navy, notes the International Institute for Strategic Studies, a think-tank, 37 face delays. Moreover, next year China is due to field more sea-based vertical launch tubes, a measure of missile capacity, than America, according to the Centre for Strategic and International Studies (CSIS), another think-tank.

Donald Trump has a plan. On December 22nd, at his Mar-a-Lago resort in Florida, he unveiled a garish proposal for a “Golden Fleet”—a name apparently inspired by Theodore Roosevelt's Great White Fleet of the early 1900s. Mr Trump promised to make the navy "stronger than ever before". However, his plans are unlikely to solve the navy's difficulties.

The centrepiece of the president's expansive vision is an enormous, Trump-class "battleship", a name evoking the large, big-gunned warships that were last commissioned in the 1940s. The Trump-class, which more closely resembles what naval types would call a missile cruiser, would be three to four times larger than today's main American surface combatants and, according to the president, "a hundred times more powerful than any battleship ever built".

The idea is that it would trade speed and range for armour and firepower. Early designs envisage a ship as large as 40,000 tonnes with 128 missile launchers, as well as a dozen more launchers capable of firing hypersonic missiles and other launchers for firing nuclear-tipped cruise missiles. But the huge cost of such a ship—$15bn each, estimates the Congressional Research Service—would mean that relatively few could be fielded without bankrupting the navy. In any case, concentrating more firepower on fewer ships cuts against prevailing naval doctrine, which is to disperse ships to make them harder for China to hit with missiles.

Then there is a new frigate. In modern navies, frigates tend to be a little smaller than destroyers and often focused on a task like anti-submarine warfare. Mr Trump cancelled a planned Constellation-class frigate, which was delayed and over budget, in part because the navy tinkered endlessly with the original Italian design. He proposes to replace it with a new frigate, temporarily called the FF(X), based on the coastguard's Legend-class cutters.

The advantage of using a proven design is that it can be built fast. The first FF(X) is intended to be in the water in two years. But in some ways the FF(X) faces the opposite problem to the battleship: it could end up woefully under-armed for a modern naval war. One criticism of the cancelled frigate was that it would rapidly exhaust its complement of 32 missiles in a skirmish. But initial images suggest the new design, which is 40% smaller, might have no vertical launch tubes at all.

In addition to a hulking battleship and a waif-like frigate, the administration's naval plans have a third element: many more uncrewed vehicles, ie those without sailors aboard. This idea goes back to Mr Trump's first term, but it is now being fleshed out. Last summer the navy announced contracts to build its Modular Attack Surface Craft (MASC) programme, a family of drone-boats to operate alongside crewed ships that can carry payloads in regular shipping containers. John Phelan, the secretary of the navy, boasted that these vessels had gone from prototype to production in less than a year.

Naval experts and insiders debate vigorously over the right balance between large, crewed vessels and small, uncrewed ones. Critics argue that the latter are too small, short-ranged and poorly armed to make a difference in the most demanding scenarios, such as a war over Taiwan. But Bryan Clark of the Hudson Institute, a think-tank, argues that wargames and models show that there is a sweet spot: uncrewed ships with 16 to 32 missiles. Any less armament and a drone ship cannot do enough damage to a well-defended target on its own. Any more and the ship becomes too big and easy to detect, and struggles to let loose its weapons before being hit. Within that range, he says, robotic and autonomous ships could indeed "slow and disrupt a Chinese invasion".

These uncrewed vehicles are far more likely to be built than a lavish Trump-branded behemoth is. "While the big ships got all the spotlight," says Brent Sadler, an expert at the Heritage Foundation, a pro-Trump think-tank in Washington, DC, "it is the small, unmanned vessels armed with long-range strike and air/missile defence systems that will be most strategically impactful in the near term." ■

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United States | Congress awakens

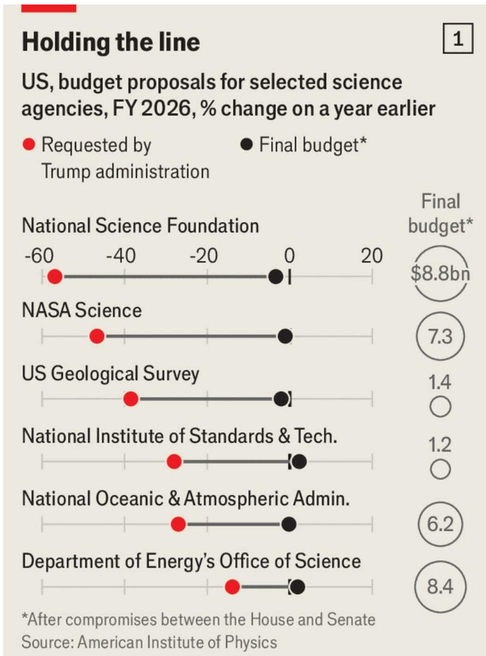
Pro-science Republicans are fending-off cuts to funding

This year's budget will probably restore much of what the White House sought to eliminate

January 15th 2026

"AFRAID OF their own shadow. Afraid of their own president. And unable to even squeak," is how Senator Rand Paul recently described his fellow Republicans in Congress. The party caucus's reputation for subservience to President Donald Trump has been well-earned on tariffs, foreign policy, vetting nominees and much else. Yet without drawing much attention, Republicans are standing up to the White House to protect health, science and space research funding from draconian cuts.

Amid a prolonged and as yet unresolved struggle over the fiscal 2026 budget (FY26), which must be passed by January 30th to keep the government open, Mr Trump has proposed to gut NASA's science funding by 47%, the National Science Foundation (NSF) by more than half, and the National Institutes of Health (NIH) by some 40%, with its 27 institutes to be pared to eight. The proposed cuts added up to nearly $30bn.

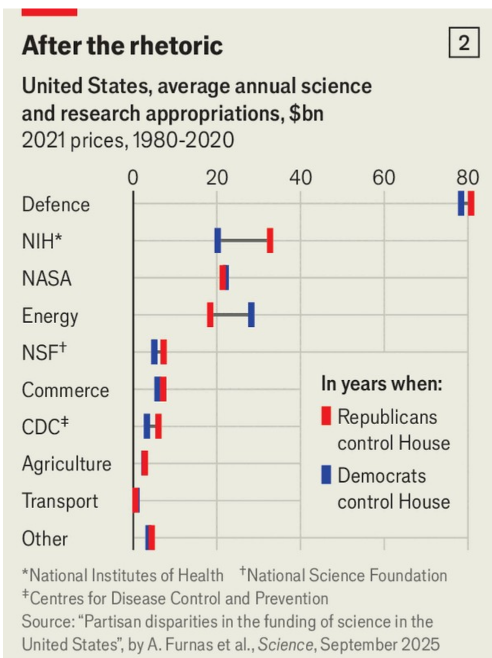


Those cuts appear unlikely to take hold. On January 8th the House resoundingly rejected the proposals. It also adopted a three-bill package that includes funding for the main science agencies at levels similar to last year, or with smaller cuts and even some increases (see chart 1). The Senate is moving in the same direction, and while NIH's funding is yet to be finalised, leaders of both chambers have rejected deep reductions or an agency restructuring, with strong bipartisan support.

The resistance began last summer, when Senator Ted Cruz of Texas saved from the chopping block NASA's crewed space programmes (which have a heavy presence in his state) and even added $10bn of additional funding as part of the sausage-making around the One Big Beautiful Bill Act, Mr Trump's signature piece of legislation. Later, Senator Katie Britt of Alabama led a drive to release billions of dollars in FY2025 funding for NIH after the administration impounded it.

Why the stiffening spines? One reason is obvious: Republicans and their constituents suffer from cancer, Alzheimer's and other diseases as much as anyone else, and there is broad public support for investment in the search for cures. Moreover, science research pumps stable funding into Republican and Democratic states alike, through institutions like universities and hospitals, and creates jobs. A coalition of 100 science-based organisations lobbied in states like South Dakota, the home of John Thune, the Senate majority leader, to highlight the local effects of cancelled and frozen grants.

Patient advocacy groups also campaigned to restore funding. United for Cures, a network of groups, organised a vast phone-call and email campaign as well as hundreds of trips by patients to the offices of Republican congressmen. It also funded a seven-figure digital-advertising campaign targeting Republican lawmakers in vulnerable seats.



Before Mr Trump and DOGE came to town, Republicans had often supported science funding more robustly than Democrats. From 1980 to 2020, Republican lawmakers often approved funding that exceeded Democrats' proposals, including for the NIH, NSF and Centres for Disease Control (CDC), according to a September study in Science (see chart 2). Dashun Wang, founder of an innovation institute at Northwestern University and an author of the Science study, surmises that Democrats may have historically lagged in science funding because they have a "whole range of competing priorities" such as health care, education or social insurance.

Republican lawmakers have not mounted the ramparts publicly proclaiming their support for science research, as former Representative Marjorie Taylor Greene did when she led a Republican rebellion against Mr Trump to demand disclosure of the Epstein files. Instead they have wielded their power of the purse more quietly, putting their money where their mouth is not. So far, Mr Trump has responded in kind, in silence and apparent acceptance. It may be that science funding proves to be one area of domestic policy where the convictions of congressional Republicans will overcome Mr Trump's predilection for disruptive change. ■

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United States | Uvalde shooting trial

Should America's police ever be criminally liable for failing to stop crimes?

A trial in Texas could set an extraordinary precedent

January 15th 2026

IT WAS A terrible failure. In May 2022 a teenager entered Robb Elementary School in Uvalde, Texas, and opened fire before barricading himself in a classroom with his victims. Bodycam footage from that day shows police officers lingering in the hallway trying to figure out which room he was in. As they stood outside a ten-year-old girl called 911 and gave the room number where she was hiding. "Please hurry, there's lots of dead bodies," she said. "I can't wait." The children armed themselves with arts-and-crafts scissors and sat in silence. By the time the cops breached the classroom and killed the gunman, 19 children and two teachers were dead. It took them 77 minutes.

Nearly 400 officers responded to the emergency and a community in mourning, baffled and angry, wanted to know why they hadn't done more, faster. Three years on, prosecutors have finally settled on someone to blame. On January 5th the state of Texas put Adrian Gonzales, one of the first officers to arrive at the school, on trial. He is charged with 29 counts of child endangerment—a crime of omission, for failing to stop the tragedy from unfolding.

The case is highly unusual. "Criminal law generally punishes people for what they do, not what they don't do," says Joshua Dressler, a law professor at Ohio State University. There are not many "bad Samaritan" laws on the books in America, and where there are, prosecutors rarely make use of them. Critics of these types of laws reckon they punish character more than conduct and impinge on a person's liberty, by forcing them to act. In the Texas case, the state must prove that Mr Gonzales "intentionally, knowingly, recklessly, or with criminal negligence, by act or omission, engage[d] in conduct that place[d] a child…in imminent danger of death, bodily injury, or physical or mental impairment".

In American law there are three categories of people who have some kind of duty to act: parents, spouses and law-enforcement officers. But typical defendants charged under these sorts of statutes tend to be more glaringly responsible for the outcome—a parent who chronically starves an infant, for example, or leaves cocaine out on the coffee table.

There are several imperfect precedents for the Uvalde case. Some laid down a high bar for finding liability. In the late 1980s the Supreme Court ruled in Deshaney v Winnebago County that a state agency that failed to prevent child abuse could not be held liable in civil court. In 2005 the high court ruled in Town of Castle Rock v Gonzales that a local police force has no constitutional duty to protect private citizens from harms it does not create.

Since 2020, as active-shooter attacks have become more common and public scrutiny of police has intensified, criminal law has become a more potent tool to "ensnare everybody in the ambit of a tragedy," says Kate Levine of the Cardozo School of Law. Yet the most analogous case to this one involved a security guard who failed to stop a shooter from killing more than a dozen people at a high school in Parkland, Florida. That prosecution ended in a full acquittal in June 2023.

At the heart of the Uvalde trial is the question of how much harm officers must expose themselves to while stopping crimes. Prosecutors argued that Mr Gonzales's decade on the force, and his recent active-shooter training, obliged him to rush the building. "When you hear gunshots you go to the gunfire," the state's lawyer said. Yet in interviews just after the attack one officer after another explained that because the shooter had a rapid-fire AR-15 assault rifle, they believed that confronting him meant certain death. "He's going to take us out like butter," one said. Texas law requires police to "preserve the peace" within their jurisdictions. It does not require "doing a suicide mission", says Zachary D. Kaufman, a law professor at the University of Florida.

The fact that the case has come this far shows that the community put immense pressure on prosecutors to indict someone for something—especially, as the defence argues, because "the monster who hurt those children is dead". The trial is taking place in a Corpus Christi courtroom a three hour drive south-east from Uvalde, where jurors may be more sympathetic to Mr Gonzales. A conviction could have a chilling effect across the country: if failing to act can be punished by prison time, fewer people may become emergency responders. Putting Mr Gonzales away may help Uvalde heal, but it may not do much to prepare the next community for the day when one of their own goes on a rampage with an assault rifle. ■

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The ICE officer who killed Renee Good may yet be charged

What the "supremacy clause" does and does not say

January 15th 2026

AFTER RENEE GOOD was shot and killed in her car by Jonathan Ross on January 7th, members of the Trump administration rushed to the Immigration and Customs Enforcement (ICE) agent's defence. The killing on a residential street in Minneapolis was justified, Kristi Noem, the secretary of homeland security, claimed, because Ms Good was allegedly using her Honda Pilot as "a deadly weapon". President Donald Trump said the agent's three shots were discharged in self-defence and that the victim's "highly disrespectful" attitude helped seal her fate. The Department of Justice decided that the proper response to all this is to investigate the victim's widow; six prosecutors resigned in protest.

The vice president, J.D. Vance, has also advanced a legal claim: that Mr Ross enjoys “absolute immunity” from prosecution. In October Stephen Miller, Mr Trump’s deputy chief-of-staff, previewed this stance. Speaking to ICE agents in Chicago, Mr Miller said, “You have federal immunity in the conduct of your duties”. Anyone who “tries to stop or obstruct you is committing a felony”. Is that right?

Federal authorities show no appetite for investigating Mr Ross’s conduct. But what about state charges filed by Minnesota officials? Mr Miller’s message has some basis in reality. ICE agents do enjoy “supremacy-clause immunity”—an umbrella that generally protects federal officials from state prosecution when they are on the job. Mr Ross could press this issue and move his trial to federal court if Minnesota brings state charges against him.

The roots of the doctrine are found in a case from 1890, In re Neagle, in which a federal marshal was deemed immune from criminal charges for killing the would-be assassin of a Supreme Court justice he was assigned to protect. Similarly, in the 1960s, state prosecutors charged a federal marshal for deploying tear-gas during a riot spurred by the enrolment of a black man at the University of Mississippi. A federal court threw out the case, holding that the marshal had reasonably believed the action was within his discretion.

Those precedents may not be the end of the matter. Stephen Vladeck, a law professor at Georgetown University, argues that even at its broadest, supremacy-clause immunity does not subvert all state and local prosecution of federal officials. The two limits—the action must be authorised by federal law and the agent must do no more than what was “necessary and proper” to fulfil his duties—matter also.

The Supreme Court has not elaborated on the standard since 1920. In the meantime, two competing interpretations have developed in lower courts. A minority view says “necessary and proper” lies, at least to some extent, in the eyes of the agent himself: if Mr Ross genuinely believed his life was in danger, as Tom Homan, Mr Trump’s border tsar, surmised, then he was justified in shooting Ms Good. That would seem hard to prove or disprove, requiring a kind of mind-reading. But the favoured interpretation—and the one that will be less accommodating to Mr Ross—is a more objective test asking how "the reasonable officer" would have acted.

Even without co-operation from federal prosecutors, Minnesota investigators may already have enough evidence in the public record, including from multiple video recordings, to bring charges. "It's hard to predict how that argument would fare", Mr Vladeck says. But the unwillingness of federal prosecutors to hold Mr Ross to account "seems to put that much more pressure on state prosecutors to try". ■

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United States | Lexington

Like Donald Trump, Zohran Mamdani promises "a new approach to power"

How he uses it will set the terms for left-wing populism

January 15th 2026

In his second term Donald Trump is using every power the executive branch has, and some it does not, to bring about the disruption (if not always the results) promised by his right-wing populism. Other politicians are studying his model. A member of Congress—one of many eyeing the Democratic nomination in 2028—recently said her party had a bad habit of putting process ahead of results. "Make the system work for you," she said, summarising the lesson she was learning from Mr Trump, "instead of you being the system's bitch."

The new mayor of New York, Zohran Mamdani, likes to note that he and Mr Trump tapped into similar frustration with their party's establishments, and he seems to have absorbed a similar lesson from the president. Mr Mamdani has promised to govern “expansively and audaciously”. In his inaugural address on January 1st he promised not just “a new politics”—who doesn’t?—but “a new approach to power”, a proposition with a decidedly sharper edge. “No longer will City Hall hesitate to use its power to improve New Yorkers’ lives,” he said.

Just what this means for his vision of left-wing populism remains anyone’s guess. So far Mr Mamdani’s most surprising, hopeful move has been to reverse a key position differentiating him from his main opponent in the mayoral campaign, former Governor Andrew Cuomo: Mr Mamdani abandoned a gauzy pledge to cede authority over the city’s schools to parents, students, teachers and administrators. Maybe he realised City Hall could not “use its power” if he gave it up.

In disappointing a key constituency, the teachers’ union, his reversal suggested the mayor might be serious about what, for a Democrat, has been his most truly subversive message: that the city’s public workers do a mediocre job. In his inaugural address he drew an unflattering comparison with the private sector by citing the excellence of New York’s cooks, athletes and Broadway stars before saying, “Let us demand the same from those who work in government.” If he is serious, that demand will put him in conflict with the municipal unions. As pillars of the Democratic establishment, they are logical targets of a leftist populism, particularly one out to vindicate the efficacy of government.

To the extent Mr Mamdani’s turnabout on schools heartened centrists or agitated leftists that he would govern pragmatically rather than ideologically, his choice to run the Office to Protect Tenants, Cea Weaver, has had the opposite effect. Among her social-media posts in years past, Ms Weaver has called for impoverishing the white middle class, seizing private property and supporting communists but not white men for public office. Home ownership, she opined, “is a weapon of white supremacy”. A white alumna of Bryn Mawr college and New York university and daughter of a professor, Ms Weaver incarnates every wokester hypothesis of the conservative New York Post. It has been feasting on her tweets, and justifiably so: while calling some of her posts “regretful”, Ms Weaver has not renounced those positions.

The appointment of Ms Weaver suggests Mr Mamdani thinks the private sector has more to learn from the public one than the reverse. As a tenant organiser, she lobbied for a law in 2019 that constrained landlords from raising rents, including to pay for renovations. Critics say the law is leading to more vacant apartments—there are now some 50,000 citywide—because the cost of fixing them up exceeds what the landlord can hope to make. Mr Mamdani's loyalty to Ms Weaver, who has called for all property to be "owned by a collective", is fanning suspicions he wants to force more buildings into foreclosure so the city can take them over. She has envisioned the city acting as a "non-speculative market actor" by becoming the "long-term owner" of such properties.

Mr Mamdani has the wind at his back. His predecessor, Eric Adams, left office in such a haze of chaos and corruption that his bequest to the new mayor is underappreciated: pupils' reading scores are rising and crime is low, residents are "containerising" their garbage at long last to vanquish rats, and a new, far-reaching zoning plan is in place to speed construction of homes. For all his eagerness to signal dramatic change, Mr Mamdani has retained several key Adams officials.

He also owes a debt to Mr Trump. His success at shutting the border ended the migrant crisis that overwhelmed the city under Mr Adams. Instead of that immigration challenge, which divided the city, Mr Mamdani faces one likely to unite it, Mr Trump's deportation campaign. The governor, Kathy Hochul, has also already done Mr Mamdani a service by saying she has found the money to pay for his promised expansion of public child care.

During a political honeymoon in which journalists wreath their questions with bouquets like "you're such a gifted communicator", Mr Mamdani has managed to be both socialist and pragmatist. In his inaugural address he could thrill his base among leftist graduates of elite universities with a pledge to "replace the frigidity of rugged individualism with the warmth of collectivism" while pleasing moderate graduates of such universities, and everyone else, by promising "safety, affordability and abundance".

All mayors enter office, says George Arzt, a City Hall veteran, with "this same flight of fancy" believing "that they're all-powerful". Then, he adds, comes the first crisis. Unlike Mr Trump, Mr Mamdani must balance a budget and contend with leaders of his own party, in Albany and on the city council, who will not submit to being his servants. That will enforce pragmatism when it comes to the fondest hopes of allies such as Ms Weaver. The hard choices awaiting Mr Mamdani will define the real possibilities for leftist populism in American city governance. ■

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The Americas

The Americas | Carrots and sticks

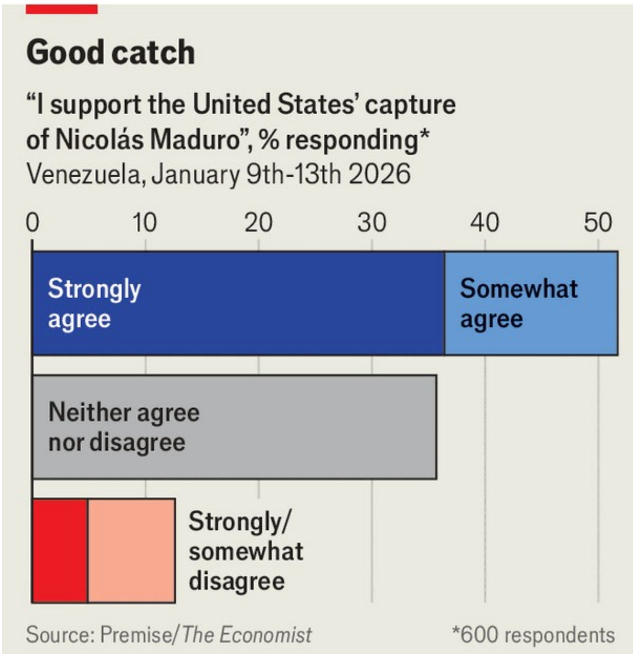
Donald Trump’s Venezuela oil deal is already up and running

It seems more collaborative than coercive. That will worry the democratic opposition

January 15th 2026

Nicolás Maduro, Venezuela’s dictator, has gone. Venezuelans are glad of it. More than half of those in the country support the American raid to seize him, according to polling for The Economist by Premise, a research firm with expertise in hard-to-reach places (see chart). Four in five think the political situation and their personal economic situation will be better within 12 months.

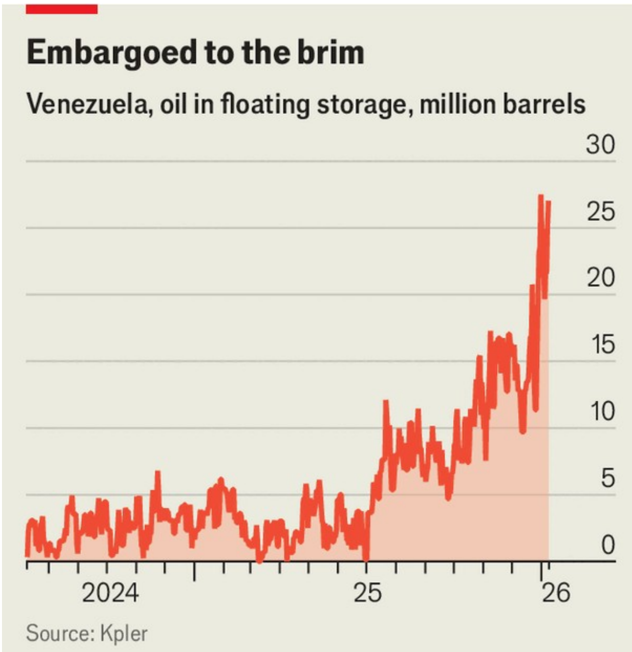
Yet the future is highly uncertain. Nine in ten Venezuelans want the results of the election stolen by the regime in 2024 to be respected, or for new elections to be held within a year. Yet for now Mr Trump promises to “run” the country with the interim president, Delcy Rodríguez, who was Mr Maduro's vice-president, supposedly doing America's bidding. His priority is not democracy but oil; on January 6th he said Venezuela would be "turning over" 30m-50m barrels of oil to the United States. If Mr Trump's relationship with Ms Rodríguez prospers, democracy may not.



So a crucial question is whether Mr Trump clashes with Ms Rodríguez and makes demands at gunpoint, or whether the relationship will be more collaborative. If the latter, Mr Trump may help Ms Rodríguez settle in for a longer period, delaying democracy. So far there is strong evidence, especially in light of an emerging deal on oil, of collaboration.

Mr Trump initially framed the arrangement as pure coercion. Officials in Caracas, the capital, spun it as a "simple sale, a commercial transaction". The Economist has spoken to oil executives, financiers and traders about the possible scheme. Much is uncertain, but it could be mutually advantageous, albeit partly under coercion.

The initial 30m barrels the deal covers are roughly the capacity of Venezuela's crude storage which, owing to the blockade, is full (see chart). Without hefty sales, PDVSA, the state oil company, would soon have had to stop pumping. Instead, the mooted scheme involves PDVSA or one of its joint ventures selling most of its inventory and probably its future output. The buyers will include Chevron, the only American major which already has a licence from the United States to operate in Venezuela.



Vitol and Trafigura, two Swiss-based commodity traders, have also obtained licences from the United States to transport and market Venezuelan crude. The Economist understands they have offered to deliver some to Chinese and Indian refiners at a discount of $8 a barrel to Brent, the global benchmark (in mid-December some sales settled at a $21 discount). Some Chinese buyers have placed bids at a $13 discount. Reportedly, a sale worth $500m has already been completed, though the buyer is unknown. Reliance, India's largest refiner, is in talks to secure barrels stored on the high seas.

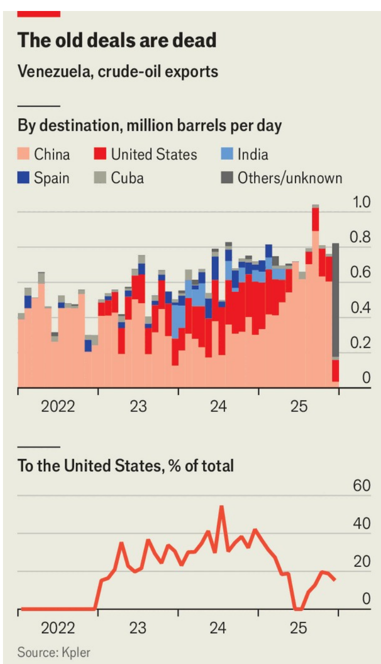
Data from Vortexa, a ship tracker, show that 13 empty "clean" tankers with a combined capacity of 15m barrels, including four operated by Chevron and one by Trafigura, are due to reach Venezuelan terminals this month. The oil America does buy will probably be refined on its Gulf Coast or put into storage. The rest of what Venezuela exports will often be shipped directly to other buyers.

Payment, net of the trader's fee, will go not to PDVSA but to escrow accounts at international banks. As required under Venezuelan law, 20-30%

of that would then be wired in dollars to the state as royalties. Under its existing licence Chevron makes royalty payments in crude oil, but that makes little sense for Venezuela while the United States enforces an embargo on sales except those it controls, says Juan Szabo, a consultant who worked for PDVSA for decades. Another chunk of the escrowed cash would cover PDVSA's expenses. Mr Trump claims all future capital spending will have to be on American-made rigs, pipes and equipment.

What is left would apparently belong to the joint-venture partners, PDVSA among them. It is possible that PDVSA's share will stay in escrow as a sovereign-wealth fund for the future of Venezuela. An executive order published by the White House declares the funds in those accounts "sovereign property of the government of Venezuela held in custody by the United States". Marco Rubio, the secretary of state, will determine how to spend it "on behalf of the government of Venezuela".

For the United States the deal is not a game-changer. Its refiners gain another source of heavy crude and in time, some of the proceeds could be reinvested to boost Venezuela's production. Yet despite Mr Trump's bullishness, most oil majors remain very cautious.



For Venezuela, such a deal looks attractive. As well as clearing the glut, the arrangement should let Venezuela sell oil at a higher price than when it sold it to shadow traders and on to China. The dollars should help the teetering currency. "Venezuela needs money, and we're going to make sure that they get money," said Mr Trump on January 9th. The plan still leaves him plenty of scope to tighten the screws. Pricing could be adjusted to squeeze PDVSA. Sanctions, loosened to enable all this, can be reimposed.

Oil is not the only issue at play in the new relationship between Venezuela and the United States. On January 8th, seemingly in response to American demands, the regime announced it would release many political prisoners. Among those freed is Enrique Márquez, a prominent opposition politician. The regime has also freed some Americans. Still, as The Economist went to press, six days after the initial announcement, the release of only 84 out of more than 800 documented political prisoners had been confirmed.

It seems Mr Trump wants to collaborate with the [new face of the old regime](). On January 14th, after a phone call with Ms Rodríguez, Mr Trump said she was a "terrific person" who "we've worked with very well". His demands are not so extreme that they seriously risk fomenting a coup against Ms Rodríguez—yet. And the oil scheme could be a crucial economic boost.

Questions about Venezuela's democratic future present a bigger test of the new relationship. Will, for example, the administration order Venezuela to allow the speedy return of exiled politicians? This would include Edmundo González, who actually won the 2024 election, and María Corina Machado, the recent Nobel peace-prize winner who backed Mr González after Mr Maduro barred her from running. An image of Mr González still appears on wanted posters at Venezuelan airports.

An indication of where this is heading is due on January 15th, shortly after this article is published, when Mr Trump will meet Ms Machado. He had hitherto dismissed her as lacking the "support" to run the country. Perhaps concerned, Ms Rodríguez has dispatched her envoy to Washington for the same day. It is a chance for Ms Machado to convince Mr Trump to hasten steps towards democracy. But as many others have found out, a visit to Mr Trump at the White House can easily backfire. ■

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The Americas | After the strike

Venezuelans believe Donald Trump has offered them a better future

An exclusive poll for The Economist also reveals an overwhelming desire for democracy

January 15th 2026

SEEN FROM Caracas, the capital of Venezuela, the small hours of January 3rd were terrifying. Bombs fell, helicopters and planes roared overhead and confusion reigned. By dawn perhaps 100 people were dead and Nicolás Maduro, the country's authoritarian leader since 2013, had been seized by American special forces. Yet shock and fear quickly gave way to something else: happiness. According to exclusive polling for The Economist by Premise, a research firm based in Virginia, Venezuelans inside the country are pretty pleased with the dramatic turn of events, even if their vision for its future differs from that of President Donald Trump.

The survey offers one of the first glimpses of Venezuelans' reaction to the snatching of Mr Maduro. Conducted via mobile app, it asked 600 Venezuelan residents their views on the raid, their expectations for the future and their opinions of various figures. The results are weighted by age and sex to reflect the national population.

The polling shows that Mr Maduro, who presided over torture and economic collapse and brazenly stole the presidential election in 2024, was deeply hated. Just 13% of respondents even mildly opposed his capture. Strikingly, more than half of them said their opinion of America had improved after the raid.

The raid has given Venezuelans hope. Before his capture, many feared they were stuck with Mr Maduro, possibly for decades. Now almost four in five of them think the political situation will be better in a year. Almost as many think their personal economic situation will have improved by then, too—the Venezuelan economy shrank by 70% under Mr Maduro's rule.

For now, Venezuelans appear remarkably sanguine about the Trump administration's plans to "run" the country and its keen interest in Venezuelan oil. Almost half support some form of American governance; just 18% oppose it. Views are more divided on who should control the oil industry. Just over a quarter of respondents thought the American government should be in charge, while about a third chose the Venezuelan government. Nearly 30% opted for private companies.

Where Venezuelans' views diverge most sharply from those of Mr Trump is over who should lead the country. The majority of Venezuelans want a quick democratic transition. After María Corina Machado, the most popular opposition leader, was barred from running in the presidential election in July 2024 she backed Edmundo González, who won handsomely, only for Mr Maduro to declare himself the winner. More than a third of Venezuelans think Mr González should now take office, given he already has a democratic mandate. Two-thirds think there should be new elections. Of those 91% say they should happen within a year, with most wanting polls within just six months. That is far quicker than the several years that members of the Trump administration have publicly implied.

Venezuelans are also unhappy about Delcy Rodríguez, Mr Maduro's vice-president, taking over—Mr Trump has openly backed her, at least for now. A piddling 10% agree, even somewhat, that she should complete Mr Maduro's (stolen) term, which runs to 2031. Just 13% hold a favourable view of her. Ms Rodríguez performs slightly better when Venezuelans are asked about who is most capable of ensuring political stability—the apparent basis for Mr Trump's support—but still trails Ms Machado by 30 percentage points.

The Trump administration should take these demands for democracy seriously. Mr Trump and Marco Rubio, the secretary of state, are remarkably popular in Venezuela: our polling finds that both have higher approval ratings in Venezuela than does Ms Machado. (Their approval ratings in Venezuela are also higher than they are in America.) Failure to take Venezuelans' demands seriously will not merely hamper their approval ratings; they could be a recipe for instability in the country.

The oil investment that Mr Trump is so fixated on is likely to materialise only if democracy and the rule of law come first. Yet getting to elections will not be easy. Our polls show Venezuelans have limited trust in the existing electoral authority to run a fair election. And they do not trust the army, which should uphold the results. All that requires reform. The Trump administration would be wise to bring the same urgency to repairing Venezuela's democracy as it is to repairing its oilfields. ■

Mark Carney is on a mission to trade with the world

Diversifying trade relationships while sustaining those with America will be a tricky balance for Canada's prime minister

January 15th 2026

On January 13th, after a remarkable ten days during which Donald Trump declared America's dominance of the western hemisphere and the irrelevance of free trade with its neighbours, Canada's prime minister, Mark Carney, set off for Beijing. It was the first trip—to Qatar and Switzerland after China—in his drive to drum up new foreign investment and trade. For months Mr Carney has believed that Mr Trump has changed the United States permanently, and that Canada, as its second largest trading partner and close ally, must adapt. As the tyres of Canforce-One left the tarmac at Macdonald-Cartier airport in Ottawa, the days ahead promised opportunity for Mr Carney and Canada—and risk.

The former central banker will be happy to meet leaders of Qatar's sovereign-investment fund. Bigwigs at the World Economic Forum in Davos will pose little challenge either. It is at his meeting with China's president, Xi Jinping, that Mr Carney will have to perform a balancing act. China is Canada's second-largest trading partner, but relations between the two countries have been glacial in recent years. Canada's security agencies say China's spooks actively interfere with Canada's elections. More recently, Canada's decision to join the United States in applying 100% tariffs on Chinese electric vehicles prompted China to reciprocate with levies on Canadian rape-seed oil and seafood.

But Mr Carney has managed to warm things up. The presence of Scott Moe, the premier of the rape-seed powerhouse of Saskatchewan, in the delegation suggests some hope of relief for Canadian farmers. But the biggest opportunity concerns hydrocarbons. Mr Trump's takeover of Venezuela's oil industry should create a gap in China's supply. China had been buying Venezuelan oil at a discount, ferrying it back to its refineries in dark-fleet tankers. But the United States will control such flows. Canada's heavy oil-sands crude is compatible with the Venezuelan stuff. Canadian officials reckon that the Chinese are interested in buying more.

Data from Kpler, a research firm, suggest that 40% of Canada's seaborne crude exports went to China in 2025. That could easily rise if a proposed pipeline, from the Albertan tar sands to the west coast, were built. Mr Carney's quest for investment in the pipeline is a goal of his trip. A Canadian official expects oil exports to China to go up. "China is looking ideally for reliable sources," they say. "Venezuela is becoming less reliable and less cheap."

How might America's president react to a pact that sends more Canadian energy to his rival superpower across the Pacific? Mr Carney's advisers seemed unperturbed by the risk of provoking Mr Trump. But they should be cautious, says Ian Burney, who negotiated trade agreements in Asia before serving as Canada's ambassador to Japan. Mr Trump has his own agreement with China and he is probably going there soon to try to expand trade relations. "He made no bones about making a preferential deal with China and leaving countries like Canada to twist," says Mr Burney.

America's new National Security Strategy makes it clear that the United States expects to be the only superpower involved in the western hemisphere. One of the most overt objectives of the Venezuelan operation was to curb the presence of China and Russia in the region. "The National Security Strategy crystallises how difficult it will be for Canada to pursue an independent foreign policy with China," says Vina Nadjibulla, vice-president of the Asia-Pacific Foundation, a Vancouver-based think-tank. "Everything Canada does will be scrutinised in Washington."

But whether or not Mr Trump likes it, a rebalancing of trade between Canada, China and the United States is likely. Figures released by Statistics Canada, the national data service, show that only 67% of exports went to the United States in October. That figure, which was as high as 76% before Mr Trump's tariffs, marks the lowest share of exports going to the United States since 1997, excluding the period of covid-19. In the same set of data, exports to the rest of the world jumped by 15.6%, a record high. Larger shipments of oil to China made up a striking portion of the rise.

Diversification is sensible—but not at the cost of Mr Carney's key aim of clinching a deal with the United States to protect Canada's access to the world's juiciest market across its southern border. "Canada's efforts to broaden its global customer base should complement, not undermine, the project of building a strong regional energy partnership within North America," says Goldy Hyder, Canada's chief business lobbyist. "The United States will remain Canada's largest oil buyer." ■

The Americas | Brazil's back yard

What the Donroe doctrine means for Brazil

The kidnap of Venezuela's autocrat is forcing a rethink of its foreign policy

January 15th 2026

Luiz Inácio Lula da Silva was among the first world leaders to call Delcy Rodríguez after the Americans kidnapped her boss, Nicolás Maduro. "When they spoke the photo of Maduro on the boat hadn't even emerged," says one senior Brazilian diplomat. "We didn't yet know where he was, there was so little information." The next few days saw a flurry of activity.

Lula, as Brazil's president is known, organised calls with the leaders of Colombia, Mexico, Canada, Spain, France, Russia and Portugal. His government sent medical supplies to help a kidney-treatment centre in Caracas that was hit by American bombs. And his officials pondered Donald

Trump's declaration of hemispheric dominance, and the extent to which it weakens Brazil's position as South America's leader.

"There has always been an understanding that Central America and the Caribbean are in the United States' back yard," says Guilherme Casarões of Florida International University in Miami. But an implicit deference existed towards the richer, larger countries of South America. Interventions by the United States there, often approved by sitting administrations, tended to be covert. Brazil took the lead in settling conflicts between countries.

That tacit agreement ended on January 3rd with Mr Maduro's capture. It was the first time US armed forces directly deposed a sitting president in South America. Brazil, which shares a border of over 2,000km (1,250 miles) with Venezuela, was neither consulted nor warned.

Mr Trump has excluded Brazil from discussions about Venezuela's future. His administration is making unilateral demands of Ms Rodríguez and the regime, openly threatening further violence if it does not comply. "The White House isn't looking for help or co-operation from regional leaders," says Christopher Garman of Eurasia Group, a consultancy in New York.

Even were Brazil consulted, it is not clear that it could act as a regional leader. The election of right-wing presidents in several countries has undermined its clout. Although Brazil, Colombia and Mexico condemned the incursion, Argentina, Ecuador, Paraguay and others were jubilant. "Brazil can't exercise its leadership if it has no followers," says Mr Casarões.

Some Brazilians think their foreign policy needs a rethink. It is predicated on the prolix constitution, which states that international relations must be based on non-intervention and the peaceful settlement of conflict. In Venezuela, the government pursued dialogue, indulging Nicolás Maduro's autocracy. In 2023 Lula hosted Mr Maduro in Brasília, the capital. At that point there were years of solid evidence that Mr Maduro presided over a regime that used murder, rape and torture to control Venezuela. But Lula declared the idea that Venezuela was a dictatorship to be "a narrative". Relations did cool after Mr Maduro blatantly stole Venezuela's elections in

2024. But Lula's Workers' Party still sent a committee to Mr Maduro's inauguration.

There are also discussions about Brazil's capacity for deterrence. Generals grumble that critical projects have been delayed due to budget cuts—the development of an air-defence system, construction of a nuclear-powered submarine and the delivery of Swedish Gripen fighter jets, which are being made in São Paulo. Some analysts suggest restarting the secret nuclear programme Brazil abandoned in 1990.

While the American intervention has challenged Brazil's leadership in the region, it also highlighted Brazil's strengths. After the raid Mr Trump threatened to attack Colombia, Mexico, Greenland and others. But he has been quiet in recent weeks about Brazil. Unlike the Venezuelan dictatorship, the left-wing democracy is "insulated from the Donroe doctrine" by its "very valuable assets", says Mr Garman. An agricultural powerhouse and energy giant, Brazil also holds the world's second-largest deposits of rare earths, a group of 17 elements used in the production of electric vehicles and weapons. Unlike most leaders, Lula stood up to Mr Trump after he slapped tariffs on Brazil last year. Most of them were lifted soon after.

Brazil's heft gives it options that few others have and lets it keep diverse trade and diplomatic relations. Even as Mr Trump was taking control of Venezuela, the European Union at last agreed to a free-trade agreement with Mercosur, a group of South American countries led by Brazil. The deal creates one of the world's largest free-trade blocs covering almost a fifth of global GDP measured by purchasing-power parity. Mr Trump's flex has also accelerated Brazil's efforts to strike a trade deal with Canada. It will keep close ties with China, its largest trading partner. America's raid shook the foreign-policy establishment, but Brazil will not lumber under Uncle Sam's shadow. ■

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The Americas | Left wobbling

Cuba’s regime is in dire straits

After the capture of Nicolás Maduro, the regime which controls the island is particularly vulnerable

January 15th 2026

Donald Trump does not seem content with having removed one Latin American strongman. Since kidnapping Venezuela’s dictator, Nicolás Maduro, on January 3rd, Mr Trump and Marco Rubio, his Cuban-American secretary of state, have repeatedly said that Cuba is next. On January 11th Mr Trump said its regime should make a deal “before it is too late”, adding that his administration was “talking to Cuba”. For good measure, he posted an AI-generated image of himself smoking a cigar in Havana, the capital.

Though Mr Trump’s intentions are murky, it is obvious that Cuba’s regime is now unusually vulnerable. It has survived for decades by courting powerful backers like the Soviet Union to prop up its state-controlled economy. Since the 2000s, Venezuela has been its most important friend, supplying discounted oil in exchange for Cuban doctors and security personnel. The flow of oil was enough not just to power Cuba's electricity grid, but to generate hard currency through resale.

The lifeline was already frayed when Mr Maduro was snatched. As Venezuela's production collapsed, shipments to Cuba fell by almost three-quarters between 2021 and 2025, to roughly 30,000 barrels a day (b/d). Cuba produces just 40,000 of the 100,000 barrels it needs daily. The rest has come from a patchwork of Mexican exports, Russian shipments and spot-market purchases. Cutting it off altogether would be "catastrophic", says Jorge Piñon, an energy analyst at the University of Texas.

No one else is likely to step in. Mexico has long supported Cuba. Since 2018, when Morena, the party founded by the former president, Andrés Manuel López Obrador, came to power, that support has become more overtly ideological—and material. Mexico has hired more than 3,000 Cuban doctors. In 2024 and early 2025 it was sending around 22,000 b/d of oil to Cuba. But financial and political pressures bar any increase. Perhaps wary of prompting more of an exodus from an island just 145km (90 miles) from Florida, Mr Trump has not ordered President Claudia Sheinbaum to halt shipments. But if he did so, Mexico would have to oblige.

Other friends, including Russia and China, are silent, perhaps wary of underwriting a failing economy so close to America's shores. Oil-rich neighbours Colombia and Brazil would act only with Mr Trump's blessing. Friendly oil producers like Angola and Algeria are mute. Private traders would have to be "clinically insane" to ship oil to Cuba right now, says one.

The scale of Cuba's economic quagmire is hard to overstate. It is caused by decades of government mismanagement combined with the American embargo. The economy is 15% smaller now than it was in 2018. Tourism was crushed by covid-19 just as it had started to grow again after Barack Obama normalised relations in 2015. Last year the island suffered five nationwide blackouts. Imported food is too expensive for most. With no foreign reserves, the state cannot service its debts or finance imports.

None of that makes a deal with the Trump administration a given. Many within the regime's elite are true believers, even as it has become clear that their ideology is a failure that no longer holds sway among Cubans. Despite holding no official position Raúl Castro, Fidel's 94-year-old brother, wields a veto. Publicly at least, the regime has dug in its heels. On January 11th the president, Miguel Díaz-Canel (pictured), vowed to resist American aggression "until the last drop of blood".

The regime is likely to stall for time. But it will probably have to offer talks on opening up Cuba's private sector, freeing political prisoners and holding elections. "The Cubans always say they are putting everything on the table—and never do. This time they may have to," says Ric Herrero of the Cuba Study Group, an activist outfit in Washington that argues for engagement.

Turning Cuba into a Vietnam-style system—a market economy under one-party rule—has long been discussed. But "they opted not to take the off-ramp", says Ricardo Zúñiga, a former official at America's State Department. Liberalisation efforts have been postponed or reversed. The private sector, partially legalised in the early 2000s, has been hamstrung with rules and regulations. Cuba's ruling cadres seem "unable to imagine a world in which they are not in total control", says Mr Zúñiga.

Mr Rubio may not be satisfied unless heads roll. He may be seeking to replace Mr Díaz-Canel with a figure like Delcy Rodríguez, now Venezuela's interim president, who is suspected of being involved in betraying Mr Maduro. But finding someone who will sacrifice others and then be able to keep various factions in line is harder in Cuba, says Mr Herrero. Some see Óscar Pérez-Oliva Fraga, the foreign-trade minister, as an option. He is a reformer and rising star who is related to the Castros. A general from the military conglomerate known as GAESA, which controls much of the economy, might also be an option.

It is impossible to discard entirely the notion that America might use military force. There is no oil to tempt Mr Trump, but perhaps he likes the look of Havana's hotels and golf courses. It is not clear what legal justification he could deploy or manufacture. Cuba has no organised opposition waiting in the wings, no history of multiparty elections and a dysfunctional economy. An armed intervention could draw the United States into a morass.

Nor is the Cuban regime as corrupt or ill-disciplined as Venezuela's. "The machinery is still working," says Carlos Alzugaray, a Cuban former diplomat. Cubans are "very worn down", says Yoani Sánchez, an independent journalist. Protests are crushed; around 1,000 people remain in prison after the last big ones, in 2021. Mass emigration—around a quarter of the population has left in the past five years—has also reduced pressure. A plausible outcome, says Mr Zúñiga, is further decline.

Mr Trump is hard to predict. But the more he says about Cuba, the harder it is to back down. Few doubt Mr Rubio's commitment. "The plan isn't there yet, but the intent is," says an observer in Washington. On January 9th Mr Rubio said the regime must choose between "having a real country, with a real economy, where their people can prosper" or "continuing their failed dictatorship". For decades now, the regime has been choosing the latter. ■

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Asia

Asia | Electric dreams

To power up growth, India must be rewired

Soon it will need as much electricity as Europe

January 15th 2026

KEEPING THE power on in India is a tricky business. All across the country, grids are creaking as demand soars. Distribution companies are struggling to invest—in part because they have been saddled with the cost of providing cheap power to farmers and in part because of plain old theft. “People in urban areas are smart, they’ll tamper with the meter,” says Arvind Singh, a power executive in the eastern state of Odisha. “In rural areas they’ll just hook into the network, and if you catch them you’ll have to have a big fight.”

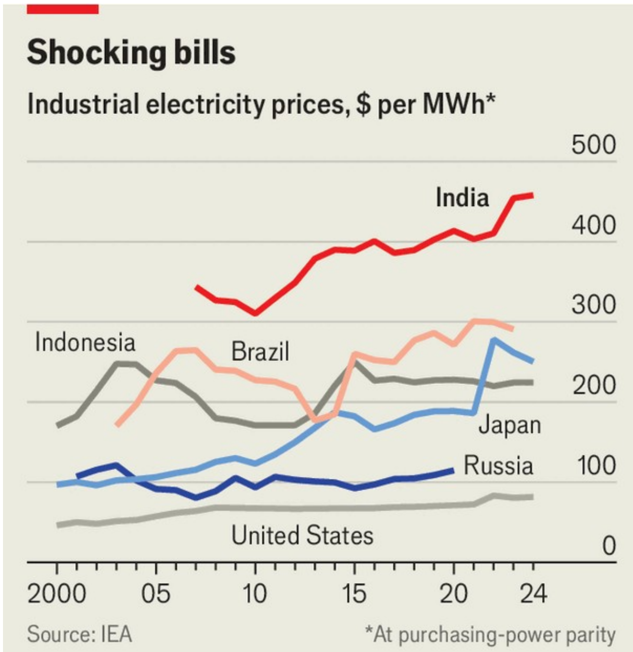
Solving such problems is essential if India’s economy is to keep growing at pace. Since 2021, demand for electricity in India has increased by around 9% each year. It is set to more than double in the next decade. By 2035, India will need almost as much power as the European Union. Meeting that demand will require Indian states to pull off a grand transformation, at a speed no other country has managed. If they fail, India's progress could stall.

In recent years India has done a good job of building impressive motorways and airports; it has also invested heavily in power generation. But the business of distribution—making sure electricity actually gets to where it is needed—is in an awful mess. All around the world, electricity distributors keep track of their so-called "technical and commercial" losses: in short, the difference between how much power is produced and how much is actually sold, resulting from problems such as shoddy cables, theft and unpaid bills. Globally, distributors aim to lose no more than 7.5% of the power that enters their networks; in China they lose 3-5%. Losses in India, though lower than they were, come in at 16%. That makes Indian distributors some of the world's least efficient.

The "original sin", says Richard Rossow of the Centre for Strategic and International Studies, an American think-tank, came when politicians promised to fix low prices for farmers without stumping up the cash to pay for them. That trend gathered pace in the 1990s; electricity distribution companies (known as discoms) began running up huge debts. Today they owe some $80bn, or 2% of India's GDP. This has left them unable to borrow for investment; as a result, pylons and substations have decayed. In several Indian states incumbent parties have lost votes by trying to rescind old promises of free power.

For the most part, discoms are state-run and lack expertise in management and engineering. They make easy targets for corruption. "Businesses just bribe an official to switch them to an agriculture coding, then pay a few rupees a month for hundreds of units of power," says Mr Rossow. Inefficiency has driven up power costs for Indian households. But rather than fixing the root causes, politicians have simply offered to fix prices for them, too.

Subsidies have distorting effects. Giving farmers free power for pumping groundwater has made growing water-hungry crops artificially attractive. It is why so much rice is grown in semi-arid states such as Punjab, depleting water tables. Even worse, handouts are often funded through higher tariffs for commercial users. This means manufacturers pay around 50% more for electricity than they should, calculates Arvind Subramanian, an economist. He calls this policy “killing the goose”: in the name of helping the poor, investment that would create jobs is stifled.



India’s central government sees the problem. Power prices for industrial users are far higher in India than in places such as China, Vietnam or Indonesia, it notes. Adjusted according to purchasing power, they are among the highest in the world (see chart). Many big users simply exit the system altogether by setting up their own power plants. That can be cheaper, but it is still much more expensive than plugging into a big, well-run grid would be. All this is holding back the government’s efforts to boost manufacturing.

To see how things can change, head to Odisha, a resource-rich coastal state. Six years ago its power system was a shambles. All four state-run discoms were deep in debt and leaking 25-30% of their power. Then a cyclone hit, knocking out pylons and cables. The state turned to the private sector; it set up a joint venture with Tata Power, a big electricity company. Since then, power losses have fallen by almost half, even as prices have been held flat. The discoms in Odisha are now considered among the best-run in the country.

At Tata's whizzy headquarters in Bhubaneswar, the state capital, staff monitor the network in real time. A wall of screens displays data. When a siren goes off, engineers identify the source of the problem and respond remotely. Tata Power brought in tech skills, says Mr Singh, who works for the company. It has rolled out smart meters to improve billing and nudged customers towards digital payments. Most customers in the state still pay in cash; to reduce the risk of graft, the company insists that bill collectors rotate their routes every six months.

Odisha has been helped by the fact that its cheap rates for farmers have only ever been applied to the power they use for irrigation. Yet some states that adopted more widespread subsidies have recently been finding imaginative ways to walk them back. Authorities in Telangana and Maharashtra plan to cut farmers' need for free power by giving them solar panels. The western state of Gujarat has pioneered the use of small solar plants to provide farmers with reliable and cheap juice during daylight hours.

The question is whether such models can spread. Uttar Pradesh, India's most populous state, is mulling privatisation and has studied Odisha's example. That would be a watershed moment in a country that tends to sniff at private companies delivering basic services. Some states hope more private involvement in power systems might help create jobs. Several big Indian companies—not only Tata but Reliance, Adani and Torrent Power—are preparing to seize these opportunities. Praveer Sinha, the boss of Tata Power, expects competition from foreign companies, too.

Narendra Modi, India's prime minister, hopes to encourage this change. State governments have the primary responsibility for power systems, but the central government is nonetheless preparing a bill that aims to foster more competition and reduce subsidies. Ministers are reportedly considering an $11bn bail-out fund for indebted discoms, contingent on states opening up to the private sector.

In November Mr Modi's government announced a sweeping overhaul of labour laws. This suggested he has been thinking hard about how to boost India's undersized manufacturers. Fixing ailing power grids would be another big step. ■

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Asia | Fishy business

China is testing South Korea in the Yellow Sea

Could it become the next big maritime flashpoint?

January 15th 2026

THE SHENLAN 1 and Shenlan 2 are marvels of maritime engineering. Giant steel cages extend dozens of metres below the surface of the ocean, creating space to breed hundreds of thousands of salmon; operators keep watch from a management facility floating nearby. China says the installations off its north-eastern coast, in the Yellow Sea, are nothing but harmless fish farms. But the structures are in waters that South Korea also claims; the two countries agreed to manage them jointly. Given China's track record of creeping expansion into the South China Sea, South Korean officials smell something fishy.

The stink has become noxious enough that Lee Jae Myung, South Korea's president, broached the subject of Yellow Sea tensions during a summit with

Xi Jinping in China this month. Mr Lee's visit to China, the first by a South Korean leader since before the pandemic, was meant to improve a relationship that had soured since China reacted harshly to the deployment of an American missile battery in South Korea in 2016. At the end of the trip, Mr Lee said that China agreed to move one of the structures that South Korea finds troubling. How China follows through will speak volumes about its true intentions towards South Korea, and about Mr Lee's ability to stand up to his neighbour.

The Yellow Sea is a gateway to both Beijing and Seoul (see map). China's northern fleet has its headquarters on the Yellow Sea coast; on the other side of it sits Incheon, South Korea's second-largest deepwater port and the site of a famed battle in 1950 during the Korean war. Camp Humphreys, America's largest overseas military base, is located inland only 15km from the Yellow Sea's shore. China and South Korea claim overlapping exclusive economic zones in the centre of the sea. They agreed in 2001 that they would jointly manage fisheries in an area known as the Provisional Measures Zone (PMZ).

China has been testing the waters in and around the PMZ since 2018. At least 13 observation buoys have appeared in the area. In 2018, Shenlan 1 launched; the larger Shenlan 2 followed in 2024. A former oil rig was converted into a base to oversee the two farms, with a helipad and housing. Last spring, murky reports emerged in the South Korean press of a tense encounter between a South Korean research vessel and the Chinese coast guard near the structures. Last summer, China held military exercises with its largest aircraft-carrier in the PMZ and imposed no-sail zones.

China insists that none of this is intended to be nefarious. The buoys are said to be for research purposes, while the Shenlan structures are, according to China's embassy in South Korea, simply "aquaculture" installations operating in China's "coastal waters". Military exercises, however menacing, do not violate the terms of the fisheries agreement, since the PMZ is considered international waters. Reports of the stand-off between the South Korean research vessel and the Chinese coast guard were overblown, says Yang Hee-cheol of the Korea Institute of Ocean Science and Technology, which operates the research vessel. While the Chinese coast guard trails South Korean ships in the area, Mr Yang says, "it doesn't get physical" like it does in the South China Sea.

Yet the behaviour fits an ominous pattern. Goings-on in the South China Sea "started out exactly the same way, with China saying this is entirely civilian", says Victor Cha of the Centre for Strategic and International Studies, an American think-tank. In those waters, fishing huts placed on uninhabited shoals eventually begat air strips; oil rigs became instruments to assert sovereignty within the "nine-dash line" that China marks on its own maps. China's sensor-laden meteorological buoys around the PMZ could be reconfigured to "detect and monitor the movements of submarines and naval ships", says Kim Suk-kyoon, a South Korean former coast guard chief. South Korea's parliament passed a resolution calling the structures a "violation of maritime rights".

One way to resolve the issue would be to settle the dispute over maritime borders once and for all. Mr Lee speaks of drawing "a line down the middle" to prevent further conflict. But talks over such a line have already dragged on for over a decade. China's "idea of a middle" probably differs from South Korea's, notes Mr Yang. And relocating the fish farms may not be enough to assuage concerns that those structures could be used for military or intelligence purposes. South Korea should aim instead for periodic inspections, Mr Kim argues. Without greater transparency, the fishy smell is bound to linger. ■

Asia | Forward or back

Will the army hold up Vietnam’s big reforms?

Two visions for the country will collide at a five-yearly congress

January 15th 2026

Acasual observer might expect the big five-yearly meetings held by Vietnam’s ruling Communist Party to be all show and no substance. After all, China—Vietnam’s communist neighbour to the north—holds grandiose and tightly scripted meetings at the same intervals; these are painstakingly orchestrated to avoid the slightest risk of shocks. In Vietnam, however, party politics are a somewhat livelier affair. And there is tension in Hanoi, the capital, ahead of the latest party congress that begins on January 19th.

Social-media sites (which the country only partly stifles) carry rumours of a tussle between factions of the party that are loyal to Vietnam’s army and those that represent its police. At issue is which cadres should be promoted to the country’s top jobs. The party’s leader, To Lam, says the question of who will run Vietnam for the next five years is settled. But knowledgeable analysts believe a lot is undecided.

The fuel for the disagreements is an ambitious reform drive launched by Mr Lam, who became the party's general secretary (and thus Vietnam's most senior politician) in August 2024 after his predecessor died. Mr Lam wants double-digit economic growth, something Vietnam has not come close to since the 1990s. He is pumping money into a small number of private conglomerates. These firms, modelled on South Korea's chaebol, have been given the task of building billions of dollars-worth of new infrastructure.

More controversially, Mr Lam has slashed the size of the party and of state bureaucracies by reducing the number of provinces from 63 to 34 and closing four government ministries. (Last month the government denied reports that he is planning to cut the number of provinces in half again after the party congress.) In a bid to break up clubby local networks Mr Lam has also decreed that, for the first time, the party leader in each province has to be an outsider drafted in from another part of the country.

These have been the biggest changes for Vietnam's economy and government since the doi moi reforms of the 1980s, when Vietnam first opened up its markets to private business and foreign investors. In the process, Mr Lam has broken many rice bowls. Tens of thousands of bureaucrats have lost their jobs. Vietnam's moribund state-owned enterprises are feeling threatened by Mr Lam's support for private companies. And even some of Mr Lam's supporters say he may have tried to do too much, too quickly. A reform that would have brought 5m household businesses into the tax system met a backlash and had to be withdrawn.

Party members unhappy with these changes are looking to the army for a response. Before becoming party leader, Mr Lam was Vietnam's top cop. In that job he launched an anti-corruption drive that helped him get rid of many enemies. But the army, which has its own disciplinary system, escaped those purges. Vietnam's generals run many businesses and are hostile to market reforms that would subject their companies to more competition. And they are suspicious of Mr Lam's apparent desire to form closer ties with Western countries and Asian democracies.

In the run-up to the congress Mr Lam (an opera buff) has been trying hard to burnish his socialist credentials. During his first 18 months as general secretary he has made showy visits to socialist sites of pilgrimage, including Karl Marx's grave in Britain and Ho Chi Minh's safehouse in China. He has also visited old communist allies such as Cuba and North Korea. Seeking to shore up support, he has invited former politburo members who still lead powerful party factions to join him on his jet.

The army, for its part, has used its control of the party's propaganda apparatus to criticise Mr Lam's reforms obliquely and to put forward its own candidates for powerful jobs. Unlike in China, Vietnam's politburo and even its central committee can block decisions they find intolerable. So the army wants to boost the number of its people who sit in these bodies. At the head of the military faction is General Phan Van Giang, Vietnam's defence minister. Army-controlled social-media accounts appeared to start positing him as a successor to Mr Lam late last year.

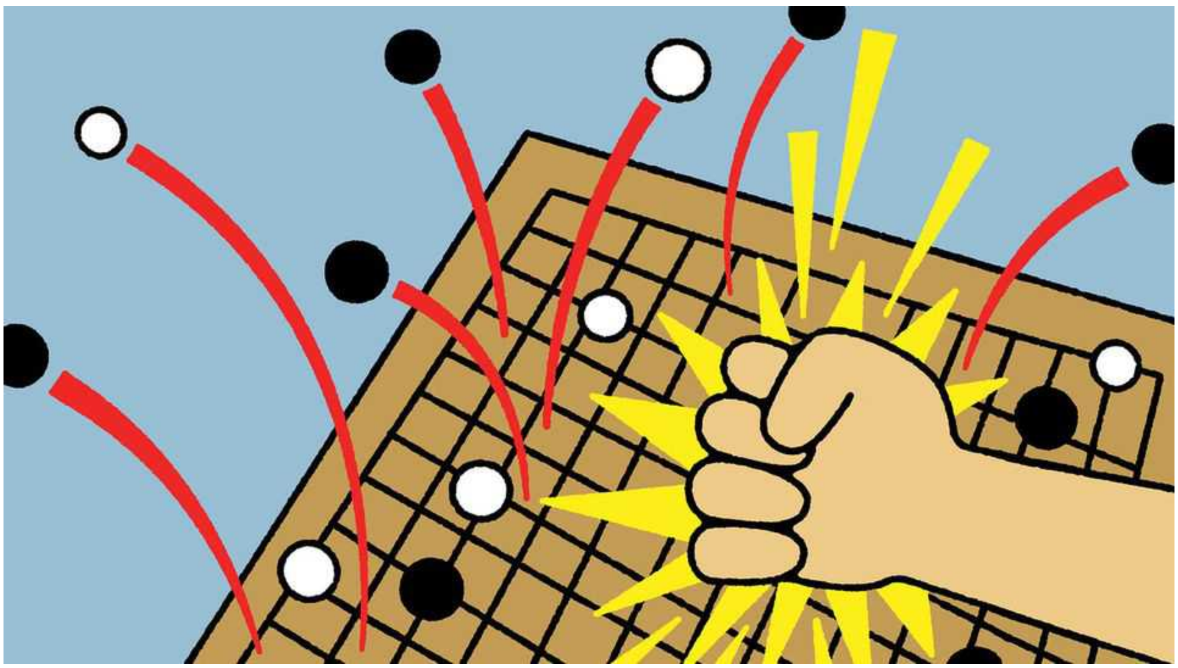
It is unlikely that he will oust Mr Lam from his job. The most pertinent question is whether the general can instead become Vietnam's president. That job has less clout than general secretary—but its holder would have enough influence to check at least some of Mr Lam's changes. Meanwhile Mr Lam is said to want to hold both titles himself. Let battle commence. ■

Asia | Banyan

Why Go is going nowhere

Three masters, one game, zero consensus

January 15th 2026



When Japan's prime minister, Takaichi Sanae, first met South Korea's president, Lee Jae Myung, towards the end of last year, she gave him a set of Go stones as a gift. Days later, hosting China's leader Xi Jinping in Seoul, Mr Lee delivered a comparable present: a Go board carved from rare torreya wood. That both leaders made such similar offerings should perhaps not come as a surprise: Go, one of the world's oldest board games, enjoys special standing among three countries that otherwise find little to agree on. If only the region got on better, the precious piece of East Asia's shared heritage might have more purchase abroad.

Go is played on a wooden grid with black and white stones. Points are scored by walling off areas of the board with your pieces, and by surrounding those of your opponent. The rules are simple; the game is not. Victory depends on foresight and the slow accumulation of influence. The game has long lent itself to metaphor. Politics and war, like Go, reward patience more than brute force.

The game was invented in China some 2,500 years ago. But Go's modern form owes much to Japan. Under the shoguns of the Edo period, which ended in 1868, state-backed academies, ranking systems and official contests turned a pastime for scholar-warriors into a professional discipline. By the end of the second world war Japan stood unrivalled as the game's leading power. Its confidence was such that it sent teams on exchange visits to China and South Korea, instructing players who would later become formidable rivals.

The atmosphere of that era still lingers at the Nihon Ki-in, Japan's Go association, in central Tokyo. Its hall of fame displays photographs of Chen Yi, a Chinese marshal fond of playing with Japanese officials, alongside images of young Chinese and Korean protégés studying under Japanese masters. These pictures recall a moment when rivalry was tempered by respect.

This mood, alas, did not last. In the 1980s Chinese and South Korean players began defeating Japanese champions. That helped revive the game in their home countries and reshaped the international hierarchy. With success came money and prestige, and with those things came fiercer competition. In recent years the world of Go has found it harder to stay aloof from prickly nationalism in China, South Korea and Japan.

Tensions reached fever pitch in 2025, when a high-profile snarl-up at an international Go tournament in Seoul made board-gamers gasp. China's Ke Jie withdrew from a title match against a South Korean rival after receiving repeated penalties for failing to place captured stones in a designated area. The rule he fell foul of had been introduced in the middle of the tournament by the South Korean Go association (to put foreigners at a disadvantage, cynics alleged).

China's Go association raged; Go fans traded insults online. China later barred foreign players, most of them South Korean, from playing in its domestic tournaments. Cho Hye-yeon, a South Korean nine-dan (the Go equivalent of a chess grandmaster) says the incident reflected a ruthlessly competitive culture that is driven from above. “We are between Japan and China,” she argues. “We have to be very strong.”

Such squabbles exasperate Asians who worry that Go is growing irrelevant. Its audience is ageing. Commercial interest in it is ebbing. Young people are drifting towards simpler hobbies such as chess or its Japanese counterpart, shogi—and above all to computer games. Nihon Ki-in has started looking into the possible sale of its Tokyo headquarters amid mounting financial strain.

Rivalries in East Asia have reduced the scope for jointly promoting Go abroad. Nam Chi-hyung, president of the International Society of Go Studies, notes that China, Japan and South Korea cannot agree even on a common rulebook. When Go was registered with the International Mind Sports Association alongside chess and bridge, in the hope of eventual Olympic recognition, the rules adopted were mostly those of the American Go Association. The East Asian trio could not reach consensus. “It’s pride,” says Ms Nam.

One of Go’s ten “golden rules”, attributed to Wang Jixin, a Tang-dynasty master, urges players to seek peace and avoid fighting from weakness and isolation. It is a lesson that the game’s warring custodians seem unable to learn. ■

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China

China | It’s not (just) rocket science

The big ambitions of China’s private space industry

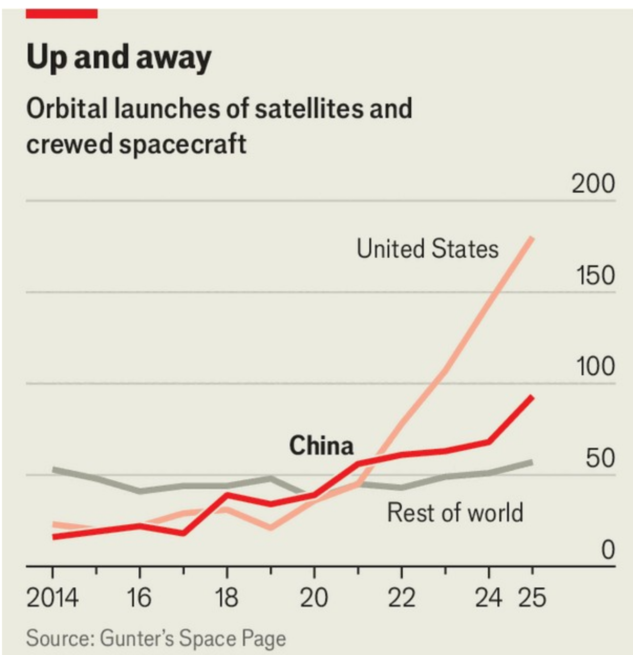
Chinese firms race to catch up with SpaceX

January 15th 2026

AROUND A DECADE ago Xi Jinping said he dreamed of making China a “space power”. Since then, the country has put a rover on Mars and built one of the two operational space stations orbiting Earth. Now its private space industry aims to make an even bigger impact. China’s companies may, for the first time in their histories, successfully recover the first stage of a rocket—a vital step for slashing launch costs. This would open a galaxy of opportunity. Meanwhile, new private launchpads will be completed, new satellite factories will ramp up production and a new government department will funnel more state resources into the industry.

China's space firms still lag behind rivals abroad (see chart). None of the 600 companies in the Chinese sector towers over it as Elon Musk's SpaceX does in America, though a clutch of entrepreneurs have emerged who hope to. Among the most prominent are Zhang Changwu, a former financier, and Kang Yonglai, an engineer, who respectively founded LandSpace and Space Pioneer, two launch companies. China conducted nearly 100 orbital launches in 2025, but its private firms were responsible for only 16 of these. (America, meanwhile, conducted 180 launches, of which SpaceX managed over 160.)

The global space economy—which grew from $300bn to about $600bn over the past decade and is projected to triple again in size by 2035—is still dominated by America, even as China makes gains in other high-tech industries. Still, China's commercial space industry shares advantages with other high-tech sectors: lots of engineers, ambitious entrepreneurs and a supportive government that deems it a strategic necessity. So it is probably a matter of when, not if, China will catch up.



Despite heady ambition, almost all of China's launches still rely on the "Long March" series of rockets built by the state-owned China Aerospace Science and Technology Corporation (CASC). They are reliable workhorses. But much of CASC's capacity is taken up serving the needs of China's civil and military space programmes. And as a government-run body, it is risk-averse and so has less incentive to bring costs down. On average a customer would have to pay about 60,000 yuan ($8,600) to get a kilogram of cargo from a Chinese space port to low-earth orbit (LEO), which is easier to reach than higher orbits and a good spot for commercial satellites because, being closer to Earth, they can provide data faster.

The Falcon 9, SpaceX's standard rocket, can get a kilogram to LEO for around a third of that price. It is large and its booster can be captured after use, refilled with fuel, and fired up again. SpaceX got the hang of launching such rockets back in 2017, and is now testing a vast new space vehicle called Starship, which could get many more—or much bigger—satellites into orbit with every launch. Chinese companies have so far built only one-time-use rockets, which are more expensive.

But that is changing. In December both CASC and LandSpace test-launched reusable rockets (named the Long-March 12A and the Zhuque-3, respectively). In both cases the reusable booster stage exploded before being recaptured, but the non-reusable second stage still reached orbit successfully. In 2026 Space Pioneer is expected to test its reusable Tianlong-3 vehicle. Reusable rockets from several other companies are probably also going to try their luck. "Making rockets is still very complicated," drily notes Jiang Luye, the chief technology officer at Arktech, a rocket company based in Beijing.

Cheaper reusable rockets would hugely increase China's capabilities in space. Chinese firms could quickly build large constellations of satellites in LEO. So-called "megaconstellations" are needed to provide global satellite internet coverage. China has two in the works: Guowang, which is projected to use 13,000 satellites, and the "Thousand Sails", which will use 15,000 of them. At the moment both have only around 100 satellites apiece (Mr Musk's Starlink constellation has over 9,000). But more are on the way.

Finding consumers for the services of all these satellites may be a challenge. Starlink says it has 8m subscribers worldwide, with around a third in America, where there are plenty of rural areas with poor ground-based internet coverage. But it is more complicated for China. Most of the country already gets cheap zippy internet from domestic telecom providers, while those who live in more remote areas are probably not able to afford satellite internet. Western countries are wary of getting their internet beamed in from Chinese platforms; potential customers in developing ones might find the service too costly.

All this creates a “chicken-and-egg” problem, explains Blaine Curcio, an industry consultant. Without lots of demand for satellites in orbit, it is hard to justify the big investments in rocket launches that could bring down the costs of getting them up there. “Only when the data and information generated by satellites can be truly used on a large scale…will subsequent links in commercial spaceflight (including rockets, engines, launch pads, etc) see faster development,” says a spokesperson from Orienspace, a rocket company based in Shandong province in eastern China.

Still, there are signs that demand might be heating up. In December Airbus, a European planemaker, signed a deal for China’s “Thousand Sails” to provide internet during flights. Geely, a Chinese auto giant, is launching a constellation of several dozen satellites to help its cars navigate. Huawei and Xiaomi, two Chinese tech firms, have started including satellite call functions in their smartphones.

China hopes its firms move into more speculative businesses too, such as space tourism and space-based biomanufacturing (cells behave differently in micro-gravity, which might help with developing drugs). On December 13th AZSpace, a private launch company, sent a spacecraft into orbit carrying cargo including yeast, plants and probiotics for experiments.

However successful Chinese space companies become, there is no chance China will allow one of them to amass the power enjoyed by the largest such American firms (NASA now relies entirely on SpaceX and other private firms for launches). But China does want to integrate private businesses more efficiently into government plans. In November the China National Space Administration set up a new department to oversee commercial space and released a two-year plan to support the sector. The plan calls for opening state facilities (like rocket-test stations) to private companies and creating a national fund to invest in commercial space. It will also allow private companies to bid for projects under China’s civil space programme.

When China's space firms do take off, they may bring more than just economic benefits. Many of the technologies they are trying to master have military uses, too: from providing communications to removing unwanted satellites. Last month Chinese officials claimed Starlink and other foreign constellations present "pronounced safety and security challenges". On December 13th Starlink claimed that a recently launched Chinese satellite came "dangerously close" to one of its own. Some day a Chinese satellite internet provider might help China's armed forces co-ordinate an invasion of Taiwan, reckons Steven Feldstein of the Carnegie Endowment for International Peace, a Washington-based think-tank. ■

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China | Pollution solution

The battle for blue skies over Beijing leaves farmers cold

Banned from burning coal, they can't afford gas heating

January 15th 2026

Residents of Hebei, a province of some 74m people which surrounds Beijing, sometimes suffer for being so close to the capital. During the covid-19 pandemic, Hebei enforced extra-tough controls over people's movements to stop infections spreading into Beijing (state-run media praised the province for acting as a "moat" against the virus, though Hebei residents were not asked for permission). Then, after torrential rains in 2023, the government diverted floodwaters into Hebei's cities to avoid submerging areas of Beijing, outraging locals. Now Hebei folk have another reason to be upset. The side effects of efforts to clean up Beijing's air have left some unable to heat their homes.

China, average annual $PM_{2.5}$ pollution, 2024
Micrograms per cubic metre
15 – 52
Source: ChinaHighAirPollutants (CHAP) version 4

Villagers across northern China have long burned coal as a cheap source of warmth. But that thickened a hazardous smog, which cloaked Beijing every winter. In 2017 the government banned coal burning and started installing gas heaters instead. The plan (combined with other measures, such as forcing factories to move away) worked. Beijing's peasoupers are now, largely, a thing of the past (see map). On January 4th environmental officials said the capital had seen only one "heavily" polluted day last year, going by the government's standards. Annual average concentrations of PM2.5, an especially dangerous type of pollutant made of tiny specks of dust and ash, are less than a third of what they were around a decade ago.

But heating with gas is much more expensive than with coal. And although at first government subsidies helped to make up the difference, they have tapered off in recent years. As a result, some Hebei villagers could face bills of more than 6,000 yuan ($860) for a winter's worth of heating, which is more than the average annual pension in rural areas. To make matters worse, gas prices in Hebei have also risen faster than they have in Beijing and are now about 20% higher. That is partly because heating companies in the capital can negotiate better deals for gas and residents there enjoy subsidised central heating. Some farmers are sneakily going back to burning coal, according to a handful of news reports. To stop this, officials occasionally send drones to look for suspicious smoke trails. Rule-breakers are then fined. More law-abiding villagers are huddling under extra blankets instead.

Videos of shivering rural elderly have made a splash on Chinese social media. Many consider it unfair for Hebei to freeze in order for Beijing to have clean air. "Everyone who benefits from blue skies should bear the cost of them," said one commenter on Weibo, a social-media platform. Perhaps, some mutter, China's officials should talk less about America's social concerns (one of their favourite topics) and more about problems closer to home.

In fact some state-run media, which normally run only glowing coverage of domestic affairs, have been surprisingly critical. "A solution for Hebei farmers' heating problems can no longer be delayed!" thundered a recent commentary from the Farmers' Daily. It was later taken off the newspaper's website, though it still remains available on other official platforms. Several sympathetic articles on the problems of Hebei farmers have been removed from social media, too. Although internet censors are allowing some discussion of the issue, they seem uneasy in case things get out of hand.

In one dusty village in Wangdu county, in central Hebei, gas pipes snake around the low brick houses, but many residents choose not to use them because of the cost, despite the patches of ice on the ground. "It's not easy for us ordinary folk to earn money, so we just try to weather the cold if we can," says one woman. "People with small kids have no choice but to pay," she adds. Another local says he supports efforts to clean the air. But he claims not to have received any subsidies in recent years to help make the switch to gas affordable. "Staying warm shouldn't be incompatible with government policies," he believes. "It's hard to bear." It is hardly the first time that the people of Hebei have had to grit their chattering teeth. ■

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China | In the slow lane

The best way to see Hong Kong is on its trams

It's an inexpensive way to see an expensive city

January 15th 2026

FEW TOURISTS dream of a tram commute on their day off. Yet on a Tuesday in Hong Kong, they jostle with workers and schoolchildren for a spot on one of the streetcars trundling across the city. "Ding dings", as the trams are affectionately known, are "an attractive way to show people around", explains Nico, a local. And at HK$3.30 (42 American cents) a trip, they are an inexpensive way to see an expensive city.

Tourists now account for about 15% of the 150,000 tram trips made each day, reckons Nixon Cheung from the tram network. And even as the number of daily tram-takers has grown in recent years, from 120,000 to 150,000 between 2020 and 2024, the share of tourists onboard has remained steady.

Official network tours are becoming ever more crowded. The Halloween one "sold out within a day", trills Mr Cheung.

The phenomenon relates to a broader trend: although more tourists are visiting Hong Kong, they are spending less. Visitor numbers rose by 12% to almost 50m last year, compared with 2024 (though they still fell far short of the 65m who visited in 2018, the year before huge pro-democracy protests led to a political crackdown). But the average amount spent by each overnight visitor—one of the metrics the authorities use to monitor tourism—fell by 3.5% to HK$5,443 year on year in the first half of 2025. That is an 18% drop compared with the average in 2018. Meanwhile, such spending by each overnight visitor from mainland China fell by 2.3% to HK$5,007.

That matters because more than three-quarters of Hong Kong's tourists now come from the mainland, where cheap and cheerful travel is on the rise. Domestic tourists took 20% more trips in the first half of 2025 than they did in 2024, but they spent 4.3% less per trip. A prolonged property slump, weak consumer sentiment and a high savings rate have made people reluctant to part with their cash. It also seems as though poorer Chinese people are making up a larger share of travellers than in the past.

Hong Kong is struggling to compete with pastimes on the mainland. Yet the government is betting on flashy attractions to turn things round. It has unveiled a blueprint for tourism development that focuses on better horse-racing and more "mega-events", like big pop concerts. Over the five years to 2029 it hopes these and other diversions will bring in HK$120bn. Last year it teamed up with hundreds of influencers, including the world's most popular TikToker, Khaby Lame, in a bid to boost the city's image. But perhaps it is the humble tram network that will keep Hong Kong's tourism on track. ■

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China | Chaguan

China obsesses over America's "kill line"

It is easier to talk about American harshness than Chinese malaise

January 15th 2026

IN CHINESE VIDEO games the "kill line" describes a perilous position for combatants. Once their virtual health falls below this line, it takes just a single punch or shot to be eliminated. Strikingly, use of the term has spread in the past month, migrating from gamers' chatrooms to political agitprop. The "US kill line" has become shorthand for what, supposedly, is wrong with America and right with China. In the process, though, it has also drawn attention to some of China's own economic vulnerabilities.

The new, politicised meaning of kill line (zhanshaxian) was coined by a Chinese biology student in Seattle. In a series of live streams on Bilibili, a video-blogging app, he claimed to work in a morgue where he had encountered the bodies of homeless people who had frozen outside and gang members felled by violence. Although of dubious veracity, his reflections cast America in the harshest light: a place where a single misfortune—perhaps a car crash or an illness or the loss of a job—can lead to ruin.

Never mind, for a moment, that such a depiction is a crude exaggeration of American life. It resonated with many in China. State media regularly portray America as a deeply unequal, dangerous country. But the kill line phrase was fresh, even edgy. Many of the Seattle student's live streams were censored by Bilibili for their graphic nature. Yet in the whirling ecosystem of Chinese social media, others made posts about his posts, and within days the "US kill line" had become widely known. Commenters marshalled evidence of the American hellscape. They recycled stories of people needing urgent care who refused ambulances because of their cost and of well-paid software engineers who lost their jobs and wound up homeless.

By late December officials noticed that they had a winning message. State media started to produce serious pieces about the kill line, armed with data. Many noted that some 770,000 Americans are now homeless. They also referred to a Federal Reserve report that 37% of American adults cannot cover a $400 emergency expense with their savings. And some cited a new estimate that an American family of four needs an eye-watering $137,000 annually to stay out of poverty. On January 4th even Qiushi, a leading Communist Party journal, published its interpretation, writing that the kill line reflects America's "institutional arrangements that systematically place capital security and returns ahead of workers' survival and dignity".

No doubt life can be tough in America. But the kill line greatly overstates the fragility of existence there. Homelessness is a stain on the country, but it remains an extreme outcome, affecting less than 0.05% of the population on a chronic basis. As for those who struggle to cover emergency expenses, analyses that factor in deferred discretionary spending put the number at about 10%, not 37%. And economists have thoroughly debunked the claim that $137,000 marks America's true poverty line. Families can, and do, get by on much less.

But the Chinese fascination reveals something telling about their own worries. In an online essay last month, Wei Zhou, an author using a pen name, argued that the upswell in discussion about America's deficiencies stemmed partly from China's own anxieties about its slowing growth. Although censors often curtail criticism of China, "one can talk freely under the guise of discussing America", he wrote. Some commentators may not be doing this deliberately but rather engaging in a form of psychological projection, or "talking about others while thinking about oneself", as Wei Zhou put it.

People in China have much to be glum about these days. Property owners have seen the values of their homes fall by about 20% from their peak five years ago. University graduates are entering a forbidding job market, with the youth unemployment rate at 17%. Blue-collar workers are eking out tiny wage gains, a sharp regression from the heady norm of the previous decade.

But are single misfortunes somehow less devastating in China than in America? It depends. To China's credit, its medical and drug costs are lower than the sky-high charges in America, so illnesses or accidents may be less damaging financially. (A bigger problem is the availability of good health care, especially in smaller cities.) Business failures, by contrast, can be debilitating. Without well-developed personal-bankruptcy laws, it is much harder to recover from bad investments in China than in America. China is not safe from a kill line: it just shows up in other ways.

In any case, the kill line implies that people have already lost a good deal. Americans mostly fear being knocked down a few rungs of the economic ladder when disasters occur. In China many are fighting to gain a foothold in the first place. Parents and teachers heap pressure on children from a young age to perform well in tests. Companies in every sector compete ferociously, only to see their profit margins collapse. Workers put in long hours but find that intense effort is met with diminishing returns. All the while the economy is sagging, eroding the opportunities that once seemed boundless.

A recent study in the China Leadership Monitor, an online journal published by the Hoover Institution in California, points to a dramatic slowdown in the growth of China's middle-income population since 2018. Unsurprisingly, surveys have also detected a clear rise in pessimism over the past decade. The gloom is less about the risk of precipitous decline than a sense of creeping stagnation. Gamers have a term for this, too. For China, the hazard is not so much the kill line but ruansuo, or "softlock"—a predicament when players are trapped alive but can no longer progress, no matter how hard they try.■

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Middle East & Africa

Middle East & Africa | Khamenei or we burn the region

Bereft of legitimacy, the reeling regime in Iran massacres its own people

It may linger for a while, but the Islamic Republic has been forever changed by weeks of protest

January 15th 2026

AFTER more than two weeks of unrest, parts of Iran began to feel like a war zone. Snipers fired into crowds as surveillance drones buzzed overhead. Families crowded into morgues in desperate search for their loved ones. Ordinary people were afraid to venture out. Looming in the background were threats of a military strike by Donald Trump, the American president.

The Islamic Republic has weathered bouts of turmoil in the past, from the rigged election of 2009 to the women-led protests of 2022. Each time, optimists predicted the regime's imminent downfall; each time, it muddled through. But the protests that began on December 28th are likely to prove more pivotal, even though, as The Economist went to press, they seemed to have ebbed.

They followed an annus horribilis that brought economic collapse, environmental crisis and a 12-day war with Israel. The social contract has ruptured: Iran can neither protect its citizens from external threats nor provide for their basic needs. Unable to placate protesters, the regime has adopted the logic of Bashar al-Assad, its one-time ally in Syria, whose goons chanted “Assad or we burn the country”. It may linger for a time, but change seems inevitable. The question is what sort, and how much chaos it leaves in its wake.

When shopkeepers in Tehran went on strike last month, it did not seem they would give birth to a movement so big or so consequential. Protests simmered for almost two weeks, persistent but far smaller than those in 2022—until January 8th, when Reza Pahlavi, the exiled son of the deposed shah, urged Iranians to take to the streets en masse. Many of his countrymen had long dismissed the self-styled crown prince as a dilettante. But his call this time seemed to resonate.

The protests that followed were big. How big is hard to say, because the regime shut off the internet (it remains disabled). With Iran isolated from the world, its security forces embarked on a vicious crackdown. Human-rights activists have so far confirmed the deaths of more than 2,400 protesters. The real toll is no doubt far higher. Tens of thousands more have been detained. The head of the judiciary vowed swift executions (Mr Trump claims these have since been suspended).

This is probably the worst bout of state violence in the regime’s 47-year history. It dwarfs the killings during the protests in 2022, when around 550 people died in two months. Even the mass executions of 1988, when thousands of prisoners were sent to the gallows, may pale in comparison.

Some protesters have fought back with knives and hunting rifles. The authorities like to exaggerate the count of their own dead to fuel a narrative that the opposition is being armed by foreign powers. Still, even opposition groups have tallied around 150 security men killed.

The regime resorted to such violence because it had nothing to offer an angry people. By the time Tehran's shopkeepers took to the streets, the economy was in freefall. Since July the rial has plunged by 40% and hit an all-time low, which sent the price of imports soaring. Annual inflation is nearly 50%. Almost one-third of Iranians live in poverty. Professionals linger outside butchers hoping for scraps. Just a third of working-age adults are employed, says the World Bank. Iran's economy was forecast to slump by 1.7% in 2025. And that was unevenly distributed. The service sector, which employs half the workforce, is shrinking, as is agriculture. Construction, mostly carried out by military firms, grew.

Some of this misery stems from American sanctions, particularly those on the oil industry, which Mr Trump reimposed when he abandoned the nuclear deal in 2018. The government-sanctioned middlemen who oversee the illicit oil trade, known in Iran as "trustees", prefer to keep their proceeds abroad. Officials are reportedly investigating $7bn in missing oil revenues.

Misrule deepens the crisis. The Islamic Revolutionary Guard Corps (IRGC), the regime's praetorian guard, controls a big chunk of the economy. Everything from oil to medicine and manufacturing passes through a vast network of firms run by the irgc. Conglomerates controlled by clerics and commanders routinely secure loans without collateral or oversight. In October Ayandeh, a major bank, collapsed under the weight of insider lending, including to the failed Iran Mall project, billed as the world's largest shopping centre. No one has been held to account.

All this has drawn Iranians to the streets. The regime's brutality has sent them back home—for now. In the popular imagination, revolutions are linear: protests swell to a crescendo, then the dictator flees. Reality is often messier. The ebb in demonstrations does not mean the unrest is over, as Iran's own history shows. At the start of the Islamic revolution in 1978, protests grew in the spring, dwindled in the summer and roared back in the autumn.

One big difference now is the prospect of foreign intervention. Mr Trump spent weeks promising to "rescue" protesters and make the regime "pay hell" for killing them. Yet his first tangible actions were meagre. On January 12th he announced a scheme to levy tariffs of 25% on countries that trade with Iran. The next day he "cancelled all meetings" with Iranian officials, rebuffing an offer from Abbas Araghchi, Iran's foreign minister, who had proposed reviving the defunct negotiations over his country's nuclear programme.

Such steps hardly seemed to match the soaring death toll. Mr Trump is under pressure to make good on his threats. On January 13th his advisers huddled to discuss their options. The next day America started withdrawing some personnel from al-Udeid air base in Qatar, which hosts the regional headquarters of its central command, and from Bahrain, home to the navy's Fifth Fleet. That seemed to imply a strike was imminent. Yet Mr Trump later suggested that an attack may no longer be necessary: "We've been told that the killing in Iran is stopping," he said.

Having bolstered its forces in the Caribbean, the Pentagon has no aircraft-carriers deployed in the Persian Gulf (though one is now en route). Nor will Gulf states allow it to conduct sorties from bases on their soil. It could still launch cruise missiles from destroyers and submarines, or strategic bombers could conduct long-range strikes. Targets could include the IRGC; crucial economic infrastructure, such as the oil terminals on Kharg island in the Gulf; and key officials, perhaps even the supreme leader, Ali Khamenei. The speaker of Iran's parliament has warned that his country will hit American bases in the region in response to any attack.

Whatever Mr Trump decides, it is doubtful that any strike would compel the regime to stop killing people. Nor is it clear that military action would galvanise further protests. The opposition still lacks a clear path to changing the regime. Mr Pahlavi promises to lead a transition. His office is busy tweeting out PowerPoint slides about his plans to stabilise the currency and confiscate regime assets. But his clout beyond social media is unclear. Last year he claimed that 50,000 officials from the government and the security forces were ready to defect. But after weeks of unrest, not one has broken ranks.

Some Iranians muse about the “Venezuela model”: replacing Mr Khamenei with a less doctrinaire figure. That seems too pat. The ayatollah sits atop a factious system, one that he has managed to corral by dint of his longevity and religious stature. His replacement may not be able to.

Two gloomier outcomes seem likely. The first is that the IRGC and the Basij, its paramilitary brownshirts, will consolidate power. They could ditch the clerics and transform Iran into something closer to Egypt or Pakistan. Yet they cannot solve Iran’s economic problems unless they can secure a deal to lift American sanctions. That would require shutting down or seriously curtailing their nuclear programme and ending their support for militias across the region.

The opposing view is that even the IRGC lacks the capacity to deal with a full-blown uprising across the country. With no clear alternative to the regime, Iran would fall into chaos. Far-flung provinces might seek to go their own way. Iran is a diverse country: there are Azeris and Kurds in the north-west, Arabs in the south-west and Baluchis in the south-east, all of whom have a record of violent insurgency. This scenario evinces deep concern on the other side of the Persian Gulf, where Arab states fear a fragmented Iran would lose control of its arsenal of missiles and drones and send out waves of refugees.

Almost half a century after it felled the shah, the Islamic Republic has reproduced the pathologies that led to his downfall: an economy plagued by corruption and inflation; a repressive, hated security apparatus; an ailing, out-of-touch leader. The shah's demise seemed implausible at the time but inevitable in hindsight. The same may prove true of the Islamic Republic. ■

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Middle East & Africa | Reza Pahlavi speaks out

Reza Pahlavi says Iran is undergoing a revolution

Can the son of the shah deposed long ago rule Iran if the Islamic Republic falls?

January 15th 2026

For decades only diehard royalists took Reza Pahlavi seriously. Iran's regime, its opponents and Western diplomats dismissed the son of the last shah as the "Clown Prince". He seemed more interested in his suntan than recovering his sun-and-lion flag. When protests erupted on December 28th he was said to be on a beach holiday. For 47 years he has championed his claim to the throne, mixing with the powerful in Washington, dc (he lives nearby). An Iranian exile there describes Mr Pahlavi and his team as "rookies". Donald Trump considers him "a nice man" but has brushed aside his requests to meet.

And yet after nearly half a century of waiting, Mr Pahlavi believes his moment has arrived. "This regime is on the verge of collapse. And what it's doing right now is a last-gasp effort to intimidate," he told The Economist in Washington on January 14th. Cries of "Javid Shah" ("Long live the king!") were widespread at the protests that have consumed Iran—at least before the regime mowed down the protesters. When their numbers began to flag, Mr Pahlavi called for a return to the streets and turned a provincial rally of jobless angry men into a mass mobilisation that swept Tehran and Iran's other cities.

Raised on the Shahnameh, Iran's epic poem of kings and heroes, Iranians like mythical saviours. In 1979 Ruhollah Khomeini, an untested cleric, played that role; followers said they saw his face in the moon. And few alternatives remain. The regime has locked up any would-be challengers in Iran. It has filled its prisons with dissidents and their lawyers; political parties are prohibited; even environmental groups are banned.

Iranians have long since abandoned their faith in regime reformists championing gradual change. Even as presidents such as Muhammad Khatami and Hassan Rouhani were elected, the rule of Ali Khamenei, the supreme leader, grew more absolute and the economy more threadbare. Even Mostafa Tajzadeh, a former presidential adviser who was jailed for fomenting anti-regime protests, fell from favour. "Tear them apart," runs a lyric from "Marg bar kolle nezam" ("Death to the whole regime"), a popular rap.

Clean-shaven and besuited, Mr Pahlavi sits in stark contrast to the bearded supreme leader in his robes and turban, who scorns ties as symbols of decadence. Like many a populist, including the cleric who toppled his father, Mr Pahlavi claims legitimacy from the people's cries. But he stumbles when asked what Iranians should do in the face of the mullahs' violence.

He stresses the importance of non-violence and civil disobedience but argues that people have the right to defend themselves when attacked. Mr Khamenei, he says, "declared war on the Iranian people a long time ago. This is not a foreign enemy, it's a domestic enemy." "You have to neutralise and destroy that element that represses," he continues. He dismisses the risk of armed confrontation with security forces leading to a Syria-style civil war.

You have to “eliminate the top corrupt brass”, Mr Pahlavi argues, but leave infrastructure in place so the country can function: “The day the regime falls, somebody has to still pick up the trash, electricity and water has to be provided.” His 169-page “Emergency Phase Booklet”, his plan for Iran published in July, seems to offer change while also trying to placate potential foes. It vows to seek national reconciliation, integrate the Islamic Revolutionary Guard Corps into the army, retain police and civil servants, and warns against vengeance and purges. Yet it also proposes vetting minor civil servants in key ministries for ideological and intelligence ties and repealing laws against homosexuality.

His plan makes him a transitional leader. In our interview he stresses this, describing himself as a “neutral arbiter” who would lead a temporary government. Iran should, he says, be a democracy. His plan promises a referendum within four months on restoring the monarchy or setting up a parliamentary republic. If voters chose the former, he would be crowned two months later. He would establish diplomatic ties with Israel (his father never did). He also says he would abandon the nuclear programme for sanctions relief.

And yet Iran’s opposition movements remain wary. The country’s ethnic minorities remember his father’s suppression of their languages and heritage in the name of Persian grandeur. Kurdish nationalist movements, including armed groups among them, prefer secession. Mr Pahlavi has never united the regime’s critics in exile. Keeping a polarised Iran from fragmenting, should he ever return, would be harder still. He has promised to put the restoration of a monarchy to a referendum, but many doubt that pledge. His supporters denounce exiled Iranians who refuse to endorse a monarchy.

Diplomats fear the collapse of another Middle Eastern state. Democrats aspire to a constitutional assembly and wonder why they should trade one supreme leader for another. “Death to the satemgar (tyrant),” goes another chant in Tehran, “whether Pahlavi or the rahbar (leader).” Mr Pahlavi wants a perch above others, not a place beside them, says an academic who tried but failed to include him in a coalition.

In our interview Mr Pahlavi emphasises that Iran’s fate is in the hands of Iranians: “Iran’s destiny is not sealed by what any other country does... Our fighting will not stop." From afar, he sounds confident that this is a revolution. But what his role will be remains unclear. ■

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Middle East & Africa | Iran’s internet blackout

How Iran’s regime has hidden its brutal crackdown

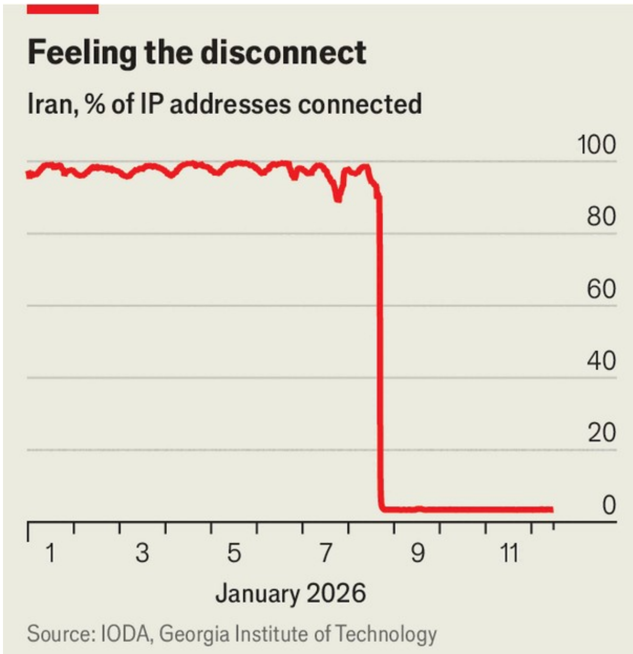
It has cut off communication, but outsiders might help Iranians get back online

January 15th 2026

IRANIANS ARE accustomed to losing access to phone and internet services during unrest. The internet was cut off during protests in 2019 and during another big wave of demonstrations in 2022. But the current blackout is worse than anything experienced before. On January 8th internet connectivity fell to 1% of its normal levels, where it has remained. That has left Iranians struggling to communicate with each other and to get news of the uprising, and the increasingly bloody crackdown, to the outside world.

There is some indication that the protests may have slowed down by January 12th, when the regime held large counter-demonstrations. Protesters may have been deterred by the violence of the preceding days, when at least 500 and possibly more than 1,000 people are thought to have been killed by security forces. Rather than covering up the massacres, state television broadcast images of victims' bodies and acknowledged that many had been "ordinary people" rather than armed saboteurs, as the government claims. "We are not looking for war, but we are prepared for war," declared Abbas Araghchi, Iran's foreign minister, speaking in Tehran on January 12th. The situation was under "total control", he insisted, implausibly, and suggested that internet access would soon be restored.

It is hard to make a definitive judgment about the situation on the ground because Iran successfully clamped down on information flowing out of the country. Iran's regime is well practised at severing its digital links with the outside world. It does so in several ways. One is to manipulate something called the Border Gateway Protocol, which determines how the global internet connects to the Iranian one. Another is to look at the individual packets of data traveling over networks, blocking those associated with virtual private networks (VPNs) which typically allow Iranians to access otherwise forbidden sites, while still allowing access to government websites. Iran also operates a domestic internet, a state-controlled network, that allows it to maintain some services so that the country is not plunged into the analogue age even during this kind of blackout. These methods are imperfect. In previous crackdowns, the government has struggled to block VPNs as quickly as new ones crop up, what one former diplomat calls a game of "whack-a-mole". But some VPNs are thought to be run by the government, as traps, and the tactic is effective enough to slow the flow of information.



One way to get around this digital crackdown is to rely on satellites. Starlink terminals, built by SpaceX, an American firm run by Elon Musk, are illegal in Iran. But they have been smuggled into the country in growing numbers since the protests of 2022. Tens of thousands of terminals are thought to be in circulation. But Iran appears to be disrupting access to these, too. The Economist has spoken to some people who are still using Starlink freely. "It's patchy," says a person inside Iran with knowledge of the situation. "Some still appear to have it, some—including some embassies—seem to be completely cut off."

On January 9th, even after the internet shut down, torrents of images and videos were flowing out of Iran, according to people monitoring the situation. By January 11th something had changed, and the flow slowed to a trickle. Iranians living abroad said it had become increasingly difficult to contact their relatives in the country. In theory, it is exceptionally hard to jam Starlink because a jammer has to overwhelm each ground terminal and its individual connection with a satellite in space. Because the terminals use Ka-band signals, a microwave part of the electromagnetic spectrum, the jammer has to be very close to the signal to swamp it. Russia has done this in Ukraine, increasingly successfully, but it works only in patches along the front line rather than across the whole country. In urban areas, Iranian security forces mount high-powered jammers on high points, covering a larger area. But a determined protester would be able to record footage and broadcast it later from a terminal located at a safe distance away.

Another way exists to obstruct Starlink's operation. Iran might be jamming GPS signals, suggests Tom Withington, an expert on electronic warfare, something that is easier to do on a nationwide scale. That prevents Starlink terminals from knowing their own locations, complicating their ability to know where to look for satellites overhead. SpaceX also "geofences" terminals, preventing them from being used in particular places—for instance to guide drones deep into Russia—so GPS spoofing can bamboozle them in that way, too.

Donald Trump, having warned that he would intervene if the regime killed protesters, is now mulling how to respond to the violence. On January 11th the American president said that one of his aims was to "get the internet going, if that's possible". One option is reported to be offensive cyber operations. But people familiar with such actions say that it would be extremely difficult to keep Iran's internet on in this way, in part because the Iranian state keeps a tight grip on telecommunications firms.

Far easier would be to flood Iran with Starlink terminals, perhaps sent over the border with Turkey on well-worn smuggling routes, much as Mr Musk did for Ukraine in the early days of the Russian invasion—a step which provided an invaluable lifeline to the country's armed forces. "We may speak to Elon," said Mr Trump, "because, as you know, he's very good at that kind of thing." ■

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Middle East & Africa | Our interview with Bibi

Binyamin Netanyahu’s plan to win Israeli—and global—hearts and minds

Israel’s longest-serving prime minister is determined to regain his nation’s trust and restore its image abroad

January 15th 2026

Binyamin netanyahu will be leading the Likud Party in a general election for the 12th time this year. He is already Israel’s longest-serving prime minister, having spent a total of over 18 years in office. If he wins, he could become the longest-serving leader of any democracy since the second world war.

The election date has yet to be set, but speaking to The Economist in a filmed interview for “The Insider” on January 8th in Jerusalem, Israel’s prime minister was very much in campaign mode. One focus is his quest for another term. “As long as I believe that I can secure Israel’s future, to which I’ve devoted my life, both as a soldier and as a politician, as a statesman, then I'll do so," he says. Yet in most polls his coalition of nationalist and religious parties is well short of a majority.

Mr Netanyahu is also determined to restore his country's international standing. Israel has emerged from the two years of war in Gaza with a gravely tarnished global image: not just among its habitual critics but also among many of its former supporters in the West, shocked by the destruction of much of Gaza and the deaths of over 70,000 Palestinians.

"I'd like to do everything I can to fight the propaganda war waged against us," he says. "Basically, we've been using cavalry against f-35s, because they've flooded the social networks with the fake bots and many other things." One early move, he says, could be for Israel to give up the subsidies from the United States that it uses to buy American arms.

Mr Netanyahu built his political career on his swashbuckling speeches and interviews with the international media, going back to his days as ambassador to the un in the 1980s. That reflects his belief that the way for Israel to influence governments is by winning the battle for public opinion. It is a battle Israel is losing.

The prime minister complains that Israel has been subject to unreasonable scrutiny. "I doubt that Churchill could pursue World War Two if people saw what happened there," he says. "You're holding this democracy, this beleaguered democracy, to an impossible standard."

He also blames prejudice against Jews. "In the Middle Ages we were poisoning the wells, we were spreading vermin, we were slaughtering Christian children for the Passover festival using their blood…The vilifications that were delivered on Jewish people are now delivered on to Jewish state."

He expects the ceasefire in Gaza to help. "The minute the intense fighting stops," he says, "then the focus of international media and the horrible reporting, often absolutely false reporting that takes place there—the ease with which propaganda takes over facts, or fact checking—that dissipates."

Mr Netanyahu will also seek to remove potential friction between Israel and its chief ally, America. In the interview the prime minister revealed that he is not seeking the full renewal of the ten-year American military assistance package, which currently stands at $3.8bn annually and needs renegotiating in 2028. For the first time in public, he talked about tapering American aid to zero over ten years. He insisted that he "will continue to fight for the allegiance of the American people". However, President Donald Trump famously dislikes handing over money, and parts of his maga movement are increasingly critical of Israel.

Last, Mr Netanyahu believes that he can persuade Western voters that they misunderstand the nature of the struggle Israel is waging. "There is a huge battle today between the forces of civilisation, the forces of modernity," he says. "Very fanatic forces…want to take us back to the early Middle Ages and do so with a violence that is unimaginable. You've seen these pictures of people cutting open the chest of an enemy, these Islamists, tearing out the heart. The person is still alive and eating the heart." The reality, he argues, is that "Israel is defending itself, but in so doing, we're defending Western civilisation."

Those are strong claims, but Mr Netanyahu has been using such arguments for decades, which may make them less effective. In addition, while there is some truth to them, they are less powerful when set against the horrors endured by the Palestinians inside Gaza.

To further complicate the prime minister's task, his message abroad will sometimes run into his election campaign at home. For example, settlement expansion in the West Bank has risen sharply during his term, as has settler violence. Members of his government are calling for annexation.

Yet, asked whether this is an area of disagreement with Mr Trump and Israel's potential Arab partners, Mr Netanyahu deflects. Mr Trump has in the past been willing to contemplate annexation, he says. And, as for Arab leaders, he predicts an expansion of the Abraham accords. "In private conversations, you want the truth? I mean beyond the regular things? Many of them don't give a hoot," he says. "They don't care about the Palestinian issue. They care about its effect on the street."

In the election Mr Netanyahu will also face questions about the economy and the role of Israel's growing ultra-Orthodox community. The economy has recovered from the war remarkably well, to a large degree thanks to continuing foreign investment in the Israeli tech sector and strong demand for Israeli weapons systems, especially from rapidly re-arming Europe.

Israel's technological edge relies on a small, talented and mobile part of its 10m population, who are mainly from the secular and centrist parts of Israeli society, which are opposed to the current government. Mr Netanyahu brushes off the reports of an incipient brain drain as "ridiculous". But others, including Naftali Bennett, his main challenger in the election, warn that the threat is real and dangerous.

By contrast, Israel's ultra-Orthodox parties are Mr Netanyahu's political allies. Their voters receive excessive social benefits, even though many of them refuse to enlist for military service in a time of war. Many ultra-Orthodox men do not work.

Asked about their role, he argues that ultra-Orthodox women do work and says that he will pass a law encouraging men to serve in the army. He wants to "enable the recruitment of this community", he says, "but at the same time enable the select few to study the Torah." That is likely to please nobody—being too much for the ultra-Orthodox and too little for everyone else.

How much time the prime minister has to dedicate to his two campaigns, for re-election and to restore Israel's international reputation, will be partly determined by events in Iran, where mass protests are threatening to engulf the Islamic regime. For years Mr Netanyahu has called for international action against Iran. During the 12-day war that Israel and America waged on Iran last June, he flirted with regime change. Only last week in a meeting with Mr Trump he secured a public commitment from the president to join Israel in more strikes if Iran moves to rebuild its nuclear programme and continues building ballistic missiles.

Speaking to The Economist, however, Mr Netanyahu was surprisingly reticent about both Iran and Mr Trump. "It may be a moment where the people of Iran take charge of their own destiny," he observes. "Revolutions are best done from within." He neither endorsed nor rejected Mr Trump's threats to act against the regime if it continues gunning down protesters.

His sudden restraint may be a response to warnings of Israeli intelligence officials in recent days that Iran may "miscalculate" and launch an attack on Israel in an attempt to divert the anger of its own people. "I'll tell you one definite time when we would resume our military activities," he says. "If Iran attacks us, which they might, then there will be horrible consequences for Iran. That's definite. Everything else, I think we should see what is happening inside Iran."

Hanging over both campaigns is the devastating Hamas attack in October 2023. International sympathy for Israel depends on people understanding that it was the greatest trauma in the country's history. At home the election is likely to be a referendum on whether voters hold Mr Netanyahu responsible for what befell them.

Asked about how Israel was caught unawares, Mr Netanyahu says he is ready to answer questions to an inquiry which he has yet to set up. However, he avoids using the word "responsibility" and is quick to spread the blame to the intelligence services and the rest of his cabinet. The failure of October 7th was indeed a collective one. However, a man who has run a country for so long will find it hard to claim credit for all its successes while avoiding blame for its catastrophes. ■

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Middle East & Africa | Energy in Nigeria

Home-grown firms are helping Nigeria’s oil industry to rebound

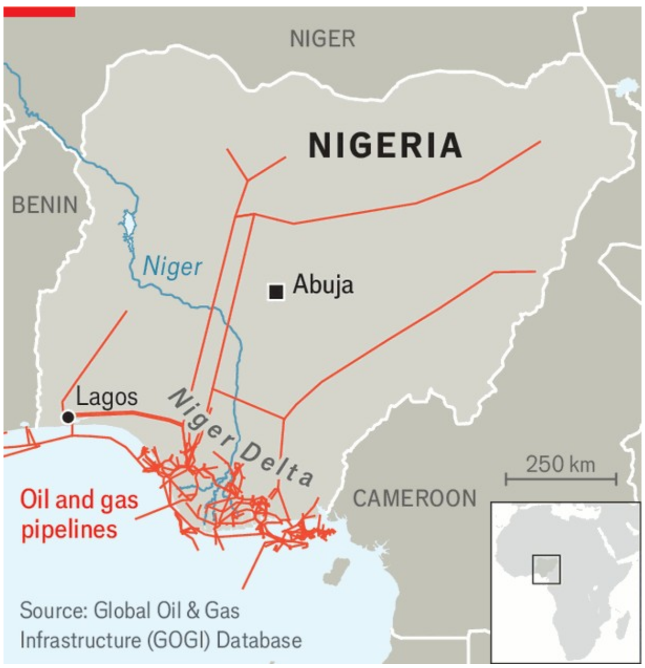
But they will struggle to find the capital to sustain it

January 15th 2026

Just a couple of years ago a round of licensing for oil and gas exploration and production in Nigeria was met with a shrug by investors. But the launch of its latest auction in December appears to have attracted interest from Chevron, an American firm, and TotalEnergies, a French rival. “Everyone is super-excited,” says Emmanuel Uwandu, a local energy entrepreneur. The government expects bids in 2026 for onshore and offshore assets to bring in about $10bn over the next decade.

Resurgent global interest suggests that Nigeria’s oil industry may be emerging from a slump that had seen production drop to a two-decade low in 2022. Yet foreign firms are no longer the main players. In 2025 the share of oil and gas produced by private domestic companies surpassed that of global firms for the first time in the industry's 70-year history. The sector is becoming more Nigerian, especially onshore.

Oil is vital to Nigeria's economy, accounting for more than 80% of exports. Yet in recent years high costs and a worsening security situation had left Africa's largest oil exporter struggling to compete with established rivals like Angola and upstarts such as Namibia. Global firms, citing the risk of vandalism and theft, left the Niger Delta, the industry's heartland, for the relative safety of deepwater sites offshore.



Since taking office in 2023 President Bola Tinubu, a former oilman, has tried to improve things in the Delta by beefing up security, streamlining contracting and dangling tax incentives, along with a raft of other reforms designed to lower costs and raise competitiveness. That seems to be paying off. In 2025 Nigeria produced 1.47m barrels of crude oil per day on average, the highest level in five years, according to Rystad, a consultancy. The government hopes to double that to 3m barrels per day by 2030. That would put it in the top ten of global producers, behind Brazil.

The rebound is locally driven. Renaissance Energy, a consortium of mostly local firms, took over Shell's onshore subsidiary in March. Seplat, another home-grown firm, acquired all onshore and shallow-water licences of ExxonMobil, the largest Western oil major, for $1.3bn in 2024. (In December Heirs Energies, a locally owned firm, became Seplat's largest shareholder in a deal worth nearly $500m.) Oando, which acquired four onshore blocks from Italy's ENI last year for $783m, plans to invest $2bn by the end of the decade.

Nigerian oil executives argue that local firms are better placed to take risks. Ahonsi Unuigbe of Petralon Energy, which acquired its first oilfield in 2021, says that smaller firms like his "can be nimble and fast". Tonye Cole, the co-founder of Sahara Group, a Nigerian conglomerate, reckons locals are better equipped to deal with the communities in the Delta whose consent is crucial for operating there. Decades of oil spills and gas leaks have left it one of the most polluted places on earth. Resentment of foreign firms is widespread.

Security in the Delta has improved. Seplat reports that pipeline losses, largely from theft, rose to between 10-15% of output between 2020 and 2021; since 2022 they have not exceeded 5%. Osa Igiehon, the boss of Heirs Energies, says the oilfield it purchased from Shell, ENI and Total in 2021 was once "the poster-child for the challenges which bedevilled onshore production". Since then, he says, output has doubled and "third-party action"—such as pipeline sabotage—has ceased.

Industry insiders credit the Petroleum Industry Act, passed in 2021, which obliges firms to pay 3% of their annual operating expenditure to host communities. Local security operations, such as those run by a former Delta militant hired by the government, also appear to have had an impact. The break-even price for local producers is estimated at between $30 and $40 per barrel, so they can operate profitably despite relatively low oil prices.

Yet not everyone is convinced. The Stakeholder Democracy Network, a watchdog, reckons local firms release five times more emissions per unit of oil production than global producers. Nigeria's state regulator initially blocked Renaissance from acquiring Shell's assets, arguing it would be unable to shoulder the financial and environmental liabilities.

To keep local communities onside, pay for repairs to ageing or damaged infrastructure and tap new reserves, firms need a lot of money. But with the exception of Seplat, which is also listed on the London Stock Exchange, most local firms find it hard to raise the funds they need to grow.

Western banks remain wary of Nigerian oil. Local ones, just recovering from a currency crisis, are little help. Chinese or Middle Eastern lenders will make up only part of the shortfall. Many firms will eventually be swallowed up or fold. "There's a lot of talk," notes one industry expert. "But a lot of these guys don't actually have the capital to bring oil to production."

In the long run the firms that survive will probably be those that have bet on natural gas. Nigeria has Africa's largest proven reserves of it, and global demand is booming. The government is offering tax incentives to encourage investment in gas.

This could boost growth. A cheaper source of power than oil, gas can be used in domestic industries from fertilisers to steel manufacturing. For decades, Mr Uwandu argues, Nigeria's oil industry was "designed primarily around international oil companies, export infrastructure and offshore balance sheets". The hope is that domestic firms are more likely to build the infrastructure needed at home. ■

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Europe

Europe | Out in the cold

Europe has three options for defending Greenland

Fending off Donald Trump may yet prove agonisingly difficult

January 15th 2026

"IT IS NOT easy to think about solutions when you wake up every morning to new threats." Such was the understated view of Lars Lokke Rasmussen, Denmark's foreign minister, on January 14th. He and his Greenlandic counterpart had just held a testy meeting with Marco Rubio, America's secretary of state, and J.D. Vance, the vice-president, in Washington. Since America's exfiltration of Nicolás Maduro, Venezuela's dictator, on January 3rd, President Donald Trump has revived his interest in what Mr Rasmussen called "conquering" Greenland. Anything less than having the island "in the hands of the United States" would be "unacceptable", Mr Trump wrote on social media before the meeting. Otherwise Greenland would fall into the clutches of Russia or China.

The two sides "agreed to disagree", Mr Rasmussen said. He offered no hint that his government might budge on the status of Greenland, a self-governing territory that is part of Denmark. But even if no crisis seems imminent, Mr Trump's meddling with the sovereignty of a NATO ally has sparked alarm in European capitals. His intentions are hard to divine. Does America want to divide the Greenlanders from the Danes, to buy the islanders off, or even to invade? Europe's politicians are scrambling for a strategy. Their options fall into three camps: deflate, deter and distract.

For now the priority is to deflate Mr Trump's purported concerns by showing that they can be resolved within the existing legal framework. Mr Rasmussen said a "high-level working group" would be convened to discuss Arctic security. Within NATO, Britain and Germany have proposed an "Arctic Sentry" naval surveillance mission. Such suggestions are buttressed by the flattery Mr Trump has come to expect from his NATO allies: chiefly, that he is right to fret about security in the high north. "There's always a bit of truth in what he says," noted Mr Rasmussen.

Not when it comes to Greenland, though. Under the terms of an agreement signed with Denmark in 1951 America may in effect station as many troops as it likes on the island. After the cold war America shrank what had been a substantial deployment to what is now fewer than 200 troops at a single base on the island's north-west, used for space surveillance and early-warning radar. Greenland also sits under NATO's security umbrella.

Broader security concerns seem overdone, too. "There's not really a security case for a NATO mission in Greenlandic waters," says Andreas Osthagen, an Arctic specialist at the Fridtjof Nansen Institute in Oslo. Evidence is scant for Mr Trump's claim that the island's seas are "covered with Russian and Chinese ships", and the Danes have largely seen off Chinese interest in investing in Greenland. Experts say the more pressing Arctic issues lie elsewhere, including Alaska. As for the rare earths and other minerals Mr Trump covets, digging them out looks prohibitively expensive. American firms would need no transfer of sovereignty to obtain mining concessions, but few have shown interest.

Yet these arguments leave the president unmoved. So it is worth taking him at his word when he says "ownership is very important". Securing possession of Greenland is part of his "obsession with legacy", says a former American diplomat. That means Europe needs to consider its second set of options: deterring a Trump grab for Greenland. There is some tough talk in Brussels and elsewhere over suspending elements of the European Union's recent trade deal with America, or squeezing its tech firms. Wilder ideas include shutting American military bases in Europe or dumping holdings of US Treasuries.

But finding majorities for such proposals will be difficult, says Jeremy Shapiro, the Washington-based research director of the European Council on Foreign Relations. And most amount to retaliation rather than deterrence. Better, he suggests, to consider actions designed to change the decision-making calculus in the White House. These might include establishing a rotational presence of European troops in Greenland; pre-committing to sanctions on American firms that exploit Greenland's minerals without locals' consent; and lobbying friendly Republicans.

As the meeting in Washington began Denmark announced an increase in its naval, air and land presence in Greenland. Allies including France, Germany and Sweden said they would contribute. The symbolism is striking. But do Europeans have the stomach to escalate further? Emmanuel Macron, France's president, is on the hawkish side. On January 14th he told his cabinet Mr Trump was risking “a cascade of unprecedented consequences”. Mette Fredriksen, Denmark’s prime minister, once favoured caution but now warns an attack on Greenland would destroy NATO. Robert Habeck, a former German vice-chancellor now at the Danish Institute for International Studies, says an American move on Greenland could embolden Russia to nibble at the Nordics: “All measures must be on the table.”

Others fear that escalating will make a Trump grab more likely, not less. Ukraine is another worry: antagonising the White House risks sacrificing America’s tentative offer to join Europe in providing Ukraine with security guarantees after a ceasefire. For now, most European politicians seem reluctant to turn the screws. “The problems we have can be solved with Greenland as part of Denmark under the existing treaties,” says Jurgen Hardt, foreign-policy spokesman for Germany’s ruling Christian Democrats. “I’m sure that this argument will convince President Trump.”

If not, the final hope is that Mr Trump may be distracted from his quest. A stealthy takeover operation—say, agitating for Greenlandic independence as a prelude to an American association agreement or annexation—would require planning and follow-through. These are not the president’s strengths. A military takeover would be simpler to execute. But it would severely test the loyalties of some in the armed forces, the government and Congress. Just 4% of American voters back the use of force to obtain Greenland. Mr Trump has a lot on his plate, from November’s midterms to troubles in Iran, and values easy wins. Once the sugar high from Venezuela has worn off, he may find something else to worry about. Perhaps his annexation talk is merely designed to press the Danes into a deal on security or mining. That, at least, is the European hope. ■

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Europe | Judging the judges

Spain's judiciary is caught up in a bitter political war

The government decries charges of corruption as "lawfare"

January 15th 2026

THERE ARE so many pending court cases against allies of Pedro Sánchez, Spain's Socialist prime minister, that a newspaper story on New Year's Eve forecast that 2026 would be his "judicial Calvary". They include half a dozen investigations into allegations of corruption against his closest political allies. In addition, the country's constitutional court is likely to hear an appeal against the Supreme Court's conviction and dismissal of Álvaro García Ortiz, the former prosecutor-general, for leaking the tax problems of the romantic partner of the head of the Madrid regional government. And judges have charged Mr Sánchez's wife, Begoña Gómez, and his brother with conflicts of interest (both say they are innocent).

The prime minister and his allies consider this a campaign of judicial harassment aimed at overthrowing the government. In September Mr Sánchez complained that "there are judges practising politics. They are a minority but they do immense damage to justice." Several ministers have also criticised judicial decisions. The opposition argues that the courts are applying the rule of law and holding the prime minister to account in a way that neither his party nor his parliamentary allies are doing. But since it knows that it lacks the votes in parliament to censure Mr Sánchez, the conservative People's Party (PP) often seems to rely on the judiciary to do its job.

The wider problem for Spain's democracy is that the judiciary has become a political football. Some Spaniards think judges have always been influenced by politics, and it has merely become more explicit. But things do seem to have got worse. Judges are routinely identified by the media as conservative or progressive, a rarity in western Europe (though common enough in the Americas). In this framework, the Supreme Court has a conservative majority while the constitutional court is predominantly progressive. They are often at odds.

Also unusual is Spain's system of multiple judicial associations. It has four for judges and three for prosecutors, divided along political lines. Last July five of the associations went on strike for three days, an unprecedented move, in protest at bills that they say threaten judicial independence. One measure would make judges' training less rote-oriented (less thorough, say the associations). Another would bring Spain into line with most European practice by shifting investigations from judges to prosecutors.

A third government bill would restrict "popular accusations", another Spanish peculiarity under which citizens and political groups can file allegations that judges are required to investigate. This has led to trial-by-media in cases that are eventually dropped. But because the government picks the prosecutor-general, many consider the popular-accusations system necessary to ensure politically sensitive cases are not ignored.

The breakdown of trust between politicians and judges has several causes. The first was a political battle over the General Council of the Judiciary, which makes judicial appointments. Its members are nominated by judges, but must be approved by parliament (a legacy of a reform in the 1980s, when democratic politicians were wresting the courts free from judges left over from the Franco dictatorship). In the past the council was periodically renewed by agreement between the Socialists and the PP. But that arrangement has broken down. An attempt in 2018 foundered when a PP senator boasted that his party would control the Supreme Court's main chamber "through the back door". A new council was finally chosen in 2024 after mediation by the European Commission.

A second milestone was an agreement between the Socialist Party and Catalan separatists to allow Mr Sánchez to carry on governing after he lost the last general election, in return for a sweeping amnesty for those involved in an unconstitutional secession vote in 2017. The Supreme Court saw the amnesty, which Mr Sánchez and his party had previously opposed, as a slap in the face: it had imposed heavy jail sentences on nine separatist leaders. To rub salt in that wound, the prime minister's former political fixer, Santos Cerdán (who faces unrelated corruption charges, which he denies), promised parliamentary investigations into cases of "lawfare", a term for the partisan judicialisation of politics. The court responded by excluding Carles Puigdemont, the separatist leader, from the amnesty on questionable grounds.

A third inflammatory issue has been the cases against Mr Sánchez's family. His wife has been pursued by an elderly ancillary judge, acting on an accusation by far-right groups. He has found some seemingly unethical behaviour: Ms Gómez obtained a university job for which she was not obviously qualified, and recommended that a collaborator get government contracts. But few think these amount to crimes. The judge has spun his investigation out for almost two years and appears to bask in the attention.

Legal observers say such judges are a tiny minority. "Judges are not doing what the parties say," argues Tomás de la Quadra-Salcedo, a former Socialist justice minister. But he worries that in the current climate judges' own prejudices may lead them astray.

Nobody seriously questions the other judicial investigations into corruption. "It's not true that the judiciary is [biased] against the government," says Elisa de la Nuez, a campaigner for the rule of law. But the pushback is worrying, she adds. “For the first time judges feel threatened by political power.” In the long term, that is in nobody’s interest. It is up to politicians to take the first step, by ceasing to seek to judicialise politics. But given how polarised Spain has become, that may be too much to ask.■

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Europe | A new sort of transatlanticism

Europe and South America seal a trade pact for the Trump era

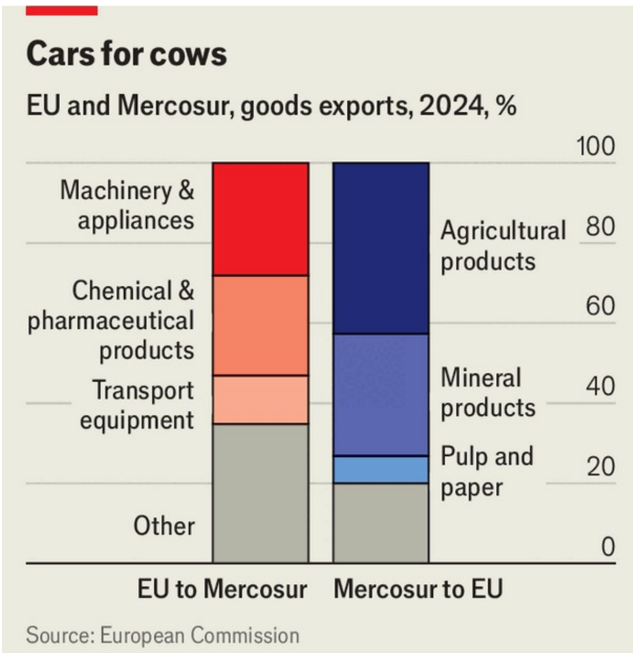
The EU-Mercosur agreement is a big deal in the world of geoeconomics

January 15th 2026

THE EUROPEAN UNION and Mercosur, a bloc of South American countries, first started negotiating their trade deal last century. In 1999 Bill Clinton was in the White House, Boris Yeltsin was stumbling around the Kremlin and China had yet to join the World Trade Organisation. The EU was proudly introducing its future currency, the euro. Globalisation offered tantalising prospects: a flatter world in which countries traded more and understood each other better. Onwards to the 21st century!

That the two blocs are about to sign that deal this week, after more than 25 years of negotiations, highlights how things have changed. America is retreating from globalisation, raising tariffs, and threatening to seize

Greenland from Denmark, a NATO ally, after sending troops into Venezuela to kidnap its leader. Chinese competition threatens businesses in both Latin America and Europe, and countries are increasingly obsessed with guaranteeing secure supplies of critical raw materials, of which Latin America has plenty. Anticipating such challenges, the EU and Mercosur completed their negotiations shortly after Donald Trump won America's presidential election in 2024, though agreeing to approve the deal took Europe another year. On January 17th the two sides will formally sign it at a ceremony in Paraguay.



The quarter-century negotiating delay is the fault of protectionist lobbies on both sides of the Atlantic, especially European farmers, who fear a flood of cheap beef and sugar. Some dubbed the deal "cows for cars", suggesting the winners would be Latin American farmers and European industry. Predictably, France led the griping: it stood firm to the very end on January 9th, when it was joined by Poland and a few smaller EU states in opposing the deal in an internal EU vote-count. Germany and other northern European export powerhouses were far keener, as was Spain, with its close ties to Latin America. The pact won the support of a "qualified" majority of EU countries, as weighted by population, after a raise in subsidies for farmers helped induce Italy to switch sides. It opens up markets in four longstanding Mercosur members: Brazil, Argentina, Paraguay and Uruguay. Venezuela has been suspended from the bloc and is thus not included. Bolivia, the newest member, could join the trade agreement in the coming years.

Economically, agriculture is a tiny part of the deal. The €240m-worth ($279m) of wine that EU producers export to the Mercosur states makes up a minuscule 0.0013% of the EU's GDP. And Europeans will continue to pay high prices for Argentinian steaks: a tariff cut from 40-45% to 7.5% will apply to only 99,000 tonnes of beef. That is only about half the amount they currently import from there and the equivalent of 1.5% of beef production in the EU, a net beef exporter itself. Similar limits apply to other goods. In a time-honoured tradition, the agricultural lobby was bought off with €45bn in subsidies it can pull forward from the next EU budget. Safeguards were added to make sure Mercosur-sourced foodstuffs abide by standards similar to European ones, and do not move the prices of certain sensitive agricultural products too much.

The real economic rationale lies in industrial and services trade. The pact creates a free-trade bloc of more than 700m people. By 2040, removing tariffs on around 90% of goods on both sides and simplifying trade in services will boost the EU's exports by €49bn ($56bn) and Mercosur's by €9bn, the Europeans estimate. Such numbers are still low in terms of the overall economy: the EU's current annual exports to Mercosur, mostly machinery, chemicals and cars, amount to €57bn, just 0.47% of its GDP. By contrast, EU goods exports to the Indo-Pacific region are worth about €400bn. But new opportunities matter for Europe's industries, which are struggling with American protectionism and Chinese competition. They help Europe's industries maintain scale as they lose market share elsewhere. "Brussels is prioritising tariff reductions in high-tariff areas right now, such as Mercosur and India," says Iana Dreyer of Borderlex, a specialised trade publication.

The deal is a major event in what has come to be called "geoeconomics", or the interaction between geopolitics and the economy. It is the biggest element of a wider attempt to strengthen ties with Latin America and diversify European trade and supply chains. As for countries that do not belong to Mercosur, the EU already has agreements with Peru, Colombia, Ecuador and Chile. It has finished negotiating an update to its deal with Mexico, which now awaits approval. Such ties help develop Latin American industries that the EU can count on if others cut it off, such as critical raw-material extraction and refinement.

Snubbing Mercosur at the behest of domestic farmers would have been an own goal for Europe. “Failing to sign the EU-Mercosur free-trade agreement risked pushing Latin American economies closer to Beijing’s orbit,” says Agathe Demarais of the European Council on Foreign Relations, a think-tank. The EU and Latin America are pursuing “post-American transatlanticism”, as Alexander Clarkson of King’s College London calls it. The flat world of 1999 has given way to regional power politics. The EU is starting to play that game in its own way. ■

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Europe | The Turkish throne

Who might succeed Recep Tayyip Erdogan?

The manoeuvring to succeed Turkey's president has begun

January 15th 2026

His scarf displaying a Turkish flag on one side and a Palestinian one on the other, a bald man in his 40s was addressing a crowd on the Galata Bridge, the Istanbul landmark that spans the Golden Horn. The occasion was a march on January 1st in support of Gaza. The talking points, including a reference to Binyamin Netanyahu as the "21st century's Hitler", were the same ones Turkey's president, Recep Tayyip Erdogan, has been hammering for years. The speaker's broad forehead, slightly raised eyebrows and solemn expression seemed familiar too, as did the cadence of his words. He was Bilal Erdogan, the Turkish president's youngest son.

Despite holding no public office, Bilal is edging into the political limelight. A series of public appearances and his presence alongside Mr Erdogan at recent meetings with foreign leaders have kindled speculation that he is being groomed as a successor. Bilal sits on the boards of a number of pro-government foundations and has become one of the faces of the World Nomad Games, the Turkic world's take on the Olympics (think archery, falconry and all things horseback). In addition, he has embraced the Palestinian cause. In mid-December he invoked the war in Gaza to make an improbable case for giving his dad more power. "If we had made our president a little stronger," he said, "Israel would not have been able to commit this genocide."

It is hard to imagine what new powers Mr Erdogan could acquire, having already dismantled most of the checks on his presidency. He also has no intention of leaving office soon. Having ruled since 2003, first as prime minister and then as president, technically he cannot run again after his current term, which expires in 2028. But constitutional changes or an early election could give him another five years in power.

To push a new constitution through parliament, Mr Erdogan would need the backing of at least 400 out of 600 MPs, which he does not have. He could muster the 360 votes needed to put constitutional changes to a referendum, but he would risk losing it. When Mr Erdogan called such a plebiscite in 2017, on amendments to further empower and extend his presidency, he won by the thinnest of margins, and amid claims of fraud. He is more likely to ask parliament to call a snap election, probably in late 2027.

Mr Erdogan's health is a state secret. But at 71 he has visibly lost a step. Should he decide not to stand, he is expected to anoint a replacement to run on his Justice and Development (AK) party's ticket. The party itself, which he has turned into a rubber-stamp body, will probably have little to say on the subject.

Publicly, AK politicians refuse to entertain any future without Mr Erdogan at the helm. "There is no plan B," says a senior party member. Behind closed doors, however, a struggle for Mr Erdogan's favour is taking shape. Four people are said to be in contention. They are Selcuk Bayraktar, the president's son-in-law and the architect of Turkey's successful drone programme; Suleyman Soylu, his former interior minister; Hakan Fidan, the foreign minister; and Bilal. In a survey in December 33.4% of Turks said they would prefer Mr Fidan as the next head of AK. Bilal came third with 14.2%, ahead of Mr Bayraktar (12.9%) but behind Mr Soylu (32.5%).

Mr Fidan has by far the best CV of the bunch, having spent over a decade at the head of Turkey's intelligence agency before becoming its top diplomat. Speculation about his ambitions mounted last autumn after he revealed that production of Turkey's indigenous fighter jet, one of the crown jewels of the country's booming defence sector, had stalled because America's Congress refused to issue an export licence for the engines. The remarks came days after Mr Erdogan's meeting with Donald Trump at the White House, which both leaders billed as a success. That showed Mr Fidan was enough of a heavyweight to dare rain on his boss's parade.

AK may have trouble surviving a leadership change. Mr Erdogan himself might have a hard time winning another election, even with most of the media under his thumb; his main opponent, Istanbul mayor Ekrem Imamoglu, behind bars on trumped-up charges; and the opposition Republican People's Party (CHP) hounded by prosecutors. High interest rates, new taxes and spending cuts have eroded the president's popularity. Inflation has come down from the high double digits, but remains over 30%, unacceptably lofty for most Turks. In most polls Mr Erdogan trails Mr Imamoglu and Mansur Yavas, the mayor of Ankara, the capital, who is reputed to be the CHP's back-up candidate for the presidency.

Any anointed successor would face yet steeper odds, especially if his last name were Erdogan. Most AK voters oppose the idea of government as a family business, says Seda Demiralp, a political scientist. "Erdogan is an autocrat, but he has democratic legitimacy," says Burak Bilgehan Ozpek, another academic. "Bilal does not." Turkey's democracy is in bad shape. But an Erdogan dynasty is far from assured.■

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Europe | Bankrupt in Berlin

Germany's economy is so bad even sausage factories are closing

High costs and stagnant spending are putting businesses through the meat grinder

January 15th 2026

In the 1980s the German Democratic Republic's Eberswalder Wurstwerke was the biggest maker of sausages in Europe, with around 3,000 workers. The 65-hectare production site had its own hairdresser, clinic, library and restaurant. Those communist days are long gone. Last week the roughly 500 remaining employees learned that the newish (west German) owner of the company, which enjoys a cult of devoted customers for its skinless bratwurst and Schorfheider Knüppelsalami, would close its factory in Britz by the end of February.

“We heard about this half an hour before it was on TV,” says a white-uniformed employee in the shop at the factory gates. The factory outlet was busy, despite the snowy weather. Tönnies, the west German meat processor that now owns the factory, “promised to invest when they bought us just two years ago”, complains another worker.

Germany’s economy, the third-biggest in the world by nominal GDP, has been stagnant for three years, and factory closures and insolvencies are reaching worrying levels. On January 8th Zalando, a big German online fashion retailer, said it would close a logistics centre that employs 2,700 workers in Erfurt, also in eastern Germany. Preliminary figures from Destatis, the German statistics agency, show insolvencies in December rose by 15% compared with the same month in 2024. The transport, hospitality and construction sectors were especially strongly affected. Last year’s annual total of more than 17,600 company insolvencies was the highest in 20 years, according to the Leibniz Institute for Economic Research in Halle.

Most discouraging for Germans has been the rash of well-known firms that have gone bust. Last year they included some of the country’s biggest names: Goertz (shoes), Gerry Weber and Esprit (fashion), Groschenmarkt (discount retail), Karrie Bau (construction) and Zoo Zajac (the world’s largest pet store). To be sure, other downturns were worse; the bursting of the dot-com bubble caused far more corporate bankruptcies. In some years more than 39,000 companies have gone under. But earlier crises focused on specific sectors, as with the tech industry in the dot-com crash.

By contrast, the current malaise affects businesses across the board. German manufacturing was once an anchor of stability, mitigating ups and downs in other sectors. No more: export-oriented industries are especially vulnerable to global conflict, tariffs and high energy prices. The country’s entire economic model is ill-suited to new realities. Until it adjusts, even sausage makers will find themselves on the chopping block. ■

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Europe | Charlemagne

Europe's farmers no longer rule the roost unchallenged

Is this the end of the sacred-cow era?

January 15th 2026

To be president of France is to submit to a calendar of highly scripted rites. Every New Year's Eve Emmanuel Macron, like his predecessors, delivers a televised address to the nation. On Bastille Day, the national holiday on July 14th, he reviews troops parading down the Champs-Elysées. And on the last weekend in February he spends the day fondling cows at the Salon de l'Agriculture. The pop-up farmyard on the outskirts of Paris is to the rural world what fashion week is to chic urbanites, with heifers as the supermodels to be gawped at. The president's visit is his opportunity to show fealty to all things agrarian. From dawn to dusk he is expected to pat beasts shipped in from across the hinterland, express delight at every proffered slice of cheese and saucisson, shake every farmer's hand and nod gravely at their endless grievances. In 2024 Mr Macron skipped a call with the American president and other G7 leaders to spend 13 hours at the salon. Last year he cut his visit to just 12 hours to attend to a national emergency.

What other slice of economic activity that is worth a mere 1% or so of GDP, and employs an ever-dwindling number of people, could command such political attention? Welcome to Europe, a place that sometimes seems to be ruled solely for the benefit of farmers. It is not just Mr Macron who ostentatiously reveres the tractor brigade. From Dublin to Athens, politicians who may not themselves know which end of the cow does what treat farmers with the syrupy affection grandparents reserve for toddlers. The European Union covers a largely urbanised continent, but it sometimes feels like a farming-subsidy club with a flag and a parliament. Around a third of the bloc's budget goes to farmers, largely through the common agriculture policy (CAP), the most sacred cow on the policymaking agenda. The bloc's founding treaty mandates that farmers should be entitled to a "fair standard of living", a privilege not mentioned for any other category of citizens.

Yet even sacred cows, it turns out, may eventually be destined for the abattoir. A slew of recent policies suggest farmers' quasi-monopoly on political sympathy is ebbing. On January 17th the EU will sign a free-trade deal with Mercosur, a club of South American countries that includes Brazil and Argentina. The pact has been in negotiation for over 25 years, pushed by industrial interests that crave fresh markets for cars and machines. Their efforts had been stymied by farmers reluctant to compete with some of the world's most renowned cattle-raising countries. Yet on January 9th a "qualified" majority of EU national governments voted in favour of the deal. More trade pacts with agricultural powerhouses are in the works, with India and Australia.

Other instances of lèse-agriculteurs have been bubbling up. The prospect of Ukraine joining the EU looks more realistic than ever; rapid accession to the club may be needed for a peace deal with Russia. Military types' concerns over what this might mean for the continent's security are nothing compared with the fretting by farmers over letting in a country with soil so fertile that its national flag symbolises a field of golden wheat. Ukraine has more arable land than France and Germany combined, much of it harvested by vast farming conglomerates. Without reform, much of the money doled out by the CAP would end up in Ukrainian hands.

Perhaps worst of all for the pitchfork posse, the farmer-handout scheme is nothing like as sacrosanct as it once was. In July the European Commission put forward a long-term budget proposal that hinted at cuts to the CAP of around 30% in real terms. Farmers, long used to being showered in cash by Brussels, instead feel battered by bureaucratic edicts. As part of its environmental policies the EU pushed to curtail practices underpinning intensive agriculture, for example the intemperate use of pesticides. There have even been suggestions from officialdom that consumers should ease up on eating meat.

Farmers have not been entirely thrown under the tractor. Thanks to extensive lobbying efforts, sometimes involving lobbed manure, the Mercosur agreement comes with strict quotas on how much meat can come into the EU. To win support for the deal, the commission reversed some of the planned cuts to the CAP from 2028. Farmers have been given other sops as well. Rules on bureaucracy, animal welfare and pesticide use have been loosened. If Ukraine does join the union, its farmers will get CAP benefits—or even full access to EU markets—only after many years.

But the dwindling of farmers' political heft seems inexorable. That is largely because of competing priorities. A deal with Mercosur was long a mere "nice-to-have" for the EU, but in an age of American tariffs and deluging Chinese exports it became a geopolitical imperative beyond even farmers' ability to restrain. Across Europe, budgets are stretched: every euro spent on agriculture is one less for defence or for boosting industrial competitiveness. Farmers could once argue that they helped keep Europe sovereign by guaranteeing its food security. But the CAP fosters a system that leads to food surpluses, and thus exports. If Europe wants to insulate itself from the outside world, it has other things it could spend its money on, like replacing industrial imports.

The farmers' most convincing argument for politicians is that propping up the countryside helps keep the peace. "The role of farmers is not just as food producers. We are stabilisers of democracy within the EU," argues Massimiliano Giansanti, president of COPA, a large agri-lobby group. The populist right has been making headway in rural areas, preying on farmers' sense of having been left behind. In France the outbreak of a bovine disease has put the sector under particular strain. Worse, because of the disease, this year's upcoming Salon de l'Agriculture will feature no cows. What will Mr Macron do for all those hours? ■

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Britain

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Britain | Defence spending

Six months after a big review, British defence is still in trouble

A deployment to Ukraine and a row with America could up-end plans

January 15th 2026

LAST SUMMER Britain published a "root and branch" strategic defence review (SDR). It was supposed to settle the country's military path for years to come. It already looks a little ragged.

On January 6th Sir Keir Starmer, the prime minister, promised to send troops to Ukraine as part of a "coalition of the willing" to uphold a future ceasefire. That would be the most serious commitment of British forces since the occupation of Afghanistan. On the same day the White House reiterated that America sought to absorb the Danish island of Greenland—by force if necessary. That prompted a rare public rebuke by European states, including Britain. American assertiveness, hardened by the "Donroe doctrine" used to justify its dramatic raid on Venezuela, raises questions over Britain's military, nuclear and intelligence dependence on America.

The Economist spoke to a dozen people involved with the SDR and its implementation. Most expressed frustration with the slow pace of progress. The document was ready in early 2025 but not published until the summer. "What has happened in the intervening six months is very little," complains Sir Richard Barrons, a retired general and one of the review's authors.

A "defence investment plan" (DIP), a document laying out the weapons and platforms the Ministry of Defence intends to buy over the next decade, has gone AWOL. The DIP was supposed to be published in the autumn. There is still no sign of it. That has left many defence firms, particularly smaller ones, exasperated.

"I share the concerns that many companies and investors here have expressed around not yet seeing the money flowing to…a more diverse supplier base of younger, innovative companies," said Grace Cassy, another member of the review team, on a panel last year. Many young defence firms hoping to pick a European headquarters are choosing between Britain and Germany, says one insider. "They're all saying: We'll do Germany, because they're actually spending money."

In theory, the government has committed to spending 2.6% of GDP on defence by 2027 and, in line with NATO allies, 3.5% by 2035. But most of the cash is backloaded, appearing only in the 2030s. Defence inflation is high and spending on nuclear weapons consumes much of the budget. "In reality, spending on conventional forces is trending down" this year and next, says Ben Barry, a retired brigadier now with the IISS think-tank in London.

The result is a £24bn ($32bn) gap, over ten years, between the SDR's vision and the funding for it, says one person familiar with the numbers. In recent days British newspapers have described an even bigger hole: £28bn over four years. The Royal Air Force's programme for a new warplane, a project with Italy and Japan, is hard to square with AUKUS, the scheme to build an attack submarine with America and Australia. "I don't see any evidence that readiness in terms of ammunition, stockpiles and medical capability has substantively improved at all," says Mr Barry.

Cuts to amphibious capability, including the decommissioning of two assault ships last year, cast doubt on Britain's ability to recapture the Falkland Islands if Argentina takes them again, as it did in 1982, says Mr Barry. The more pressing theatre of conflict is Ukraine. John Healey, the defence secretary, told Parliament that a multinational force for Ukraine (MFU) would carry out "defence and deterrence operations" on land, air and sea after a ceasefire. Britain and France would create "military hubs" to help Ukraine "regenerate" its forces through training and planning.

The Times has reported that Britain's contingent is expected to be smaller than 7,500. If Mr Healey is serious about that deterring Russia, it would need to be a "heavy" brigade, packed with armour. More probably it would be a "light" infantry-heavy one. But a brigade would typically need to be rotated out every six months, so another would be needed in reserve, and a third, perhaps, behind that. That is doable, says a general, but at the very limit of what the army could eke out: "Units are very undermanned at the moment." Britain already deploys a battlegroup (around 1,000 men) to Estonia with the promise to scale that up to a brigade.

The money for any British expeditionary force could come from the £3bn that Britain has pledged for Ukraine annually. More concerning, says Mr Barry, is that the army has vanishingly little artillery, having given away most of it to Ukraine, or air defence. Britain deployed a heavy brigade to Bosnia in the 1990s for six years, he points out, but could do so then because the army had more than 100,000 soldiers, almost 50% larger than the force today.

In practice, any MFU would depend on some backing by America. That is awkward. America and Europe are also embroiled in one of their most serious disputes since the second world war, over America's menacing pursuit of Greenland. Last summer the SDR noted America's "change in security priorities". There was "a great deal of resistance" in the British government to speaking any more frankly for fear of a backlash from Donald Trump, says one of those involved in the review. The issue is now hard to avoid, though.

“Of all the militaries in Europe, we are the ones over-dependent on America,” says a former senior official. The greatest dependencies lie in nuclear forces, intelligence and submarines. “Fundamentally, culturally, our problem is our military leaders just want to buy American.” Many defence insiders now argue that it is time to think through more radical options. “Instead of running away from the potential of the United States turning its back on its allies, we should at least prepare,” says Sir Ben Wallace, who was defence secretary from 2019 to 2023. “That discussion should be everything from a cultural change to re-examining how we protect our resilience from unpredictable foreign policy.”

In many areas, Britain is tied to America for decades to come. The Trident D5 nuclear-tipped missile that Britain shares with America is due to last until the 2040s. The RAF plans to keep the F-35 jet in service until the 2060s. Unwinding those dependencies would require tens of billions of additional pounds annually, notes Matthew Savill, a former MoD official now at the Royal United Services Institute, another think-tank. He recommends investment in niche enabling capabilities, such as intelligence and space platforms, that would expand Britain’s ability to act without America.

For now, Britain is running to stand still. “On the current spending profile, in many respects,” says Sir Richard, “they won’t be any better off in three to five years. There’ll have been marginal change.” ■

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Britain | Enter the robo-cops

Britain’s high-tech hunt for Russian subs in the North Atlantic

The cat-and-mouse game increasingly involves drones and AI

January 15th 2026

“THE HUNT for Red October”, Tom Clancy’s novel of 1984 and later a cult film, depicts the cat-and-mouse game between Russian submarines trying to break out of the Greenland-Iceland-UK (GIUK) gap into the North Atlantic and the NATO forces tasked with hunting them. The game goes on. But for Britain it is getting harder. The Royal Navy is desperately short of attack submarines and frigates. And the newest Russian subs are much quieter.

Britain’s Atlantic Bastion programme aims to tackle both these problems. The idea is that crewed warships and aircraft will be connected to underwater sensors and uncrewed autonomous vessels through “AI-powered acoustic detection technology”, sifting out the noise of the ocean for signs of a Russian sub. Unusually, the sensor network, including unpowered gliders, which use buoyancy to travel underwater for long stretches, would be run by contractors—a sort of sub-hunting-as-a-service.

It is a clever idea. But it also has some limitations. A paper by the Royal United Services Institute (RUSI), a think-tank, outlines two of them. One is that Russia could surge its submarines through the GIUK gap before a war. Once they were past that choke point it would be far harder to track them. AI-powered sensors can work superbly in a confined area where they can learn the normal pattern of sound and therefore spot new and anomalous ones—like Russian propellers. That can't be done throughout the Atlantic. It is especially hard in areas like the Sargasso Sea, east of Bermuda, where the mix of warm and cold water makes sound travel differently.

The sneakier option is for Russia to go under the thick ice north of Greenland, evading the sensor-laden choke points entirely. Russia has been practising this. NATO, apart from America, is rusty. The Royal Navy's last public under-ice exercise was eight years ago.

For Russia, the aim would be to force America to divert its own subs and ships away from Russian shores. The answer, suggests RUSI, is for Britain to put more firepower on Russia's doorstep, dragging Russian subs back north-east. At present, British warships are feebly armed, unable to launch any cruise missiles at all. The Royal Navy has announced “Atlantic Strike”, a concept with little detail, but which is expected to include missile-armed drone boats. In the North Atlantic, the robots are coming. ■

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Britain | Blurred lines

Nigel Farage would bring uncertainty to Britain's policy on Putin

The Reform UK leader has a chequered record on Russia

January 15th 2026

Sir Keir Starmer thinks he has at last found the weakness that will arrest the rise of Nigel Farage, the leader of Reform UK, a right-wing party that is now ahead in the polls. It is called Vladimir Putin.

Sometimes the prime minister's argument is stark, such as his claim (in a recent interview with The Economist) that under Mr Farage's "Putin-positive" leadership, Britain's role in the European coalition in support of Ukraine would collapse. Sometimes he relies on humour, such as when, in the House of Commons on January 7th, he issued a late season's greeting to Reform MPs "because today is the day that they celebrate Christmas in Russia". As politics this may be effective. Is it unfair?

Not wholly. For a man characterised as a gadfly populist, Mr Farage has long hewed to an unpopular position: that culpability for Russia's aggression towards its neighbours lies in part on Western leaders, for overseeing the enlargement of NATO and the European Union (EU). Were he to reach power, that presents a high degree of uncertainty about Britain's posture towards Russia and its European allies.

Sir Keir has signed a declaration of intent to deploy British troops to Ukraine as part of security guarantees for a future peace deal. Mr Farage opposes this, saying that the British and French alone lack the manpower and equipment for an operation "that clearly has no ending timeline".

In other areas Mr Farage takes a more conventional line. He says Reform would increase defence spending. At a press conference on January 12th he indicated that it would uphold Britain's commitments to help defend NATO's eastern flank. British troops are deployed under a NATO deterrence force to Estonia and Poland, while British planes take part in "air policing" in Poland and Romania. Would he support that? "They are NATO members now…once you're a NATO member, you must be defended." NATO had given Mr Putin a casus belli by expanding, he said, but "you're talking about an historical argument."

It is one he has aired for years. As a member of the European Parliament until Britain's exit in 2020, on Russia Mr Farage observed the principle that the enemy of my enemy couldn't be so bad. In his telling, the EU was the mirror of the Soviet Union, and characterised by the same ideological fanaticism and imperial hubris. Its enlargement, he argued often, would eventually provoke a conflict with Russia.

MEPs of his UK Independence Party opposed a resolution in 2008 condemning Mr Putin's invasion of Georgia. Mr Farage also opposed a resolution in 2011 which criticised the conduct of elections in Russia that were widely regarded as rigged. Although the allegations merited investigation, Mr Farage said, the EU had "no right to lecture other countries on democracy".

When Mr Putin annexed Crimea in 2014, following a popular uprising of Ukrainians in favour of closer ties to Europe, Mr Farage was splenetic, declaring that Brussels had chosen to “poke the Russian bear with a stick”. “You are the guilty people, and you refuse to accept it,” he thundered. He remains oddly proud of that speech, and when a full invasion of Ukraine followed in 2022 he declared himself prophetic. (A boast he repeated this week: “I got it right. Nobody else saw it.”)

Sometimes Mr Farage’s indulgence of Russia was personal: asked in 2014 to name the leader he most admired, he cited Mr Putin: “as an operator, but not as a human being”. He called Russia’s intervention in Syria’s civil war “brilliant”. Often it provided publicity: Mr Farage was a frequent guest on RT, a Russian state broadcaster.

Reform’s critics have hunted for signs that it has taken funding from Russia, without turning up conclusive evidence. But Nathan Gill, a former leader of Reform in Wales, was jailed for ten and a half years in November 2025 after admitting taking bribes to make speeches that supported a pro-Russian oligarch who faced investigations in Ukraine. Reform said his actions were “treasonous and unforgivable”.

Such dalliances are an electoral liability. Mr Putin is toxic in Britain. Support for Ukraine is higher than in other large European countries, polls suggest. True, Reform voters are more sceptical of Ukraine than Britons as a whole. (Some 64% of Reform voters say they sympathise more with Ukraine than Russia, compared with 74% of all Britons, according to More in Common, a pollster.) But they are much less pro-Russian than supporters of populist-right parties in France, Germany or Poland. Mr Farage’s tepid endorsement of NATO contrasts with the noisy efforts Sir Keir put into demonstrating the support of the Labour Party in opposition, which he saw as a litmus test of its fitness for office.

That may moderate Mr Farage’s views as the next election draws closer. Much depends on who in his own circle he listens to. Alan Mendoza, his new foreign-affairs adviser, runs the Henry Jackson Society, a think-tank hawkish on Russia. He says Mr Farage’s views have evolved since he was leading UKIP. Reform’s opposition to Sir Keir’s Ukraine mission is because it is unviable, not because it is wrong on principle, he says. Richard Tice, the party’s deputy leader, joined a charitable aid convoy to Ukraine in 2024. On the other side James Orr, a theology academic who advises Mr Farage, says mainstream politicians suffer from “Ukraine brain” and that the party should put “Kent before Kyiv”. Mr Farage holds the party in the palm of his hand; he alone will decide which way to turn.■

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Britain | Matchless scandal

The trouble with West Midlands Police

Its banning of fans of an Israeli football team has been blamed in part on an AI hallucination

January 15th 2026

When West Midlands Police proposed a ban on fans of Maccabi Tel Aviv, an Israeli football team, from a match against Aston Villa, its report cited an earlier fixture against West Ham. But it never took place; a hallucination by Microsoft Copilot, an artificial-intelligence tool, was to blame. Shabana Mahmood, the Home Secretary, said she had lost confidence in Craig Guildford, the chief constable. She wants to restore the power to sack failing police leaders. ■

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Britain | Red alert

A weapon that could help red squirrels in their Battle of Britain

Their allies think the key to victory is strategic deployment of hazelnut butter

January 15th 2026

"KNOW the enemy" is a maxim attributed to Sun Tzu, an ancient Chinese military strategist. You must discover and then exploit your enemy's weaknesses in order to prevail. The Red Squirrel Recovery Network (RSRN) has deployed such thinking in its battle against an invasive foe, Sciurus carolinensis—the grey squirrel. What is the weakness these ecologists are exploiting? The grey squirrel's insatiable appetite for hazelnut butter.

These creatures are in the crosshairs because of their impact on Britain's own red variety: England now has only an estimated 39,000 red squirrels, compared with at least 2.5m greys. The RSRN hopes to turn the tide. Its researchers, from the government's Animal and Plant Health Agency, with funding from the UK Squirrel Accord, a conservation partnership, have been lacing hazelnut butter to develop a secret weapon: an irresistible contraceptive bait. Its potency for impotency is proven and, after further trials, could be ready for the front lines. To ensure there's no friendly fire the team have designed an ingenious feeder, soon to be tested in Northumberland. The door to the bait opens only to weightier squirrels, letting in 90% of adult greys but not a single red.

Squirrel charities suggested that without conservation efforts red squirrels would disappear from almost all of England and Wales within ten years. Their American grey cousins, introduced in the late 19th century, are larger, smarter and compete more successfully for food and habitat. Paw-to-paw combat is rare, but greys are resistant to the squirrelpox virus which they spread among red populations, with fatal consequences.

Until now conservation efforts have focused on culling grey squirrels—a lethal but expensive tactic. It is hoped that the contraceptive bait and discriminating feeders will prove to be a scalable, more humane method of hobbling the enemy. The public are being urged to help operations by logging sightings of squirrels on an app to support the project's data team.

The £4.9m ($6.6m) received from the National Lottery will help fund the five-year master plan.

The RSRN is one of 26 conservation projects shortlisted for the Great British Wildlife Restoration Award, the winner of which will be decided soon. The schemes range from Project DUNG, helping the country's 60 species of dung beetle, to one aiming to save the glutinous snail, now confined to just one lake in North Wales. Such creatures rarely steal the limelight but are just as deserving of it as their exotic counterparts, says Nicky Needham, Head of Conservation at BIAZA, a professional body for British and Irish zoos.

The plight of native species resonates with an increasingly watchful public. Fully 88% of Britons say they are concerned about the country's reduction in wildlife. Britain has the most depleted biodiversity of any G7 country, according to an index produced by the Natural History Museum in London. Though red squirrels are not near extinction around the world (many stable populations thrive across Europe), their predicament in Britain is serious. So too is their allies' hazelnut butter. ■

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Britain | Pub crawl-back

Another U-turn from Britain’s government

This time over property taxes

January 15th 2026

WHO WOULD dare come between an Englishman and his pint? That is the mistake that Rachel Reeves, the chancellor of the exchequer, has made. In November Ms Reeves announced that her government would phase out by April a generous tax relief for pubs introduced to help them through the covid-19 pandemic. The bar-room backlash has been formidable.

Property taxes, known as business rates, are levied on all commercial buildings in Britain. Every three years the Valuation Office Agency (VOA) estimates the market rent, or “ratable value”, of 2m properties in England. In turn the treasury sets a “multiplier”—a fixed percentage of a property’s ratable value—which is charged to the occupant each year. Business rates will contribute £28bn ($38bn) to government coffers this year, equivalent to 2.2% of tax receipts, a higher share than in the average rich country.

In December the VOA completed a new valuation for commercial properties. A post-pandemic bounce has caused the tax base to rise by a fifth, from £68bn to £82bn, over three years. To mitigate that, in April the treasury will lower the multiplier that most businesses pay, from 50p in the pound to 43p. But the government has also withdrawn relief for the retail and hospitality industry that was designed to help it through the pandemic.

As with many tax changes, there are quiet winners and vociferous losers. Those shouting loudest are the landlords of England's 37,000 pubs. The Economist's analysis finds that the annual tax liability of the average boozer, after any "transitional" relief, will increase from £10,600 to £15,000 over the next three years. Some pubs have erected signs banning Labour MPs. A survey by the British Institute of Innkeeping finds that just one in ten pubs will be profitable if the tax rise goes ahead.

Cue another Labour U-turn (like those on winter-fuel payments, welfare reform, farmers' inheritance tax and, also this week, digital ID for workers). Peter Kyle, the business secretary, says the government is in "listening mode". Details of how it will assuage publicans are yet to be released. Our calculations suggest that an extra 10p of relief via the multiplier for pubs would lower the average annual bill over three years to £12,800 at a cost of £80m a year to the treasury.

Whether that would be money well spent is contentious. The covid-era relief for the retail and hospitality sector has cost taxpayers £12.7bn over the past five years. Economic theory suggests that any business-rate relief would affect rents, meaning that a pub's lower rates bills would, eventually, be offset by higher rents. Stuart Adam of the Institute for Fiscal Studies (IFS), a think-tank, says: "If there are positive externalities from pubs maybe we should subsidise them, but if people don't want to go to pubs, maybe there should be fewer pubs."

If the government backtracks for pubs it may have to yield to pressure from the broader hospitality and retail sector, too. The industry faces an average rate increase of 50% over the next three years; knocking 10p off the multiplier for its 780,000 properties would cost the treasury £5.5bn over those three years. Business rates can feel burdensome for small and large stores alike. Tesco, the country's biggest supermarket, has a rates bill of £700m. Helen Dickinson of the British Retail Consortium (BRC) says the tax is consistently one of the top two issues that her members complain about, and is a contributing factor in two-thirds of store closures.

Some occupiers already get carve-outs. Churches, charities and farms can get 100% relief from rates. In 2025 film studios were given a 40% discount for the next decade. Ken Murphy, the boss of Tesco, says the system needs to be "overhauled". The BRC and IFS concur—as did the Labour Party's election manifesto published in 2024. It promised to "replace" the business-rates arrangement because it "creates uncertainty" and "places an undue burden on our high street". Yet the system, like an unreformed drunkard, staggers on. ■

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Britain | Pedestrianisation

The case for banning vehicles from Oxford Street in London is weak

It would be good anyway

January 15th 2026

In the british version of Monopoly, a board game, Oxford Street belongs to the second-most expensive set of properties. It is as grand as Bond Street and Regent Street (two nearby shopping streets in central London) and is a cut above Piccadilly, the Strand and Trafalgar Square. Few visitors over the years have rendered such a positive judgment on it.

“Not London’s most distinguished thoroughfare,” wrote Virginia Woolf, a novelist and essayist, in the early 1930s. “There are too many bargains, too many sales.” Then, and ever since, Oxford Street has been plagued by hucksters and hawkers. In Woolf’s day they sold tortoises, by the 1980s dodgy perfumes, in the early 2020s overpriced sweets. Today people sell religion, especially around Oxford Circus, where Oxford Street crosses Regent Street.

London’s authorities have had enough. Calling Oxford Street “iconic” but “in decline”, the mayor, Sir Sadiq Khan, has created a development corporation that will exercise planning powers. He wants to pedestrianise a 900-metre stretch from the Selfridges department store to Oxford Circus, and perhaps eventually the whole street. Cars are already banned from much of the road. A consultation about rerouting buses ends on January 16th.

Some locals loathe that prospect. Michael Bolt of the Marylebone Association, a community group, argues that pedestrianisation would push buses, delivery vehicles and noise into narrow residential streets. An earlier plan was scuppered in 2018 after a protest party scooped more than 1,000 votes in local elections. It is likely to go ahead this time. Sir Sadiq and Westminster Council are both Labour.

A decade ago advocates of pedestrianisation argued that Oxford Street was appallingly polluted. The air is much cleaner these days, thanks partly to a citywide crackdown on noxious vehicles and partly to changes in public transport. About 33 buses an hour now trundle up the western part of Oxford Street, according to Transport for London. In 2015 fully 130 did. A monitor across the road from Selfridges shows that nitrogen-dioxide pollution has fallen by four-fifths since 2015.

Sir Sadiq now argues that Oxford Street is failing economically. Like filthy air, however, that is a past problem. Department stores and shops that were crushed a few years ago by e-commerce and covid-19 have been replaced by others or by offices. Savills, an estate agent, estimates that the vacancy rate on Oxford Street is below 1%. “It’s in a very strong position,” says Sam Foyle, co-head of global retail at the firm (he thinks that pedestrianisation would strengthen it even further).

Compared with Regent Street and Bond Street, Oxford Street is unruly. It has many landlords, thwarting attempts to impose a unified vision on the street. Money-changers and trinket shops abound. But it also has a wide range of clothes shops, from pricey Selfridges to discount Primark. Not everyone has the money or the body shape for Bond Street’s boutiques.

The best reason to ban vehicles from Oxford Street is simple: it would be nice. Crowds of people walk the street, not only because of its shops but because it is an obvious way of traversing central London. They would benefit from the absence of motorised competition. And London would probably not regret the change. The pedestrianisation of the north side of Trafalgar Square in 2003 was controversial, with critics forecasting traffic mayhem. It now seems like the natural state of things.

Pedestrians in another disputatious city have taken over a busy street with an unwholesome reputation, as Broadway in midtown Manhattan has been converted into a series of plazas. At first the result was messy. People dressed as cartoon characters, or (in the case of women known as desnudas) in nothing but underpants and body paint, hustled for tips. The city authorities mused about reversing the scheme—bringing back the cars and banishing the breasts, as Craig Dykers, who worked on the redesign, puts it. Yet the street remains traffic-free. An outbreak of toplessness in central London seems unlikely, from the perspective of January.■

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Britain | Bagehot

Reform UK risks blowing a once-in-a-century moment

Nigel Farage's party is filled with Tory throwbacks

January 15th 2026

Britain's natural party of government since 1834, the Conservative and Unionist Party, is close to death. On January 12th at the Institute of Directors, a building on Pall Mall leased for a modest fee to those in need of faded grandeur and musty carpets, Reform UK revealed the latest former member of the Conservative Party to accept the Tories' mortality. "Britain needs Nigel Farage as prime minister," said Nadhim Zahawi, a former Tory cabinet minister. On January 15th, Kemi Badenoch, the Conservative leader, expelled Robert Jenrick, the serving shadow justice secretary, after she found out he too was planning to defect.

British parties of government do not die often. The last time it happened was a century ago, when the Liberals, who governed Britain on and off during its Victorian and Edwardian pomp, endured their "strange death" in the wake of the first world war. These rare transitions are moments of flux, in which old ideologies die and new ones more fit for the era are born. Out of chaos comes renewal: something fresh and better. Not this time. Rather than shepherding in a new era, Mr Farage's Reform will keep an old, unhappy one alive. It risks being the Bed-blocker Party, preventing Britain from getting the treatment it needs.

The arrival of yet more Tory MPs reveals little about whether Reform can win and something altogether more tragic about how it would govern. Some Reform supporters may grumble at the preponderance of Conservative mps within the newish party. Tough. British politics is less a competition between the left and right blocs of voters than it is a competition within them. Each party fights for dominance within its bloc. It is a theory best described by that noted terrorist and underrated political strategist Osama bin Laden: "When people see a strong horse and a weak horse, by nature they will like the strong horse."

Take Reform at its word, however, and Mr Zahawi's arrival looks rather odd. For months the party has promised only the crème de la crème will be appointed to any Reform government. Its policy head, Zia Yusuf, a former banker who co-founded Velocity Black, a concierge service for people who discuss airline lounges on first dates, extols the virtues of "high-agency" people. In theory this is fine. In practice it has led to the renaissance of Mr Zahawi, who lost his job in government in a tax scandal. Reform has rightly recognised that "human capital" (in the jargon) is a big difficulty a government will face—and then decided to make it worse.

If the personnel are beginning to look similar, so is the governing philosophy. Britain's fundamental problem is a lack of economic growth, which Reform has little intention of solving. The simplest policy prescriptions that would make Britain richer—making it easier to build, being open to foreign talent, making trade easier with Europe—are anathema to Reform, just as they were to the Tories. By the end of their tenure the Conservatives relied on elderly voters who had little interest in economic growth. Why should they? They will live through the upheaval yet not feel the benefit. Reform is repeating this. By 2024 the Tories were a right-wing party wedded to policies that will make Britain poorer. Come 2029 Reform will accept that mantle.

To the extent that Reform has a theory of government, it is one of revolution. Mr Zahawi argued that Britain needed a 1688 moment, when James II was removed and parliamentary primacy was established. Strip out the rhetoric of Reform's speeches on the topic and things begin to feel familiar. Old buzzwords leer out: "grip", "take back control" and a patronising pledge that Reform would be "the grown-ups". The targets are the same too: the "administrative state", the "blob", the quangos. In practice, Reform plans to cut civil-service headcount by 13%. A tactic tried with little success by David Cameron's government from 2010 to 2016 would be repeated, presumably with similar results.

Outside its supposedly revolutionary core, Reform relies on a grab-bag of policies, resembling the Tory party at its most desperate. If it is elected in London, it will scrap the ultra-low-emissions zone, allowing diesel cars from 2006 to once again drive through the capital without paying £12.50 ($16.80). A patriotic curriculum in schools is hardly what children facing AI annihilation in the job market require; diversity legislation will be hacked back, as if two decades of lousy wage growth was down to a surplus of woke. It is a strange revolution. Britain's party-political system will be transformed, yet the path of the country will barely shift. Reform offers a nostalgia that harks back not to Winston Churchill or Margaret Thatcher, but to the half-baked policy papers and whingeing that marked the final years of Conservative rule, when it flailed from prime minister to prime minister and the state rotted, and creatures like Mr Jenrick began their rise.

None of this was inevitable. The Conservatives had been showing signs of mortality for years. There was no guarantee that Mr Farage, who has spent a quarter of a century around politics, would be the successor. A more interesting vision of a right-wing party was possible, capable of making Britain's economy dynamic and its government effective. Yet Britain is left with Mr Farage playing the hits from an act well honed over decades, with the only sop to modern life being a change of medium (think TikTok rather than the tabloids) but not the message.

The strange death of liberalism was followed by the birth of British social democracy, with all its bold ideas and obvious flaws. But the death of Conservatism will bring what exactly? If Reform's current trajectory continues, the future is a party filled with Tory throwbacks, who have learned nothing and forgotten nothing from their 14 years in office. Britain needs reform, with a small r. Reform will not provide it and a once-in-a-century moment of political flux will pass. Instead of being a cure for Britain's malaise, Reform is another morbid symptom. What a waste. ■

Editor's note (January 15th): This story was updated after Robert Jenrick was sacked.

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International

International | A vintage slump

Falling wine sales reflect a lonelier and more atomised world

It’s not just health-conscious youngsters who are saying no to Bordeaux

January 15th 2026

THE POET T.S. Eliot was wrong. April is not the cruellest month. January is. In northern latitudes the first day of the new year is marred by a sharp increase in suicides (though these trail off as the month continues). The long, dark days can lower people’s moods, particularly those susceptible to seasonal affective disorder (SAD), a sort of depression. And older people tend to say they are lonelier in the winter months. Adding to this general misery are the exhortations of do-gooders to forgo a warming glass of red wine and instead to observe a “dry January” by abstaining from all forms of alcohol.

Yet it is not just the health-conscious who will be saying no to Bordeaux in January or sniffing at Sauvignon Blanc for the rest of the year. Across most of the rich world people are drinking less booze of all sorts, with alcohol consumption having fallen in most countries belonging to the OECD, a club of mostly rich countries, in the ten years to 2023. But wine has been hit particularly hard. The reasons why reveal much about how society is changing.

At the Alyan estate, a small, family-run vineyard in Chile, tourists wander past the swimming pool shaped like a wine bottle, then step inside giant oak barrels converted into a bar. By the third glass, says Andrés Pérez, the owner, strangers from opposite ends of the world will start to open up. By the sixth, they all speak the same language. Wine tasting here is more a carefully curated social event than a lesson in tannins. (Left unsaid is the fact that well-oiled visitors are surely also more likely to splash out on a couple of cases.)

As the visitors take their first sip of the estate's 2023 chardonnay, Mr Pérez picks up the microphone. Switching between Portuguese and Spanish, he cuts through the pleasantries with a warning: "The wine industry", he bellows, "está en crisis." He is not wrong. In 2024 global wine production fell to its lowest level since 1961 because of heavy rain, frosts and droughts.

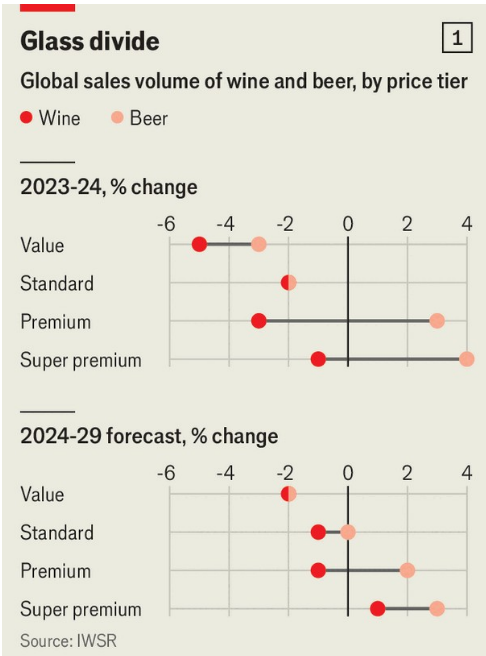
Yet the problems caused by fickle elements are as old as viticulture itself, and the world is far from running short of wine. In December the European Union, the world's largest producer, consumer and exporter of wine, reached a preliminary agreement to use EU funds to uproot grapevines in order to reduce the bloc's wine glut. The industry's bigger problem by far is that, instead of swirling glasses of wine to release the aroma, increasing numbers of consumers are turning their noses up at them. This is not because of the quality of the wine itself, says Mr Pérez. He reckons that wine's decline reflects something deeper: a fraying of the social fabric that once held Western societies together.

Alcohol has greased social life for as long as people have known how to ferment it. Beer dominates big gatherings: in one survey respondents in Britain and America picked it as their top choice to drink at barbecues. Beer is also most often involved in binge drinking in America, followed by spirits. Wine is different. Surveys in Britain and America show that it is a top choice for most people, especially women, when having dinner with friends. People also tend to drink it differently, preferring to sip it more slowly with food rather than just knocking it back at parties (though many will have done that, too).

Wine's special status over other sorts of tipple is almost as old as recorded history. The ancient Greeks and Romans prized it and the Bible is filled with references to it as a symbol of abundance. In the 20th century, as incomes rose and trade expanded, wine became the drink of the new middle class and consumption boomed, says Rod Phillips, a wine historian.

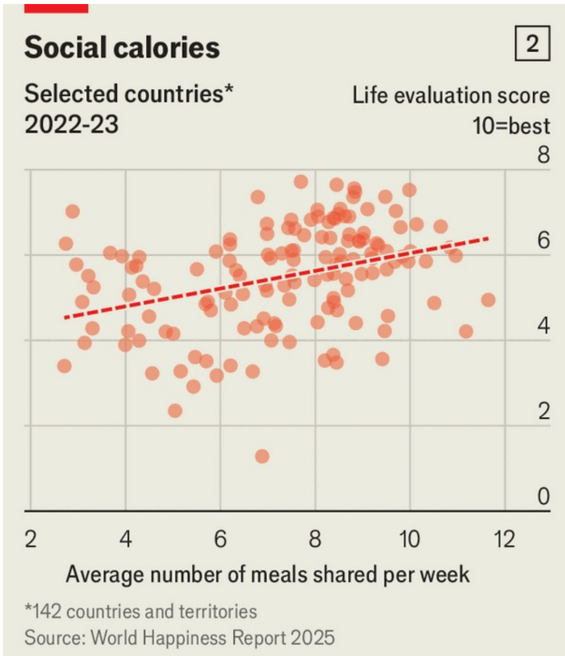
But the habits that propped up the wine boom are fading. The French drink about half as much as they did in the 1970s; Americans and Canadians also drink less. In Britain wine consumption per person has fallen by 14% since 2000 (though the fall in revenue is less pronounced as people switch to more expensive wines). In China, which a decade ago was a major source of growth in the market, wine consumption has since slumped.

At first glance it might appear that this decline is linked to rising awareness of the dangers of alcohol, particularly evidence linking even moderate drinking with a higher risk of getting cancer. Generation Z, those born after 1997, are often described as being more likely to track their sleep than to spend the night at the pub. But Richard Halstead, who researches drinking habits, says there is little sign that they have given up alcohol altogether. They do, however, drink differently, increasingly seeking out quality and novelty, such as sake from Japan or craft beers. They are also less likely than older people to sit down for the drawn-out, communal meals where wine once flowed.



The numbers back this up. Sales of spirits and beer are rising, according to IWSR, a drinks-data firm. Wine is the only big alcohol category that has declined across all price brackets. Sales of the cheap supermarket stuff are expected to continue to drop by 2% a year. At the opposite end, the growth of fine wines is slower than that of beers and spirits (see chart 1). In other words, the fall in wine consumption runs deeper than the broader change in views of alcohol itself. That makes wine's slump telling, since it also reflects a move away from the slower, shared meals and smaller gatherings that once defined evenings.

Partly, this is because people across the rich world increasingly live, and eat, alone. The share of single households worldwide is expected to increase from 28% in 2018 to 35% by 2050, the UN reckons. As a result, more people now eat and unwind in front of screens. In 2023 almost 25% of American adults ate every meal alone on a given day, up from 17% in 2003; among under-30s the share has nearly doubled. That pattern probably holds across much of the rich world, says Jan-Emmanuel De Neve, one of the editors of the World Happiness Report, an annual UN-backed study.



The consequences are measurable. Around one in six people worldwide is lonely, reckons the World Health Organisation. In 22 European countries the share of people who said they were "never lonely" fell from 59% in 2018 to 51% in 2022. The latest World Happiness Report found that across countries and ages, how often people share meals predicts life satisfaction almost as strongly as relative income or employment status (see chart 2).

Anthropologists see the decline in communal eating as part of a broader social unravelling. Marion Demossier of the University of Southampton notes that since the pandemic her students have become markedly more solitary. Even healthy pastimes are increasingly pursued alone: fewer young people are signing up for team sports (although individual ones such as running or cycling can still be enjoyed in groups). "There is a disconnection in society," she says. "Living together is eroding."

Some might expect loneliness to push people to drown their sorrows, but recent research suggests that the opposite is true. A meta-analysis of 69 studies, covering more than 12,000 people in America, Australia, Canada and France, found no evidence that people drank more on the days when they felt glum. In fact, people were up to 28% more likely to drink—and 23% more likely to binge-drink—on days when they were chipper. For some people, drinking is an isolating addiction. But for most it is a social indulgence. And that, increasingly, is what people are missing.

Social unravelling creates health problems of its own. A study published last year in Nature Medicine, a journal, found that living with a partner was roughly as beneficial for longevity as doing exercise was. Regular visits with family, or having someone to confide in, also appeared to lower mortality risks, though it is not clear whether this is because lonely people also tend to eat badly and exercise less.

It would be wrong to minimise the real health risks associated with drinking, particularly as researchers have raised serious doubts over earlier findings of a “J-shape curve” in which those who drink moderately were thought to be healthier than both heavy drinkers and those who abstain entirely. Even so, alcohol itself often provides the lubricant around which many people socialise. Researchers at the University of Oxford noted in a paper published in 2017 that regulars at a local pub are “more socially engaged, feel more contented in their lives, and are more likely to trust other members of their community”.

Some winemakers, such as Mr Pérez, are trying to revive the old habits. His vineyard, like many, once offered hour-long tasting sessions. Now they last four. By the end of the visit, strangers are swapping numbers and shaking hands. Talking over wine used to be routine. It now takes guided tours to bring it back.

Others are trying to adapt to the world as it changes. One idea is to tap into the solo market by experimenting with single-serve packaging. The global market for wine in small cans was worth $113m in 2024. Though still dwarfed by the traditional market, it is projected to grow by more than 11% annually over the next five years. At the Edinburgh Fringe, the world’s largest arts festival and a reliable barometer of cultural angst, the comedian Alexis Dubus captured in verse a sense of just what that says about the modern world: “Is society really so far down the pan that we are actually fine with wine in a can?” ■

International | The Telegram

Donald Trump used to be risk-averse. Is that changing?

America's president suddenly seems like a man in a hurry

January 15th 2026

CLOCKS HAVE always run fast in Trumpworld. This year they have sped up as never before. Soon after President Donald Trump's inauguration in January 2025, it was clear that his second administration would be more radical than his first. With this new year barely rung in, the signs are that 2026 may beat 2025 for urgency and aggression, especially in foreign policy.

The commando raid to snatch Nicolás Maduro, Venezuela's thuggish ruler, followed by the installation of his deputy as an interim president was just a start. Mr Trump swiftly issued vague but menacing warnings to test his country's might on Colombia, Cuba and Mexico, and intensified his demands for America to own the Danish territory of Greenland. He has threatened “very strong” actions to punish Iran’s regime for killing protesters on the streets of the Islamic Republic, including a purported plan to impose a 25% tariff on any country doing business with it.

On the face of it, Mr Trump’s global activism is hard to square with his previous promises to avoid “forever wars”, especially in the Middle East, generally pursue a narrower range of national interests and “stop racing to topple foreign regimes that we know nothing about”. Then there is the related question of Mr Trump’s appetite for risk. In Washington and other capitals policy experts are reviewing old assumptions that the president is mostly a bluffer, who talks of raining “fire and fury” on foes but has little wish to put American troops in harm’s way.

Mr Trump’s aides acknowledge the impatience of their 79-year-old boss to remake the world order. “President Trump is a man in a hurry” with a “bias for action”, his chief trade envoy, Jamieson Greer, told The Economist’s “Inside Geopolitics”, a streaming video show recorded on January 9th. If foreign governments are thrown off-balance by Mr Trump’s oft-changing economic demands, they should understand that an America First administration sees “value in uncertainty”, added Mr Greer.

If the quickened pace of Trumpian policymaking is an observable fact, assessing the president’s risk tolerance is a harder task. For one thing, to date he has been lucky. He was spared large-scale American casualties during military operations that he approved in his first and second terms, including the assassination by drone of Qassem Suleimani, a senior commander in Iran’s Islamic Revolutionary Guard Corps; lengthy but inconclusive air strikes against Houthi rebels in Yemen; the bombing of Iranian nuclear sites alongside Israeli forces; and the recent mission in Venezuela. That sort of luck is valuable to Mr Trump, who has a horror of seeing American body bags on television, his former aides have said. When American soldiers have been hurt, as scores were when Iran fired missiles at bases in northern Iraq to avenge the Suleimani killing in 2020, Mr Trump was at pains to play down their suffering. He dismissed brain injuries and concussions suffered by his troops as “headaches”, and cited the lack of American deaths as he called off planned retaliatory strikes on Iran.

Still, there is evidence that Mr Trump would rather not rely on fickle fortune. His preference, in every game that life throws at him, is to start with a winning hand. As Mr Trump began his presidential campaign, back when he was still his own chief foreign-policy adviser, his stated belief was that America should be more ruthless and selfish, and should avoid wars by amassing such firepower that enemies would flee without a shot. In an interview with this columnist in 2015, Mr Trump called for America to stop playing policeman in the Middle East and to simply "take the oil". Then a businessman, he called himself "the most militaristic person" before clarifying that: "You have to know when to use the military. Or have it so strong that nobody is going to mess with you, which is my ultimate goal, to be honest with you."

Mr Trump is hardly the first president to prefer quick wins over drawn-out conflicts. The first Gulf war in 1991 saw an American-led coalition swiftly reverse the Iraqi invasion of Kuwait, but leave Iraq's dictator, Saddam Hussein, in place. The success of that spectacular and deliberately limited war prompted a rare moment of chest-thumping from the then president, George H.W. Bush. America had vanquished its fears of entering a Vietnam-style quagmire every time it sent troops overseas, he exulted: "By God, we've kicked the Vietnam syndrome once and for all."

After the capture of Mr Maduro, Mr Trump recounted how he watched the mission in real time via soldiers' body cameras. He bragged that no other country could pull off "the speed, the violence" of the raid. At the same time, Mr Trump sounds haunted by what could have gone wrong in Caracas. He told the New York Times that during the operation he feared a "disaster" of the sort that ended a hostage-rescue mission in Iran in 1980, leaving eight Americans dead and dooming Jimmy Carter's re-election.

To predict how 2026 may unfold, much hinges on whether Mr Trump retains his old, risk-averse instincts, or has kicked what might be called his own Carter syndrome. He seems enthralled by American military prowess, and eager to test the proposition that foreign interventions are safer if driven by purely selfish, take-the-oil aims. His Pentagon has the MAGA-friendly civilian leadership that he craved in his first term. Against that, his adventurism to date has been almost cost-free. A former adviser to both Republican and Democratic presidents notes that Mr Trump approved the bombing by America of Iran's nuclear sites last year only after Israel had destroyed Iran's air defences. Should America suffer casualties, says the adviser, "he is not someone who has a problem walking away." The world is being sped up by a hubristic, glory-seeking president who scorns detail. Mr Trump may not grasp the risks he is running until it is too late. ■

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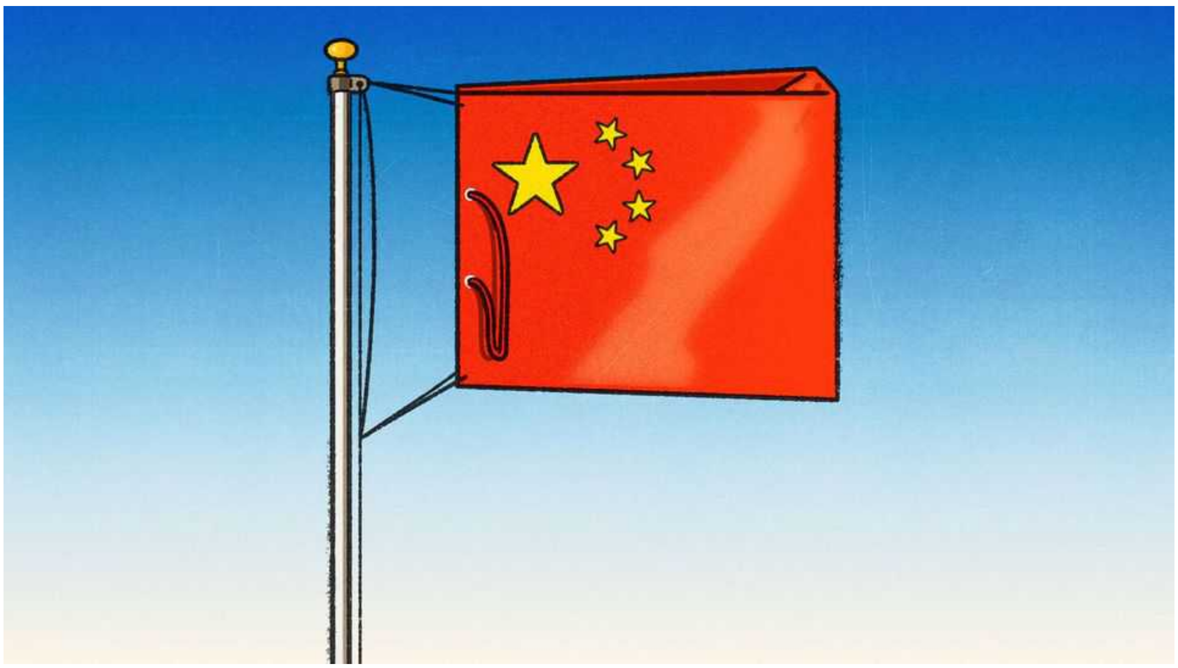
Business

Business | Going global 3.0

A new generation of Chinese companies is expanding around the world

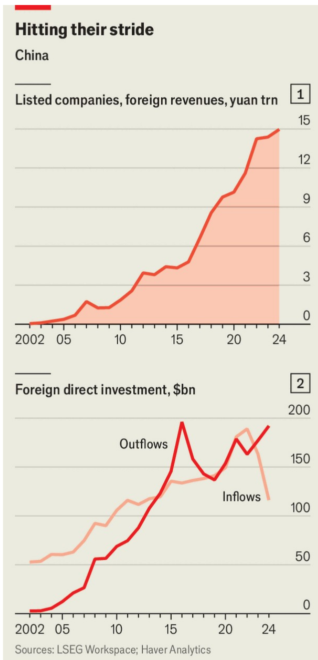
And they are doing things differently from their elders

January 15th 2026



A few years ago it would have been hard to imagine Chinese brands making it big in America. Yet today shoppers in Manhattan can pop by the 2,800-square-metre store of Urban Revivo to pick up one of the Chinese retailer's trendy outfits, which are all the rage on TikTok, a short-video app owned by ByteDance, another Chinese company. They can follow that up with a latte from Luckin Coffee, which began opening outlets on the island last year, or an ice cream from Mixue, another Chinese retailer that has recently set up shop.

With each passing year the presence of Chinese business abroad grows stronger, in rich and poor countries alike, and across a widening range of industries. Last year BYD, a Chinese maker of electric vehicles (EVs), overtook Tesla, America's EV champion, in sales. More than a fifth of its cars were bought abroad, up from a tenth in 2024. Chinese AI models are now being used the world over, not just in the global south but also by Western companies such as Airbnb, a short-term lodging platform.



This latest wave of global expansion is notable for both its speed and breadth. In 2024 listed Chinese firms generated 15trn yuan ($2.1trn) in overseas sales, up from 11.6trn yuan in 2021 (see chart 1). Chinese companies now invest more abroad than foreign ones do in China (see chart 2). But equally striking are the changes occurring in how Chinese companies approach going abroad, as they look to build a greater physical presence overseas against a fraught geopolitical backdrop.

Chinese business has been through periods of globalisation before. Beginning in the 1990s, and accelerating with China's accession to the wto in 2001, firms such as Haier, a maker of home appliances, and Huawei, a producer of telecoms gear, began selling overseas the cheap products they manufactured at home—though they struggled to shake the perception that their goods were inferior.

Another wave came around the mid-2010s when a handful of Chinese conglomerates, including Anbang, Fosun and HNA Group, splashed tens of billions of dollars on foreign banks, hotels and other businesses. The experiment was short-lived. Western governments, increasingly wary of China, began blocking deals, and a number of the over-indebted acquirers later collapsed. More successful abroad were the state-owned Chinese businesses that secured enormous contracts to build ports, railways and mines across the global south under the country's Belt and Road Initiative, launched in 2013.

The most recent wave, which began with China's post-pandemic reopening, has partly been a product of gloomy economic conditions domestically. Growth has slowed and brutal price wars are common. Between 2019 and 2024 the average operating margin generated by listed Chinese companies declined from 12.4% to 11.2%; analysts at Goldman Sachs, an investment bank, reckon that the figure for Chinese firms' overseas operations is typically higher than at home.

Yet the expansion abroad also reflects a tantalising opportunity. Having closely watched foreign multinationals operating on their home turf, Chinese firms have learned to make all sorts of advanced products, from industrial robots to medical equipment. Some even suggest they have mastered making milky coffees (though your correspondent begs to differ). Moreover, pioneers such as ByteDance and Shein, a purveyor of ultra-fast fashion, have shown that China can innovate, not just imitate. Western carmakers such as Volkswagen now want to learn from the country's ascendant EV firms.

To thrive abroad, Chinese companies are discovering that they must rethink how they do business. Most used to keep as much of their operations as possible in China. That helps explains why the country's stock of outbound foreign direct investment (FDI) stood at just 17% of its GDP in 2024, much of it in infrastructure and resources projects in developing countries, compared with 38% for America and 57% for Japan, according to the Institute of International Finance, a think-tank based in Washington. China's stock of overseas FDI accounts for just 4% of the global total, about half that of the Netherlands.

That is changing. Spurred on by rising labour costs and Western tariffs, Chinese companies have been busily building overseas factories, many of them in the global south. Cloud providers such as Alibaba, which are serving a growing roster of overseas clients, including the foreign arms of fellow Chinese businesses, are building more data centres abroad.

To build awareness of their brands, Chinese firms are also increasingly setting up foreign stores. Miniso, a retailer from Guangzhou that sells stationery and trinkets, now has more than 3,300 outlets overseas, from Texas to Thailand. Xiaomi, which makes everything from smartphones to scooters, plans to have 10,000 overseas shops in the next half-decade.

They are mastering local distribution and supply chains, too. Shoppers at Ulta Beauty, an American cosmetics retailer, can now buy lipstick from Florasis, a brand from Hangzhou. Mengniu, a Chinese dairy company, launched a factory in Indonesia in 2018 and has since become the most popular ice-cream brand in the country.

All this has required a new approach to hiring. Chinese companies with overseas operations have previously tended to move staff abroad rather than recruit locally. That sometimes caused grumbling in host countries, as it meant creating fewer local jobs. Chinese nationals were often also inclined to rely more heavily on suppliers back home.

Now, however, the companies are hiring more locals for roles in areas such as sales, customer service, public relations and even management, observes a partner at a global advisory firm (though he adds that senior finance roles are often still deemed too sensitive to entrust to foreigners). This greater openness often reflects the fact that human-resources staff have become more confident in managing foreigners as they themselves have spent more time abroad.

An ecosystem of advisers is also emerging to help Chinese companies expand overseas. Many of the world’s big professional-services firms hail from the West, and have tended to focus more on helping companies from America, Europe and Japan enter China, rather than the other way round. But law firms, accountancies and other advisory businesses, some of them homegrown, are now supporting Chinese firms as they globalise.

They need plenty of help. Chinese companies, particularly those operating in sensitive industries in the West, are acutely aware of the risks presented by regulatory clashes, such as the one that led to the forced sale of TikTok's business in America, due to be completed this month. Some have structured their businesses in an effort to avoid similar problems. Squirrel AI, a Chinese tutoring company, plans to launch in America later this year. It has already established an independent technology platform in the country that is separate from its Chinese operations, says Joleen Liang, a co-founder.

Such arrangements add cost and complexity. Whether they will be enough to appease America's government is also not clear. This month the Trump administration ordered a reversal of the acquisition of some of the assets of EMCORE, an American semiconductor company, by HieFo, a business registered in Delaware but controlled by a Chinese citizen.

Chinese multinationals must also navigate their own government's wariness. Chinese officials gripe about complex cross-border structures in which only parts of a business fall under their purview. Local taxmen have caught on to the fact that many companies which appear to be struggling in China, and paying little tax, are thriving abroad and keeping their foreign profits offshore. In some cases they are requesting more taxable remittances.

China's government is particularly wary of companies that suddenly uproot their staff and set up headquarters in places such as Singapore. Manus, a popular AI company that moved to the city-state last year, is one such example. Regulators in Beijing are investigating its proposed acquisition by Meta, an American social-media colossus, and may block the deal.

Nonetheless, many Chinese companies hoping to go abroad will find their government supportive, particularly those whose businesses are not deemed sensitive. Officials appear to have woken up to the power of global brands. State media now celebrate Labubus—cuddly toys created by PopMart, a Chinese firm, that have swept the world—as a sign of growing cultural strength. The central government may begin to relax approvals for overseas investments, which are very tight, says Denis Depoux of Roland Berger, a consultancy. Shoppers around the world can count on stumbling across more buzzy Chinese brands in the year ahead. ■

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Business | Hard drilling

Who will cash in on Venezuelan oil?

Rewards will require taking big risks

January 15th 2026

“Obviously at the front of the pack.” That is how Scott Bessent, America’s treasury secretary, describes Chevron’s position among the growing band of investors hoping to profit from Venezuela’s oil. A desire to reopen the industry to his country’s oilmen played no small part in President Donald Trump’s fateful decision to engineer the downfall of Nicolás Maduro, Venezuela’s strongman. Mr Trump’s plans to “run” Venezuela hinge on American oil companies extracting the country’s fossil fuels. Some adventurous types are ready and eager to cash in. But Chevron may be the only oil major with a significant presence on the ground for some time to come.

Chevron is in pole position because, unlike rivals ExxonMobil and ConocoPhillips, it hung on in Venezuela despite expropriation by a socialist regime and sanctions imposed by successive American administrations. Mike Wirth, Chevron's boss, is said to have been in close touch with Mr Bessent for months, ostensibly to navigate special exemptions to those sanctions but perhaps also to nudge policy in the direction of American intervention.

The gambit has paid off. His firm loaded around 1.7m barrels of Venezuelan crude onto tankers in the first week of January, after the partial lifting of an American blockade, the most it has managed since May 2025. It will also benefit from involvement in the sale of 50m stockpiled barrels, worth perhaps $2bn, that America is acquiring from Venezuela.

As the Trump administration begins easing some oil sanctions, other firms around the world are also showing interest. Indian refiners, which buy the sort of heavy crude that Venezuela produces, are looking for bargains. Vitol and Trafigura, two Swiss commodity traders, have acquired licences to sell Venezuelan crude and will join Chevron in marketing existing stocks. Yet it is American oilmen and financiers who could have the most to gain. Some appear keener than others.

Although Venezuela is home to a wealth of oil reserves, much of these are "extra heavy", and too viscous to flow like conventional crude. Extraction is hard and costly. On top of this are the huge legal and political risks of operating in the country, which will not be resolved simply by Mr Maduro's removal.

This will not stop some American firms from making at least modest investments. Oil-services companies including Halliburton, slb and Baker Hughes, which do such things as drill new wells and maintain existing ones, have experience operating in the world's most hostile oil patches and are eager. Some smaller oil drillers will also go in. Venezuela's bitumen belt, in the Orinoco region, has lots of abandoned wells that can be reopened with modest investment. "You don't need the balance-sheet of Exxon for these," says one expert.

Magnates with maga connections are among the keenest. Uber-rich oilmen in Mr Trump's orbit include Harry Sargeant, an oil-and-asphalt tycoon who has long cultivated ties both in Caracas and at Mar-a-Lago. He is said to be advising the Trump administration on which firms should enter Venezuela. Harold Hamm, an Oklahoman shale pioneer who has been expanding into Argentina, says he would "definitely consider future investment".

Some financiers hope to cash in, too. Elliott, a hedge fund run by Paul Singer, a big donor to Mr Trump, is among the investors that in November won a court-ordered auction for Citgo, an America-based refining subsidiary of pdvsa, Venezuela's national oil firm. Because Citgo is designed around Venezuela's heavy crude, sanctions depressed the price. As they are relaxed, its value should soar.

Other financiers may hope to benefit indirectly from a recovery in Venezuelan oil. Tens of billions of dollars in defaulted sovereign and pdvsa bonds, together with large unpaid arbitration awards from past expropriations, now trade, in effect, as an option on future oil output. If production bounces back, a future Venezuelan government is more likely to settle old debts.

Yet only oil majors can stump up the cash needed to get Venezuela's industry truly humming again. Chevron will stay and grow, given its foot in the door; the firm reckons that within two years it can boost by half its local output of 240,000 barrels a day, produced jointly with pdvsa. But Chevron's fellow oil giants are likely to be far more mindful of the risks.

One problem is that deals struck in haste could eventually come under review. Helima Croft of rbc Capital Markets, an investment firm, says that it is an "open question" whether America remains committed to overseeing Venezuela's oil sector beyond 2028. A future Democratic administration could scrutinise deals signed now.

Political cover matters all the more because of the bitter memories of the past. Exxon and ConocoPhillips are still sour about the expropriations under Hugo Chávez, Mr Maduro's predecessor, which led to enormous losses and protracted lawsuits. Mr Trump has cast doubt on the idea of compensation for past asset seizures. "Nice write-off," he remarked dismissively when asked about the claims of Exxon and Conoco, adding that it was “their fault”.

Unless there is a settlement, new capital is unlikely to flow in any quantity, warns one expert. And a settlement will be remote for as long as Venezuela is mired in debt. Little surprise that Darren Woods, chief executive of Exxon, has said bluntly that Venezuela is “uninvestable” under current conditions. ■

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Business | Cover up

Under growing pressure, Elon Musk backs down on nude deepfakes

His chatbot, Grok, has incensed regulators and created commercial risks for X

January 15th 2026

Editor's note (January 15th 2025): This article has been updated to take in developments.

FROM DRUG use to libel suits, Elon Musk has long been able to shrug off problems that would have imperilled most bosses. But the reaction to a recent update to Grok, the AI chatbot linked to X, the billionaire's social network, has posed a fresh test of his imperviousness. Grok's willingness to churn out nude deepfakes has led to scrutiny in Britain and Australia, among other places, and outright bans of the chatbot in Malaysia and Indonesia.

The flood of deepfakes began after December 24th, when Mr Musk said that Grok had been updated with a new image generator. The change brought the chatbot to parity with those of Google and OpenAI, but with some big differences. In line with Mr Musk's desire to create the most anti-censorship, "maximally truth-seeking" chatbot, the system is far less likely than others to refuse requests to generate images that violate content policies. Ask ChatGPT to edit a picture of a real person to strip them to their underwear, and it will demur. Grok has no such qualms.

Moreover, because Grok can be accessed on X, it answers many requests in public. Until another update limited the feature to paying subscribers on January 9th, the chatbot's public profile was responding to a hundred such "nudification" requests a minute, some of them involving children. The phrase "put her in a bikini" soared on the social-media site (and some users have managed to go further still, generating pornographic images with cleverly worded prompts). Other companies might have declared such creations an abuse of their product and apologised; Mr Musk has responded with laughter to an image putting a toaster in a bikini.

The fallout is proving harder to laugh off. Indonesia, home to 24m X users, has responded with a temporary ban of Grok, calling the imagery "a serious violation of human rights, dignity and the security of citizens". Malaysia, with another 5m users, has followed suit. In Britain, the Labour government has announced plans to accelerate the enforcement of new laws against nude deepfakes, passed by parliament last summer, alongside an investigation by Ofcom into various breaches by X of the Online Safety Act, including failures to take down illegal content such as child-sexual-abuse material swiftly. A fine from Ofcom would be noticeable, but not a disaster for the deep-pocketed Mr Musk. For serious breaches of the Online Safety Act, the regulator can levy penalties of up to 10% of a firm's global revenue—around $250m in X's case.

The bigger question is what happens in America, X's largest market. Last May Donald Trump signed into law the "Take It Down Act", which penalises platforms that spread "intimate visual depictions" of a person online, giving companies a year to prepare. But some of the images causing controversy today might not meet the definition of an "intimate visual depiction", says Riana Pfefferkorn of Stanford University's Institute for

Human-Centred AI. Nor is enforcement guaranteed. X benefits from its owner's close links to the Trump administration. After the EU issued fines against the social network in December for violations of its Digital Services Act, America's secretary of state, Marco Rubio, warned that "the days of censoring Americans online are over."

Even so, pressure in America is mounting. On January 13th the Senate passed a bipartisan bill that would allow victims to sue over non-consensual deepfakes. On January 14th California's top prosecutor said it was investigating the sexualised deepfakes produced by Grok. Then there are the commercial risks. Many advertisers are already wary of X. Payment processors such as Visa and Mastercard have strict content standards and have shown a willingness to enforce them—such as in 2021, when they required pornographic websites to verify the age of anyone featured in online content. All that helps explain why, on January 14th, Mr Musk appeared to back down, with X announcing that Grok would no longer be able to produce nude deepfakes of real people in "jurisdictions where it is illegal". Even the world's richest man must occasionally bow to pressure. ■

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Business | Unnatural selection

Job applicants are winning the AI arms race against recruiters

Companies have been hit by a wave of chatbot-generated applications

January 15th 2026

Many harried recruiters would have greeted the release of ChatGPT with glee. At last, a tool that could ease the burden of drafting job descriptions, scheduling interviews and rejecting candidates. Like happy beachgoers who cannot see an approaching tsunami, they failed to predict what came next. A giant wave of AI-generated applications has washed over them.

The number of job applications an average candidate sends has risen by 239% since ChatGPT's release in 2022, according to global data collected by Greenhouse, a provider of applicant-tracking software. Paid services like LazyApply and aiApply let candidates submit applications while they sleep, tailoring résumés and cover letters to a tee. AI has even made it easier for spies and fraudsters to infiltrate companies. Last month Amazon blocked 1,800 applications from North Koreans applying for remote IT jobs. Gartner, a consultancy, predicts that by 2028 as many as one in four candidate profiles could be fake.

Inundated recruiters are taking various steps in response. Some are politely asking candidates to refrain from using chatbots. Anthropic, an AI lab, asks candidates not to submit entirely AI-generated cover letters. So does Mastercard, a payments provider. Others are capping the number of applications a person can submit. OpenAI, another AI lab, limits candidates to a maximum of five over a six-month period.

Companies are also speeding up their use of AI to help winnow the growing pile of résumés and cover letters. Two-thirds of recruiters plan to increase their use of the technology to conduct screening calls, according to data from LinkedIn, a social network for professionals. Many also use AI to sift through applications and flag those that match the criteria for a job, though firms such as KPMG, a professional-services giant, are keen to emphasise that humans make final decisions. AI models can even recommend applicants for one role as candidates for another, says Alicia Pittman, who directs hiring for BCG, a consultancy. Still, the time it takes for companies to fill vacancies has declined only slightly since 2021, according to Ashby, a recruiting-software company.

When it comes to adopting AI, recruiters face a structural disadvantage compared with job applicants, reckons Robert Newry, co-founder of Arctic Shores, a psychometric testing firm. Jobseekers need not worry whether an AI tool will run afoul of anti-discrimination or data-protection laws. They do not need to check with their boss or IT department before adopting the latest technology. "I say to my clients: 'In the arms race between you and the candidate, you will lose,'" says Mr Newry.

Eventually the rise of AI may change hiring more fundamentally. Companies could rely more on tasks that cannot be pasted into chatbots, such as visual puzzles, says Mr Newry. They might also rely more on finding candidates before they even think to apply. Juicebox, a recruitment startup, offers a service called "PeopleGPT" that automates the process of hunting for possible hires across the web. It says that many of its clients have reduced the time it takes to find candidates by half. LinkedIn has rolled out a "Hiring Assistant" for recruiters that trawls the site for suitable candidates.

Companies may one day abandon the job application entirely, to the delight of recruiters and candidates alike. Daniel Chait, boss of Greenhouse, reckons that both sides will eventually use AI agents to talk to one another and determine whether they might be a match. "We're at the point today where it's automating tasks," Mr Chait says. "I'm eager to get to the part where we can think about why we have job posts at all." Until then, recruiters will have to wade through a sea of em-dashes and eerily polished résumés as they search for the perfect hire. ■

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Business | Bartleby

The parable of the supermarket self-checkout

How imperfect technologies spread

January 15th 2026

Imagine an invention that is worse at what it does than humans, threatens jobs and increases the potential for crime. You might think it would go nowhere fast. In fact, the supermarket self-checkout machine is a parable of technology adoption—how something can spread despite imperfections—and also one of management: how real-world trade-offs affect rates of change.

Start with its spread. Before self-checkout came self-service. The Piggly-Wiggly grocery chain, which opened in Memphis, Tennessee in 1916, was the first in America to allow customers to pick items from the shelves for themselves rather than asking a clerk to fetch them. It took a while for American shoppers to be able to scan and pay for goods themselves. Kroger, another retailer, introduced self-checkout machines in 1986. It was not until this century that they became widespread.

All new technologies must get over the problem of forcing people to change their behaviour. In Britain, initial encounters with self-scan machines involved a disembodied voice shouting “unexpected item in the baggage area” at you no matter what you did.

Even now, they bring their own very specific irritations—age-verification checks to buy alcohol even though you remember using faxes; a ten-step process to confirm that the yellow, waxy citrus fruit you put in your basket is a lemon. A cashier at an assisted lane can handle these thorny problems without having to think; skilled ones can also scan items much faster than customers.

Why then are self-service machines a fixture in most retailers? The big reason is economic: the ratio of staff to customers is much lower for self-checkout machines than it is on assisted lanes. The lure of cost savings in a highly competitive industry gave supermarkets a strong incentive to stick with them even as customers griped at doing something new. Persisting with them meant that shoppers became more used to self-checkout, and gave the technology a chance to improve.

It will, however, be a long time before assisted lanes disappear entirely. When queues build up and stores need to speed up transactions, human cashiers are better. And customers’ preferences vary greatly. Older folk still tend to like cashiers; younger ones are less keen. Chatty types might want a natter; introverts would prefer an acid bath. Levino Perrucci of NCR-Voyix, an American company which develops self-checkout technology, says that users fall into several categories. “Tech-enabled shoppers” will seek out the whizziest checkout, for example; “necessity shoppers” will pick the option that enables them to get in and out of the store as quickly as possible. Most supermarkets must cater to them all.

Self-checkout machines are themselves designed to negotiate several trade-offs. Employers want lower costs. But they also need to provide a decent customer experience and control “shrink”, the name that retailers give to lost stock when shoppers—inadvertently or maliciously—fail to pay for things.

These goals do not line up neatly. Employing fewer cashiers cuts costs, for example, but also opens the door to more shrink. So lots of self-checkout machines have weight-sensitive surfaces where you have to place each scanned item before proceeding to the next one; some retailers install exit gates that only open for people who have paid. Measures like these deter shoplifters, but at the cost of slowing down customers.

These same trade-offs explain why checkout nirvana is so difficult to achieve. In theory, Amazon Go, a sensor-packed store where customers can just walk out without going anywhere near a checkout, offers a perfect customer experience and a way to reduce shrink to nothing. In practice, industry observers say that it is extremely expensive to track every item in a shop digitally (and consumers are still required to learn strange new behaviour). RFID tags do work beautifully for higher-margin products like clothes, but the sums don’t add up in the cut-throat world of cheap groceries.

Real-world constraints mean that technologies often take small steps rather than great leaps. Self-checkout technology is no different. In the offices of NCR-Voyix in Atlanta, Mr Perrucci’s team is working on machines with overhead cameras which use AI to identify items without the need for scanning. These machines can still get confused if items are piled on top of each other. But they fit into existing consumer behaviour. They should also be better at identifying that bloody lemon. ■

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Business | What’s mined is mine

The race for copper has brought a wave of mining mega-mergers

But consolidation will not ease the shortage

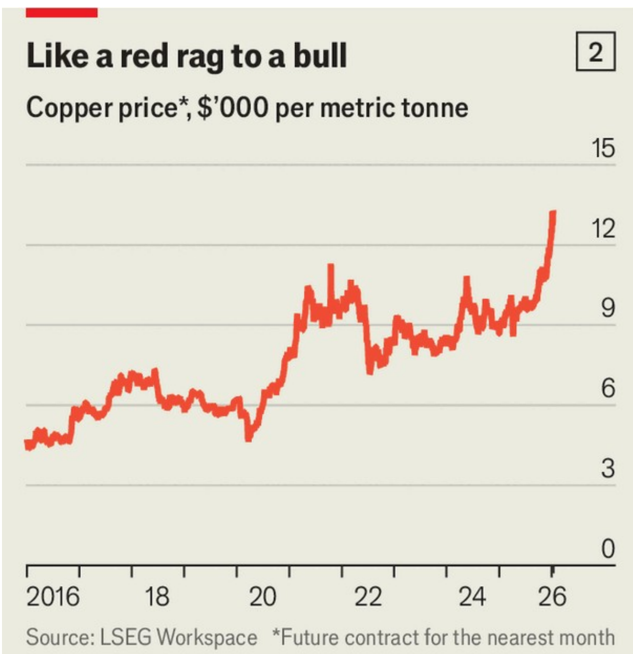
January 15th 2026

Mining mergers are back in style. Rio Tinto, the industry’s fourth-most valuable company, has confirmed it is in talks to acquire Glencore, a Swiss competitor, and thus create the world’s biggest miner, worth around $220bn at current valuations (see chart 1). Just a few months ago AngloAmerican, a British miner, and Teck Resources, a Canadian firm, said that they would merge. The total value of tie-ups among miners last year reached $94bn, the most in a decade.

Investors' reactions to news of the Rio-Glencore deal have been mixed. Glencore's share price rose by 10% after the announcement on January 8th, and has continued to climb. Rio's fell by 3%, though it has since recovered. That reaction partly reflects lingering questions over what Rio would do with Glencore's coal assets (Rio stopped mining coal in 2018) or its trading business. But it also highlights investors' continued wariness over profligate spending by miners. Many shareholders have not forgotten the industry's write-downs of more than $50bn in 2015, when a slowdown in China brought the last commodity supercycle to an end. Yet for miners with the right assets, the good times seem set to continue.

The latest wave of mining mergers comes amid an intensifying race to secure access to the critical minerals needed for technologies from electric vehicles and batteries to the data centres that power artificial-intelligence models. In the past year China has wielded its control over rare earths to force America into a trade truce, prompting Western policymakers to make greater efforts to break its chokehold. Yet it is another critical mineral, copper, that has drawn the most interest from miners. Its price has risen by nearly 50% over the past year (see chart 2). The shares of miners that focus mostly on the metal—including Antofagasta, Freeport-McMoRan and Southern Copper—have outperformed those of diversified giants including BHP and Rio.

The rise in copper's price shows no sign of slowing. S&P Global, an information provider, reckons that demand will increase from 28m tonnes last year to 42m tonnes in 2040. At the same time supply is constrained. Many existing copper mines are ageing, making it harder (and costlier) to get ore out of the ground. In South America, source of most of the world's copper, every 100 tonnes of raw ore yielded about 1.3 tonnes of copper two decades ago—a "head grade" of 1.3%. That has since fallen to 0.7%. Building a new mine can take close to 20 years. Activist strikes, seismic activity and mudslides have also disrupted production. Analysts at Deutsche Bank, a German lender, estimate that supply from mines, which fell in 2025, will be roughly flat this year. "The supply issue isn't a quick fix," says Shaun Usmar, who runs the base-metals subsidiary of Vale, a Brazilian mining company.



That is why miners are turning to acquisitions to secure copper, the production of which remains highly fragmented. A combined Rio-Glencore would dig up about 1.6m tonnes of the metal a year, more than any other company but still only about 7% of total mine output. In 2024 Anglo sped up efforts to rid itself of diamond, platinum and other assets as part of its defence against an unfriendly takeover attempt by BHP. Its merger with Teck, which sold its coal assets to Glencore in 2024, is intended to create a leading global copper producer.

Whether these deals result in an increase in total copper production is another matter. "The size of the pie doesn't change, only the slice," says Tristan Pascall, boss of First Quantum Minerals, another copper miner, adding that fresh investment is still needed. By consolidating, companies may obtain the financial firepower they need to expand existing mines and develop new ones. Yet there is a risk that they must first spend years digesting their acquisitions. Permit delays and other red tape will also slow down new supply. Even if governments simplify approvals, as is happening in America, bottlenecks in processing and refining copper—a dirty, energy-intensive process that is even less popular than mining—will remain. Buyers of the metal should not expect relief from rising prices soon. ■

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Business | Shopped out

How Saks Fifth Avenue’s owner went bust

The posh department-store group has itself to blame

January 15th 2026

IF you received a gift card for Saks Fifth Avenue, Bergdorf Goodman or Neiman Marcus at Christmas, head to the shops. All three are offering steep discounts. But hurry: the cards might soon be worthless. On January 13th the department stores’ parent, Saks Global, filed for bankruptcy, little more than a year after consolidating the trio.

For Saks Global the festive season was anything but. Just before Christmas it sold Neiman Marcus’s marble-covered Beverly Hills store. Just after, it missed a $126m interest payment. S&P, a rating agency, labelled it in default. Its boss, Marc Metrick, resigned. Its shops remain open thanks to a $1.75bn lifeline from investors.

Many of the retailer’s troubles are not unique. Bain, a consultancy, reckons that global department-store sales fell by 4-6% in 2025. Posh brands now prefer to sell directly to consumers. Online pedlars of luxury goods such as Mytheresa have also pinched sales.

Yet Saks Global’s downfall was partly of its own making. Heavily indebted after buying Neiman Marcus for $2.7bn, the group told suppliers that it would delay paying overdue invoices and send monthly instalments. Many halted shipments, leaving the retailer’s shelves thinly stocked. Customers went elsewhere, including to Bloomingdale’s, a rival posh store that has reported increasing sales for five quarters in a row.

Saks Global’s new boss, Geoffroy van Raemdonck, has at least one consolation: it owns property worth $4.4bn, including the Fifth Avenue flagship. Liquidation looks unlikely, at least for now. But it may have to shut stores and merge at least one brand into another, says David Swartz of Morningstar, a financial-data firm.

To survive in the long run, the retailer will need a new strategy. Department stores rely on mega-brands to lure customers, says Luca Solca of Bernstein, a broker, but profits will come from finding lesser-known gems and selling them at fewer, better locations. “Curation is where the customer today wants to be,” Mr Metrick said in October. Good advice. Now over to Mr van Raemdonck.■

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Business | Schumpeter

Innovations in energy and finance are further inflating the AI bubble

How to bust bottlenecks

January 15th 2026

GREED HAS long been a catalyst for capitalist innovation. In the California gold rush prospectors developed water cannons to blast hills away in search of the ore. In the American mortgage boom of the early 2000s, banks built madcap loan-securitisation machines to keep the credit bender rolling. For a while, both were seen as ingenious forms of engineering—one to harness extra energy, the other to slather the housing market with cheap loans. Today energy and credit are two of the biggest constraints on the artificial-intelligence (AI) bonanza. Once again, the creative juices are flowing.

Energy is the most tangible bottleneck: gridlock, literally. Power suppliers are overwhelmed by demand for electricity to run AI chips in vast data centres. Ercot, Texas's grid operator, has received requests for more than 226 gigawatts (GW) of power by 2030, nearly 100 times more than it approved in 2022. President Donald Trump has joined a chorus of Americans worried that the insatiable power demand from AI projects will drive up electricity prices. On January 13th he promised citizens they would not "pick up the tab". Tech giants such as Microsoft would instead.

Capital has emerged as another bottleneck. When cash-generating tech giants paid for their AI capital-spending binge out of their own pockets, it was not a concern. But as investment has eaten up a rising share of their cashflow, they have had to find new ways to raise money. Meanwhile, banks are up to the gills in lending to smaller, less creditworthy data-centre developers, and need to slice and dice loans to get them off their books.

In both energy and credit markets, the result is a plethora of innovations aimed at reducing strains on the grid, as well as on balance-sheets. The latter sounds more alarming than the former. Both, though, will have the dubious distinction of pumping more air into the AI bubble.

As usual when it comes to thinking outside the box, Elon Musk is the one to watch. For a few years before xAI, his model-maker, joined the AI race, tech giants hooked their data centres directly to America's electricity grid. But the more demand there was, the longer it took to secure a connection—and Mr Musk was in a hurry to catch up with rivals such as OpenAI. So he pioneered what SemiAnalysis, a research firm, christened the "BYO" (bring-your-own) alternative to grid-based energy. When xAI built a big cluster of graphics processing units (GPUs) in a record four months in Tennessee in 2024, it literally trucked in gas turbines and engines. Initially, this was a stopgap measure. But with grid connections now taking as long as five years to secure, BYOs are here to stay.

As demand surges, BYO creativity has gone supersonic. Last month Boom, which is building ultra-fast planes, announced that it would supply 29 natural-gas turbines based on the same technology as its jet engines to Crusoe, a data-centre developer. Wärtsilä, a Finnish firm that makes engines for cruise ships, also sells them for data centres. Other promising new technologies such as fuel cells may be harnessed, too. All told, Goldman Sachs reckons that up to a third (or 25GW) of incremental data-centre capacity will be built off-grid in America over the next five years. That will mean data centres can spring up more quickly.

Mr Musk is also leading the charge when it comes to financial wizardry, alongside Meta's Mark Zuckerberg and Oracle's Larry Ellison. Adjacent to a $20bn fundraising that xAI completed in early January, it will lease $5.4bn-worth of Nvidia GPUs from a special-purpose vehicle (SPV) set up by Valor Equity Partners, its long-standing backer. Both Meta and Oracle have also used SPVs to reduce the strain that data-centre projects are placing on their balance-sheets. Meta whipped up an extraordinary concoction of private capital, corporate bonds and debt guarantees to raise $30bn for a mammoth data centre in Louisiana called Hyperion. Fittingly, the SPV for the project is named after a sugar-coated New Orleans pastry called a beignet. Oracle has also reportedly raised $66bn in off-balance-sheet financing through SPVs, all to support OpenAI, which has so far proved to be far better at making deals than making money.

The size of such deals—as well as their concentration among a small group of borrowers—is giving the heavily regulated banking industry indigestion. It is happy to arrange bond issues for highly profitable hyperscalers. But the less creditworthy the counterparty, the trickier it is to hold loans on a bank's books for long. This is providing opportunities for private-credit firms, often funded by life insurers, who are either originating loans to data-centre borrowers or buying bespoke tranches of the banks' AI-loan portfolios. The market is potentially huge. Morgan Stanley reckons that data-centre financing involving private-credit firms will reach $800bn in the five years to 2030—or about half the total amount it expects to be borrowed in the data-centre boom. Yet many of the financiers involved are making it up as they go along.

Salute innovation, but be mindful of the risks. They are not of the same magnitude. In the energy markets BYO power brings higher costs and exposes data centres to greater risk of equipment failure than they would otherwise have on the grid. But the spillovers from the frenzy of innovation will also be positive in so far as they lead to new approaches to supplying energy.

As for the credit markets, they are a good place to raise money now that AI investment can no longer be entirely self-funded. But the spillovers may also be dangerous. Only a few firms are making reliable profits from AI. If that does not change, there is a risk of a credit meltdown that could rock the financial system and the economy more broadly. Then the world will need a new type of ingenuity—at picking up the pieces. ■

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Finance & economics

Finance & economics | Interference day

It’s not just the Fed. Politics looms over central banks everywhere

But can the public stomach higher inflation?

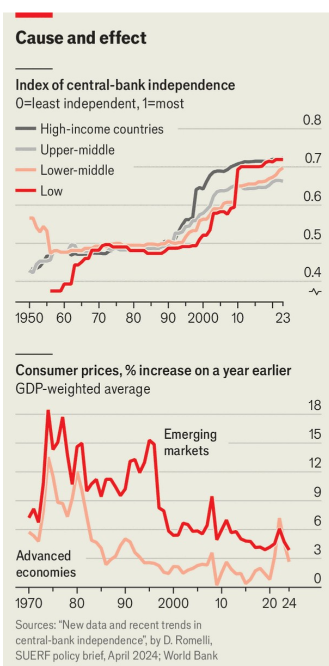
January 15th 2026

THE IDEA that central banks should enjoy some independence is as old as central banking. “I want [it] to be sufficiently in the hands of the government, but not too much,” mused Napoleon Bonaparte in 1806 of the recently created Bank of France. Try telling that to President Donald Trump. He has spent the past year bullying the Federal Reserve to cut interest rates faster. The campaign escalated on January 11th, when Jerome Powell, the Fed’s chair, said the Department of Justice had served the central bank with subpoenas. Mr Powell said he is now under threat of a criminal indictment relating to a long-running spat over the cost of renovating the central bank’s headquarters.

The Trump administration’s actions are the most striking assault on the independence of central banks in decades, in part because the Fed is [the most important central bank](). But it is not just in America that politicians are encroaching on monetary policy. Around the world, a decades-old arrangement that has, on the whole, brought lower inflation and greater economic stability can no longer be taken for granted.

The modern version of central-bank independence emerged after the second world war. The “Treasury-Fed accord” of 1951 liberated America’s central bank from having to keep down the government’s borrowing costs, as it had done during the war. In Germany, the Bundesbank was granted latitude to keep inflation at bay and avoid a repeat of the Weimar currency debasement in the 1920s. Its comparative success during the 1970s made it a model for the rest of the continent.

The movement gained traction in the 1980s as theoretical and empirical research built the case for independence. Politicians, the argument goes, are tempted by self-defeating monetary policies in pursuit of high employment, inflating away debts and election victories. Goals such as full employment and low borrowing costs, which make everyone better off, are easier to reach if policy is delegated to a conservative central banker, perhaps even a price-obsessed “inflation nutter”.



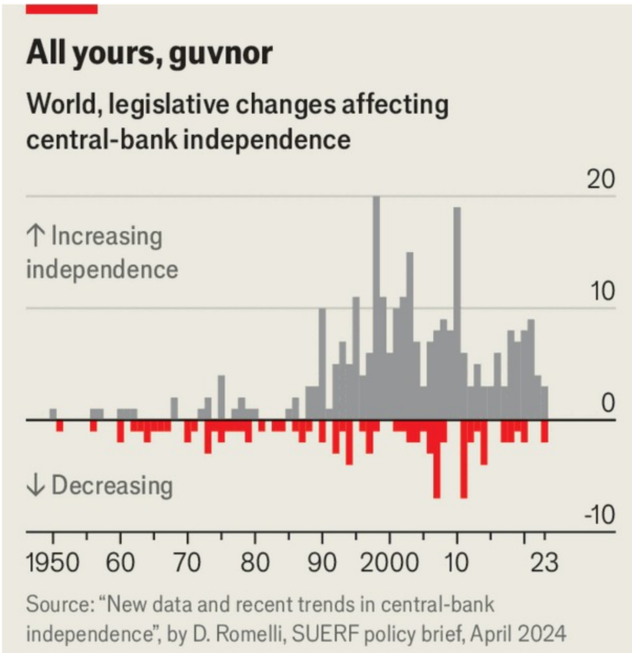
The result has been a triumph of applied economics. As independence rose, inflation fell (see chart). Economists celebrated a "great moderation" in which recessions became rarer. The big one in the wake of the global financial crisis of 2007-09 was hard to blame on monetary policy. The brief one amid the pandemic had nothing to do with it. Aping the rich world's independent central banks has transformed emerging markets. In the 1990s the gap between annual inflation in the median poor and rich economy was 6.2 percentage points. In the 2020s it has been 1.4 points.

This triumph is now under threat. Many rich-world governments have become so indebted, and so used to running deficits, that the effect of monetary policy on their budgets has become enormous. If they roll back central-bank independence, it will struggle to survive in emerging markets, where it is not as deeply rooted.

Mr Trump is not the only populist in power with strong views on monetary policy. Takaichi Sanae, Japan's prime minister since October, had previously decried interest-rate rises as "stupid". Bond markets moved sharply on her appointment. Despite the Bank of Japan's formal independence, what the government makes of monetary policy matters. In the 2010s the effort of Abe Shinzo, then prime minister, to end stubborn deflation included an accord with the bank, which hugely expanded its unconventional monetary stimulus.

That happened to be the right policy at a time of falling prices. Today Japan faces the opposite problem. In December inflation worries led the central bank to raise rates to a 30-year high. Though Ms Takaichi's rhetoric has softened in office, fiscal and monetary policy are now at odds. Japan's net debt stands at 130% of GDP, so further increases in interest rates will rapidly squeeze the government's budget, demanding fiscal tightening, not loosening.

Elsewhere monetary populists are not in power but waiting in the wings. In Britain both the populist-right Reform UK, which leads the polls, and the populist-left Greens object to the government's high interest bill. Because the Bank of England bought lots of bonds during the financial crisis, a big chunk of this bill now runs through its balance-sheet. Bond purchases were paid for with the creation of new money—in effect, new deposits at the central bank. The interest paid on these “reserves” has swollen correspondingly.



Scrapping interest on reserves, which both Reform and the Greens have suggested, would amount to a tax on lenders, depriving them of income while leaving them on the hook for interest on deposits. It would turn the central bank into a cash machine for the government, which may push for more bond-buying to reduce its overall interest costs. That might not be a problem if the Old Lady kept her independence. Yet Reform says “everything should be up for debate” when it comes to the central bank, including government oversight of interest-rate decisions.

The euro zone suffers from a related threat. Independence of the European Central Bank (ECB) is guaranteed by treaty, making it better insulated from politics than any other major central bank. Although the euro zone’s overall debts are, at 88% of GDP, more or less manageable, the number is forecast to rise as governments shell out on defence and rapidly ageing societies while fending off populists who pan any budget cuts.

This is increasing the danger of another debt crisis in which the ECB must underwrite the most indebted governments. The central bank has already played this role, in the 2010s and again during the pandemic. In the 2010s it trod a fine line, guaranteeing to do “whatever it takes” to preserve the euro, while maintaining enough leverage to force governments to get their budgets in order. Low inflation early in the pandemic let the ECB justify bond-market interventions as necessary economic stimulus; it just so happened that this benefited the indebted countries most.

In today’s inflationary world, backstopping indebted countries is harder to justify. That might increase the central bank’s sway over errant states, especially since nationalists in northern Europe would want less money-printing, not more. On the other hand, the most troubled country is now France, with debts of over 115% of GDP and an annual deficit of 5% of GDP. The sheer size of the French economy—like that of Italy, another big debtor—would make it a formidable opponent in a game of chicken. “We won’t be able to avoid a discussion with the [ECB] about French debt,” Jordan Bardella, a presidential favourite from the hard-right National Rally, told The Economist last year. At a minimum, the bank would be caught in the middle of another political fight.

In developing countries, the main recent case of backsliding has been Indonesia. Its government is not especially indebted, but is raiding the central bank’s balance-sheet anyway. In September the Bank of Indonesia announced it had agreed to “share the burden” of funding the government’s pet projects, by increasing the interest it pays on the deposits of the finance ministry. The bank has been buying government bonds afresh, too, and owns about a quarter of the rupiah-denominated stock. In unreformed countries like Ghana, Turkey and Nigeria, central bankers have faced prosecution or other legal trouble in recent years.

That Mr Powell finds himself in a similar predicament is a [sign of just how topsy-turvy things have got in America](). Even a successful pushback, which began with the Fed chairman’s spirited video denouncing the renovation probe, may bring only temporary reprieve. Mr Trump will soon name a replacement for Mr Powell, whose term as chairman ends in May. One of the favourites is Kevin Hassett. He has serious economic chops but is a paid-up member of team Trump. Even if the president picks a true technocrat, the prospect of personal reprisals like those against Mr Powell must send a chill down monetary policymakers’ spines. So would a Supreme Court ruling to let the president sack Lisa Cook, a Fed governor accused of irregularities on past mortgage paperwork (which she denies). The judges will hear arguments in the case on January 21st.

You might expect all this to freak out the bond markets. Yet America's ten-year Treasury yield is more or less where it was before Mr Powell spoke out. This may reflect his newfound gumption, and newly voluble friends. Several Republican senators have said they would block Mr Trump's nominations to the Fed until the case against Mr Powell is resolved. Mr Trump denied knowledge of the probe.

Another explanation for bond vigilantes' quietude is the painful politics of inflation. One argument against the necessity of independent central banks is that inflation angers voters like little else. Jimmy Carter paid the price for it in 1980, as did Kamala Harris in 2024. The enduring "crisis of affordability" remains the bane of incumbents everywhere. One thing keeping Ms Takaichi from more meddling appears to be that looser monetary policy would weaken the yen, which is unpopular with a public fed up with expensive imports. Maybe. But relying on politicians' restraint is a huge gamble. Sticking with independent central banks, which have proved themselves up to the job time and again, is by far the safer bet. ■

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Finance & economics | A line drawn at the Fed

Jerome Powell punches back

The administration's latest attack on America's central bank has not gone well

January 15th 2026

The LIST of American institutions that have fought Donald Trump is short. It has just grown by one. On January 9th the Department of Justice (DoJ) served subpoenas to the Federal Reserve relating to a probe into the cost of renovating the central bank's headquarters. The Fed has met earlier attacks with studied silence. Not this time. Jerome Powell, the Fed's soft-spoken chair, declared with uncharacteristic ardour that the probe was the result of the bank setting policy based on sound economics "rather than following the preferences of the president".

More remarkable still is what happened next. Mr Trump, seldom a shrinking violet, disavowed involvement in the DoJ's actions. "I don't know anything about it," he told NBC News. Some Republicans in Congress, seldom profiles in courage, objected. They included several members of the Senate banking committee, which approves Fed appointments. One of them, Thom Tillis, said that he would jam up any nominations until the matter was sorted. Another, John Kennedy, remarked that "we need this like we need a hole in the head."

Former treasury secretaries and Fed chairs of both parties signed an open letter defending the Fed. A dozen foreign central bankers, including Christine Lagarde in the euro area and Andrew Bailey in Britain, signed another. Wall Street piped up. Jamie Dimon, boss of JPMorgan Chase, said that anything that chips away at Fed independence "is probably not a great idea".

The fracas may also nudge the Supreme Court in a Fed-friendly direction. On January 21st the justices will hear arguments over whether Mr Trump can fire Lisa Cook, a Fed governor, over alleged irregularities in one of her mortgages (she denies the accusations). They may now be more likely to view the attempt to sack Ms Cook as part of a broader assault on the central bank, rather than a quarrel over loan documents. If Mr Trump loses that case, that limits his leverage over the other governors.

The odds are that the president will pick someone pliant to replace Mr Powell as chair when his tenure ends in May. But that person gets only one vote on a 12-strong committee. Most of the current lot owe Mr Trump little loyalty. This week may have stiffened their spines. Mr Powell himself could opt not to vacate his committee post, which he can occupy until 2028, rather than step down as his predecessors did when their term as chair expired.

All this may explain why markets' reaction to the subpoenas was muted. Precious metals rallied. But equities hardly moved. Crucially, the yields on long-dated Treasuries, which would soar if Fed independence were truly jeopardised, barely budged. Stacking the Fed and yanking interest rates sharply down suddenly looks harder than it did a week ago. ■

Finance & economics | Lender offenders

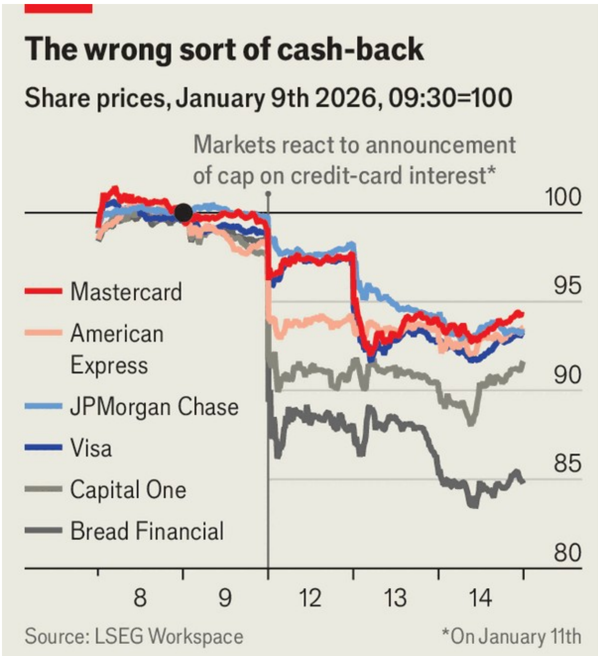
Donald Trump’s crusade against usury reaches Wall Street

His fight against high interest rates could get messy

January 15th 2026

KING HAMMURABI of Babylon, Oliver Cromwell and Donald Trump have little in common. But when it comes to loans, the American president is of one mind with the other two: high interest rates are evil and must be exorcised. Having long badgered the Federal Reserve to cut them, America’s lord consumer-protector is increasingly going after supposed usurers in the private sector.

On January 11th Mr Trump declared that from January 20th firms charging annual interest of more than 10% on credit-card loans would be in for “very severe things”. Days later he urged Congress to curb fees merchants pay to card-payment processors such as Visa and MasterCard.



No law relating to the matter has a chance of passing soon, and Mr Trump seems to lack the legal authority to impose an interest-rate cap on his own. But that has not stopped financial firms from taking a hit. Share prices of Visa, Mastercard and American Express have fallen by 5-6% since the announcement; those of Bread Financial, which caters to sub-prime borrowers, have slumped by 14% (see chart). For big banks, which issue lots of cards, the 10% limit would compound problems in other parts of their business. JPMorgan Chase, Bank of America, Wells Fargo and Citigroup all presented disappointing fourth-quarter results this week. On January 13th JPMorgan's finance chief, Jeremy Barnum, said that "everything is on the table" to fight Mr Trump's edict.

No wonder. The average American credit-card interest rate is 22%, according to the Federal Reserve. Even when interest rates on cards hit rock bottom in the aftermath of the global financial crisis of 2007-09, the average rate exceeded 10%. Yet Wall Street would not be the only victim of Mr Trump's policies. So would consumers. "We'll simply reduce the supply of credit," Mr Barnum summed up.

This would be especially unhelpful for low-earners with patchy credit histories—precisely the group whom the president ostensibly wants to support. Mr Barnum's opposite number at Citigroup, Mark Mason, goes further. On January 14th he warned the cap could cause “a significant slowdown in the economy”. Analysts at UBS, another bank, reckon that around $63bn in American credit-card spending, a quarter of the total, could be at risk.

The card kerfuffle is the latest battle in Mr Trump’s crusade against high rates. On January 8th he instructed Fannie Mae and Freddie Mac, two government-backed giants of housing finance, to buy $200bn in mortgage-backed securities (MBSs). Since then rates on new 30-year mortgages have edged down by 0.2 percentage points, while Treasury yields have barely moved. This leaves them at around 6%, the lowest in more than three years, and translates to annual savings of around $700 to a borrower buying a typical American home.

It leaves a few companies better off, too. The share price of Rocket Companies, the parent company of Rocket Mortgage, rose by 10% on January 9th. Those of Lennar and D.R. Horton, two large listed builders, went up by 9% and 8%, respectively. That of Opendoor, a property-listing platform, surged by 13%.

Yet as with credit cards, presidential meddling in the $13trn American mortgage market carries risks. The new purchases by Fannie Mae and Freddie Mac are a $200bn bet that the Federal Reserve will not raise interest rates, which would reduce the value of the MBSs. Since other Trumpian policies, such as tariffs and mass deportations, are inflationary, this is far from assured. If rates rise, this could cost Fannie and Freddie—and the taxpayers who implicitly back them—billions of dollars in losses. Even if they stay where they are, the MBS purchases will make the housing duo harder to privatise, another of Mr Trump’s stated goals. If they became private institutions and lost their implicit guarantee, they would require thicker capital buffers to set against their swelling assets. These would take years to accumulate.

Another big category of consumer credit, cars, may be next. With $1.7trn in outstanding loans, it is second only to mortgages and ahead of credit cards. Mr Trump’s sprawling tax law from last year includes a provision that lets buyers write off up to $10,000 in interest payments a year against taxes, so long as the financed vehicles are made in America. A juicy carrot. But don’t be surprised if it is supplemented soon with a presidential stick. ■

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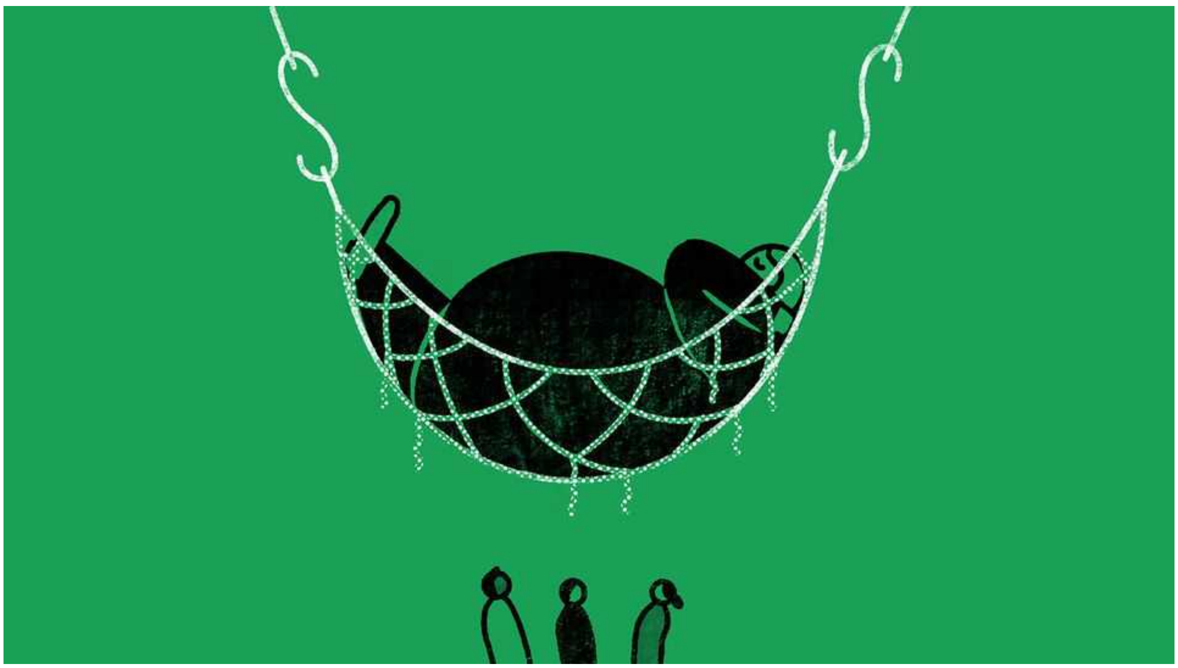
Finance & economics | Buttonwood

Is passive investment inflating a stockmarket bubble?

A widely circulated working paper suggests so

January 15th 2026



In 2016 researchers at Bernstein, a broker, published a note entitled "The silent road to serfdom: why passive investing is worse than Marxism". A decade later the revolution is still in full swing. Trillions of dollars of capital have poured from actively managed investment funds into those that simply track market indices, and the flow shows no sign of stopping. As much as 60% of net assets overseen by American equity funds are in such passive vehicles, estimates the Investment Company Institute, an industry group.

Today a note like Bernstein's, which at the time prompted plenty of headlines and approving references on trading floors, would merely provoke eye-rolling. No one is surprised that analysts who sell research to stockpickers dislike the passive funds that are outcompeting their clients. Over the years the claims that such funds are bad for markets have tended, similarly, to come from people whose salaries might be higher if they were to disappear. Meanwhile, the once-revolutionary creed that motivated the creation of tracker funds has come to feel like common sense. What investor does not know that most active managers fail to beat their benchmark index, while the passive alternatives hug theirs closely and charge rock-bottom fees?

None of this, however, means that passive investment really is harmless. Its detractors make a valid complaint: markets' social function is to direct capital to where it will be used most effectively, and passive funds make no attempt to do this. Their indiscriminate buying could therefore pull share prices out of whack with underlying earnings. Pulling in the opposite direction are the arbitrageurs, such as hedge funds, which can take the other side of tracker funds' trades and profit from bringing prices back into line with fundamentals. Yet a much-discussed working paper—at least among active fund managers—makes a compelling case that the arbitrageurs have a far weaker effect than is commonly thought. If so, then flows of assets into passive funds really could be distorting share prices and helping inflate a bubble.

The paper, by Xavier Gabaix of Harvard University and Ralph Koijen of the University of Chicago, sets out their "inelastic-markets hypothesis". This contradicts the textbook argument that money flowing into stocks should barely raise prices, since if it did, demand would fall and return prices close to their starting level. In fact, the paper's authors find that stockmarket demand is not "elastic" in this way. It is inelastic, and does not fall much as share prices rise. As a result, an investor who buys $1-worth of stocks using fresh cash (or the proceeds from selling other assets such as bonds) pushes up aggregate market value by $3-8.

Messrs Gabaix and Koijen reach this conclusion by analysing "idiosyncratic" flows into stocks between 1993 and 2019. These exclude flows explained by other variables (such as news) which might themselves move prices. The authors also consider how the structure of markets might make them inelastic. For one thing, the arbitrageurs of textbook models are in reality few in number, and heavily constrained. Hedge funds hold less than 5% of the value of stocks and face strict risk limits; they must also exit positions when clients withdraw money.

Most important, funds that maintain fixed allocations can push up prices. Suppose you exchange cash for new units in a fund promising to keep 80% of its assets in shares. The number of shares in existence does not change, but demand for them has risen. The fund can buy shares from another type of investor, but in practice flows between investor groups are low. (This also implies inelasticity, since if demand were elastic, groups with different beliefs, about future earnings, say, would act differently, boosting trading.) The only way to put the cash to work, if all similar funds are to also meet their mandates, is to buy fewer shares at a higher price.

These are just the type of funds into which many people now funnel their savings. In 2024, estimates Vanguard, a passive-investment giant, 64% of Americans' pension-pot contributions went into "target-date" funds. These split their portfolios between stocks and bonds in proportions determined by the dates when savers hope to retire rather than by market prices. If Messrs Gabaix and Koijen are right, each dollar of this steady flow drives up stockmarket value by several more, regardless of what investors think about firms' future profits. It's not quite Marxism—but not altogether reassuring, either. ■

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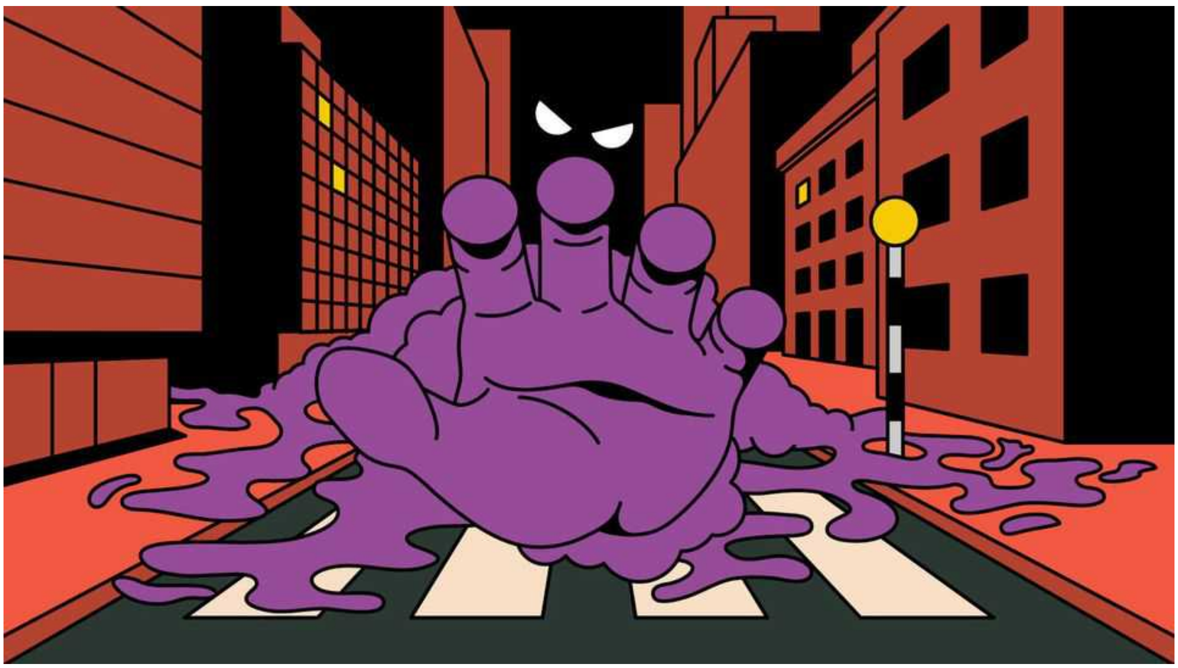
Finance & economics | Misery loves company

Pessimism is the world's main economic problem

Gloomy expectations are starting to matter more than the data

January 15th 2026



POSITIVE THINKING can help people who are feeling down. Politicians, too, grasp that gloomy expectations can be self-fulfilling. In the late 1970s, as America grappled with an energy crisis and stagflation, President Jimmy Carter warned that the gravest danger was a "crisis of confidence" corroding public institutions and private enterprise. Decades later Abe Shinzo, Japan's longest-serving leader, argued that stagnation was sustained by a "deflationary mindset", and tried to jolt households and firms out of it. Xi Jinping, China's paramount ruler, has made promoting "positive energy" a national priority.

Today positive energy is in short supply. Pessimism has become widespread and persistent. In America consumer sentiment is near a record low. All around Europe economic confidence has been below its long-term average for over three years. A new poll by FGS Global, a consultancy, of 20,000 voters and business leaders across America, Britain, Canada, the EU and Japan finds a bleak consensus: in all 27 countries, majorities believe life will be harder for the next generation and that the system is rigged in favour of the rich. In all but Denmark, majorities judge public institutions ineffective and wasteful.

Other polls tell a similar story. In a Gallup International survey of nearly 60,000 adults, economic pessimists outnumber optimists by about two to one in Britain and Japan. In Germany they are nearly 12 times more numerous.

Persistent pessimism has become one of the global economy's biggest constraints. When expectations sour, economies can behave in ways that blunt the effects of otherwise sensible policy and distort politics. John Maynard Keynes captured this with the idea of "animal spirits", which put confidence and expectations at the heart of economic outcomes. Robert Shiller, a Nobel-prizewinning economist, has since described how glum narratives can spread, shaping behaviour in ways not predicted by economic models. As gloom becomes entrenched across rich economies, it risks turning into a self-reinforcing drag on growth. The consequences are less investment in the future, a drift towards zero-sum protection and a politics that makes fiscal restraint harder to sustain.

Pessimism first acts like an uncertainty shock. When the future looks darker, the option value of waiting rises. Households and firms postpone decisions that are costly to reverse. Short-term effects are already visible. In America, hiring and worker quits are a third or so below their post-pandemic peaks despite solid GDP growth. Such slow labour-market churn weighs on efficiency. The euro zone's household savings rate of 15% in 2025 was well above its pre-pandemic norm. Low confidence may also contribute to other social changes, from low fertility rates to falling college enrolments.

Another expression of pessimism is the belief that the economy is rigged, which encourages zero-sum thinking. When people assume that gains for one group come only at another's expense, they support policy that shifts the focus from growth to redistribution and protection. Pepper Culpepper of the University of Oxford and co-authors find that, across several rich countries, those who believe the system favours the wealthy are more likely to back explicitly zero-sum redistribution.

Similar instincts shape views on migration and trade. Stefanie Stantcheva of Harvard University shows that zero-sum thinkers favour protectionism and tighter borders—sentiments now common in the rich world. The same logic applies to technological change. In Harvard's latest youth poll, young Americans were more than three times as likely to say artificial intelligence will destroy opportunities as create them; in the FGS Global survey, seven in ten respondents backed strict regulation and heavy taxation of AI firms. The likely result is a turn towards a fortress economy that vows protection but dulls growth.

A final danger of pessimism is that it undermines fiscal discipline. When voters think the future is bleak, their tolerance for short-term pain drops. Sweden's belt-tightening in the mid-1990s worked because Swedes felt sacrifice would be rewarded. Where such a belief is absent, belts unbuckle. Across southern Europe after 2010 consolidation imposed amid stagnation met fierce resistance. When electorates feel down, they reward politicians for cushioning rather than restraint. This keeps deficits wide and inflation harder to tame.

This is already happening. Last year the average budget deficit in rich countries exceeded 4% of GDP; in America it was closer to 6%. Yet fiscal restraint remains elusive. President Donald Trump has pushed through fresh tax cuts while floating more giveaways to placate discontented voters. France's attempts to trim spending routinely trigger political crises. In Japan the government late last year unveiled its largest stimulus since the pandemic, despite public debt being among the world's highest. Canada, too, resorted to temporary tax holidays to lift sentiment, adding costs and complexity for firms.

Today's malaise is fertile ground for populists promising protection and spending rather than reform. This feeds a self-reinforcing loop where gloom fuels support for populist leaders, whose rule weakens institutions and hurts growth. Research shows that countries governed by populists suffer lasting economic damage, with lower incomes and greater instability long after they take power. The greatest threat to the world economy is now a politics shaped by pessimism itself. ■

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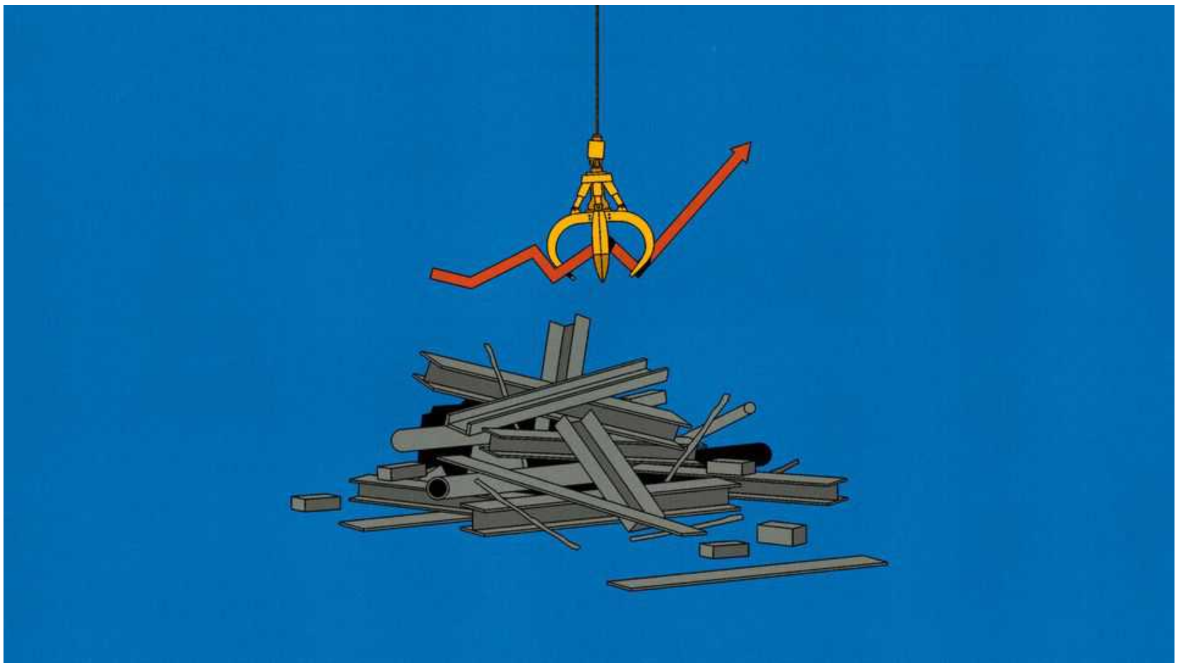
Finance & economics | Free exchange

The economics of regime change

Lessons from history for Venezuela and Iran

January 15th 2026



REGIME CHANGE is often viewed as an economic turning point. Impoverished by years of fiscal indiscipline, price controls and state decay, nearly seven in ten Venezuelans believe their livelihoods will improve over the next year now that America has deposed their feckless dictator, Nicolás Maduro. Many Iranians bravely protesting against their theocratic rulers over sinking living standards must harbour similar hopes. Yet even though political moments can arrive abruptly, as Mr Maduro and the ayatollahs have learned, economic outcomes take longer to adjust.

Economists have long tried to pin down what political upheaval does to growth. Early answers were pessimistic. In the 1990s, when cross-country growth regressions were in vogue, Alberto Alesina of Harvard University and his co-authors found that frequent changes of government were associated with slower growth. Robert Barro, also of Harvard, showed that revolutions and coups went hand in hand with weaker investment, largely because they undermined property rights. Political instability, on average, looked bad for business. Yet those averages concealed striking variation. Russia's transition in the early 1990s ended in collapse. South Korea after 1987, and Poland after 1989, endured disruption but then rebounded. Similar political shocks, in other words, produced very different economic outcomes.

Democracy alone does not explain the divergence. Democratic transitions in places like Ecuador and Romania did not lead to robust growth. As Alesina and his co-authors showed, democracies do not reliably outperform autocracies during periods of upheaval. The decisive factor is whether a rupture convinces households and firms that the economic rules they face have genuinely changed—and will endure. In a paper from 1991 Dani Rodrik showed how uncertainty about the longevity of reforms can deter investment even when policies look sound on paper. Chile after 1990 illustrates the opposite dynamic. Democracy returned, but the new centre-left government preserved the economic framework it inherited. By maintaining fiscal discipline, open markets and property rights, it reassured investors that the rules were stable. Confidence held and growth remained strong.

Serbia in October 2000 offers the clearest case of a rupture that reset expectations. Slobodan Milosevic fell after refusing to accept an election defeat, amid the unforgettable sight of a bulldozer smashing into a state broadcaster in Belgrade. The new government moved fast to rejoin the world economy. It restored relations with the IMF and the European Union, reopened trade and steadied the macroeconomy. Inflation, which had averaged almost 50% a year in the preceding five years, fell by more than half in the next five. Growth averaged over 6% a year, and foreign capital returned. Many structural reforms, from bank privatisation to the slow unwinding of state firms, came later. The early gains came from people's belief that the rules of the game had changed for good.

Contrast this with Tunisia in 2011. The Jasmine Revolution toppled Zine el-Abidine Ben Ali, as protesters were carried along by a poet's promise that fate would respond to popular aspiration. Competitive elections and a democratic constitution soon followed. Yet the economy remained stuck in old grooves. Successive governments tried to buy calm with higher spending and an expanding public payroll, while postponing tougher choices on subsidies, state firms and rigid labour markets. Corruption returned in familiar forms. By 2018 trust in government had fallen by half. Investors saw new politics layered on top of old economics. Youth unemployment, the original grievance, barely budged. Fate may respond to aspiration; markets are harder to persuade.

Libya illustrates the most destructive outcome. Muammar Qaddafi fell quickly in 2011. Soon after the state collapsed into civil war. Rival governments and militias fought for territory and control of oil revenues. With no authority able to tax reliably, borrow credibly or enforce contracts, economic management became impossible. Output rose and fell with oil production. As fields and ports were seized or blockaded, inflation turned volatile and investment evaporated. Economic policy was whatever the men with guns allowed.

All these episodes point to a simple lesson. Political rupture matters economically only if it establishes a credible anchor—clarity over who sets the rules, how they are enforced and whether they will last long enough to justify investment. Venezuela today relies on borrowed credibility. Donald Trump is working with a new face of the old regime, Delcy Rodríguez, and managing oil flows from afar. Stability is sustained by oil exports and external oversight. This can keep trade moving but does little to revive long-term investment. Likewise, toppling Iran's regime will not by itself guarantee economic recovery.

What also matters is not whether crowds are dispersed, but whether shared beliefs about rules, contracts and policies fracture. In 2021 the junta in Myanmar overturned an election in a coup but kept the state running; what broke was confidence. Sanctions returned, capital fled and investment dried up. Thai generals' interventions offer a milder version of this: no revolution, but enough meddling to sap credibility and slow growth.

Rich democracies are not immune from such institutional erosion. Economic expectations can fray without uprisings or coups. They rest on the state's credible commitment not to rewrite contracts, politicise regulation or debase the currency. As Mr Trump busies himself with reshaping Venezuela, and maybe Iran, from afar, his attacks on the Federal Reserve may cause their own type of fracture. The economics of rupture is about credibility. That is easier to lose quietly at home than to rebuild loudly abroad. ■

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Science & technology

Science & technology | Lament of the Tiger Mother

Why child prodigies rarely become elite performers

Hot-housing promising youngsters works—but not as well as you might think

January 15th 2026

NOVAK DJOKOVIC first picked up a tennis racket when he was four years old. At the age of 12 he left his native Serbia for a tennis academy in Germany. He won his first major title—the 2008 Australian Open—when he was 20. Today he has another 23 majors under his belt, and has spent more time ranked number one in the world than any other player.

Mr Djokovic's illustrious career fits a common idea of human excellence: a child prodigy, schooled intensively in his early years, goes on to conquer his chosen field. But a paper published in Science at the end of last year suggests he may be something of an exception, rather than the rule. It concludes that the very best performers, in all sorts of fields beyond just sport, tend to follow a rather different path.

This study, led by Arne Güllich, a sports scientist at the RPTU University Kaiserslautern-Landau, in Germany, crunched data covering more than 34,000 elite performers in several areas, including sport, chess, classical music and academia. It concluded that, although they often reach a high level, the best-performing, most intensely drilled teenagers tend not to become true superstars as adults. Those who do make that grade, by contrast, tend not to stand out early on. They take longer to reach their peaks and seem to keep their interests wider for longer.

It is no accident that both Dr Güllich and one of his co-authors are sports scientists (the other two are psychologists). Sport makes a good laboratory in which to study how excellence develops. There is no shortage of volunteers, in the form of talented youngsters dreaming of making it big. Performance is easy to measure. And, since spotting future stars is vital for professional teams, there are many well-funded youth academies.

The received wisdom—and the logic on which the academies are based—is that the best way to nurture talented youngsters is to identify them early and drill them relentlessly. But a lot of the research backing that approach had looked only at school or university-level athletes, says Dr Güllich. It had not followed its subjects into their professional, adult careers.

Some more recent studies have, however, done this. Dr Güllich and his colleagues collected them and found the beginning of their new hypothesis—for all these studies agreed the received wisdom was wrong, and that early performance was not a reliable predictor of adult outcomes. Thus jolted into action, they extended the analysis beyond the sports field and came to similar conclusions.

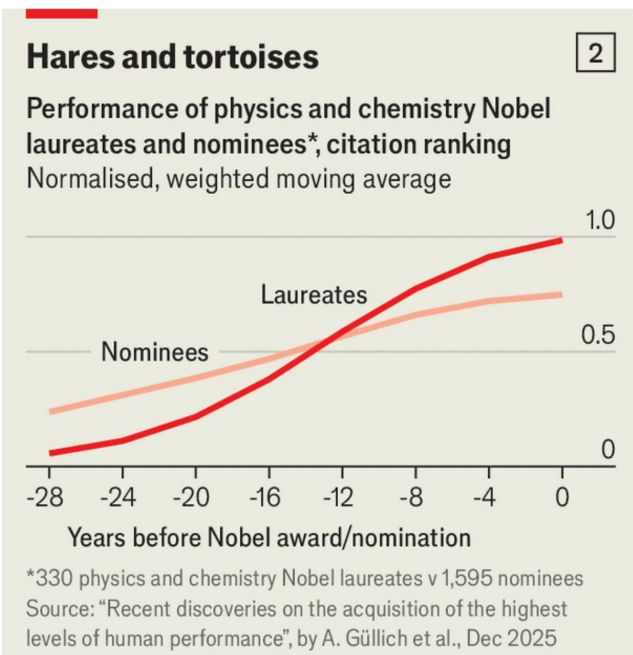
Gathering data for other fields of endeavour took them two years. Chess was fairly straightforward. Both national and international chess outfits maintain so-called Elo ratings of players. These give a numerical assessment of those players' strengths. Academics can similarly be ranked via databases that use citations of their work as a proxy for how influential it is, as well as by the award of prizes such as the Nobels or the Fields medal.

Music was the trickiest, says Dr Güllich. For this, he and his colleagues relied in part on a study carried out at the University of California, Davis, which tried to rank classical composers using expert consensus, mentions in musical encyclopaedias and (for those who wrote such things) how often their operas have been performed in the world's best opera houses.

When they crunched their data, a reliable pattern fell out. In every field, elite youth performers and elite adults were almost entirely separate groups. Around 90% of superstar adults had not been superstars as children, while only 10% of top-level kids had gone on to become exceptional adults (see chart 1). It is not just that exceptional performance in childhood did not predict exceptional performance as an adult. The two were actually negatively correlated, says Dr Güllich.

The adult superstars also had a reliably different approach to their fields from that of the child prodigies, in that they seemed to maintain interests besides the one in which they eventually became elite. The best sportsmen and women tended to have played several sports at a relatively high level (and even had formal coaching) for much longer than their lesser-performing confrères. Their performance in the sport they eventually played lagged behind that of their more focused peers when they were young. But when they did specialise, their progress was much quicker—they had better "training efficiency", in the sports-science lingo.

The same was true in other disciplines. Nobel-prizewinning scientists were less likely to have won academic scholarships than those nominated for a Nobel who did not win. They also took longer to reach senior academic positions, had less impressive early publication records, and maintained interest in fields beyond that for which they won their prize (see chart 2).



Why so many exceptional performers show the same pattern of broader interests and later flowering is hard to answer. But the researchers had a stab at it anyway. They scoured the literature on excellence for theories of how it arises, but none seemed compatible with their data. Instead, they offer three of their own.

One is “search and match”, an idea derived from labour-market economics. This holds that having a broad range of interests and waiting before choosing in which to specialise gives a better chance of finding the field best suited to your talents. The young Rafael Nadal—another all-time-great tennis player—flirted with a career in football before plumping for tennis.

A second is “enhanced learning”, the idea that learning is itself a learnable skill, and that a good way to hone it is to pursue a variety of things. When the time comes to focus on one of these, a better ability to learn makes training more effective, which means improvement is faster.

The last possibility is the limited-risk hypothesis, a fancy name for the straightforward idea that avoiding the hothouse, at least for while, may stop youngsters burning out, becoming disenchanted with endless practice or simply getting bored with an activity after spending years pursuing it to the exclusion of all else.

The researchers hope to extend their analysis to more fields of endeavour, such as business and art. In the meantime, Dr Güllich is keen to emphasise that his team is not saying the hothouse model does not work. It is a reliable way, he says, to produce highly competent people—just not the truly world-class ones. Sports academies, selective schools and high-end conservatoires, in other words, may want to rethink how they do things. ■

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Science & technology | The climate in 2025

Hotter still, and hotter

More worrying news about the climate

January 15th 2026

What ought, in normal circumstances, to have been a relatively cool year turned out to be one of the hottest on record. This week the main climate- and weather-monitoring groups in Europe and America released their report cards for 2025. These are consistent with an acceleration in the pace of global warming.

The past 11 years are the warmest since records began, with the past three top of the leader-board. Hottest of the lot was 2024, which coincided with a strong Niño—a pattern of winds and ocean currents that nudges the thermometer upwards—combined with a peak of the 11-year solar cycle when the sun shines brightest. But in 2025 El Niño tailed off, to be replaced by its opposite pattern, La Niña, and the sun—only a minor part of the story in any case—began to dim. That 2025 was cooler than its predecessor was thus no surprise. But as La Niña years go, it was sweltering: the hottest yet.

The most recent previous year that La Niña showed up—2022—was 1.15°C warmer than the world's preindustrial average temperature, according to the World Meteorological Organisation. Last year was 1.44°C warmer, a significant bump upward for a Niña year. The average warming over pre-industrial levels of the past three years has been between 1.48°C and 1.5°C, depending on which set of data you consult.

Many climate scientists are reluctant to draw grand conclusions about the exceptional warming since 2023 because they remember a time when the opposite happened. In the early 2000s temperatures were persistently lower than climate models predicted—resulting in a so-called "climate hiatus". That prompted sweeping declarations from sceptics that climate change had simply stopped. In fact, what had occurred was that several natural climate cycles had conspired, temporarily, to cool things down somewhat.

There are, nevertheless, several lines of evidence that a sustained acceleration of warming is going on. One is that the underlying problem, manmade greenhouse-gas emissions, especially but not only of carbon dioxide, is not only continuing, but increasing in size. Another, paradoxically, is that a second sort of pollution, by sulphate particles in the atmosphere, is diminishing. Sulphates are bad for human health and stricter regulation has diminished two of their main sources—cargo ships and Chinese coal-fired power plants. But sulphates also serve to reflect solar radiation back into space, preventing it from heating the planet. So, while stripping sulphates out of the air is a hygienic boon, it also boosts warming.

There is also debate about whether the climate may be more sensitive to the warming power of greenhouse gases than is generally assumed. A joint project published this week by climate researchers at the University of Exeter, in England, and members of Britain's Institute and Faculty of Actuaries suggests this sensitivity is at the upper end of mainstream estimates and warns that, if this is true, the global temperature rise could pass 2°C by mid-century. Climate models show that the effects of global warming, including the risk of irreversible tipping points, are much greater beyond 2°C than the 1.5°C enshrined in the UN Paris agreement, signed in 2015 and intended to co-ordinate a global response to climate change.

One factor behind last year's extreme heat was unusually hot weather at the ends of the Earth. February 2025 saw the lowest ice cover across both poles since satellite observations began in the late 1970s, and Antarctica experienced its hottest year on record. In Europe, meanwhile, hot and windy conditions spread wildfires, particularly in Spain and Portugal, in late July and early August. These added nearly 14m tonnes of carbon to the atmosphere, in the form of carbon dioxide and also soot which, being black, absorbs solar radiation and thus contributes to global warming. That is significantly more than recorded in any previous year.

If warming trends continue in coming years, the 1.5°C milestone will be passed sooner than expected. Casting the rate of warming from the past 30 years forward gives a crude estimate that this could happen in the final year of this decade. That is consistent with other calculations published late last year. Carlo Buontempo, director of Europe's Copernicus Climate Change Service, says a change in mentality is required. "It's not a question of not having the overshoot [of 1.5°C]," he says, "but of figuring out how to manage it."

Perhaps the next 12 months will throw a curveball and bring cooler temperatures. But that seems unlikely. Forecasters are expecting a return of El Niño later this year. Climate researchers expect 2026 to be another one for the leader-boards. ■

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Science & technology | Pan-sexual

Same-sex sexual behaviour in primates is a survival strategy

It promotes harmony among those living in harsh environments, says new study

January 15th 2026

Same-sex sexual behaviour has been recorded in around 1,500 species, from insects and starfish to birds and mammals. Yet sex between two male baboons will not produce an infant. Nor will the kissing and frottage female snow macaques so regularly and obviously enjoy (pictured). And why do male bats have erect penises when they nibble each other's wings? Evolutionary biologists call this Darwin's Paradox.

In truth, it is not a paradox. The animals involved all seem perfectly eager participants in heterosexual behaviour, as well, so their reproduction is not compromised. It is, though, a puzzle—for something so widespread presumably has a function.

A popular theory, at least at the vertebrate end of the animal-complexity scale, is that it reduces conflict and enhances bonding between members of groups. However, data that would support or refute this idea are sparse. To try to shed some light on the matter, Vincent Savolainen of Imperial College, London and his colleagues have gathered and analysed as much of the literature as they can find on non-human primates—the wild animals for which the best records exist.

In this case, “best” is by no means the same as “good”. As Dr Savolainen observes, hang-ups about human homosexual behaviour have meant the topic has often either not been taken seriously or has been too freighted with human concerns to yield much data. As a consequence, there are few thoroughly observed cases—the snow macaques of Japan, the rhesus macaques of Cayo Santiago (an island off the coast of Puerto Rico) and the bonobos of the Democratic Republic of Congo being perhaps the best known of them.

Nevertheless, as they write in Nature Ecology and Evolution, Dr Savolainen and his team have, by examining over 1,000 papers and books, found a certain amount of relevant data on 491 primate species. Of those, 59 had been seen engaging in same-sex sexual behaviour at least once and 23 had been so recorded on several occasions. To try to find out what is going on, the researchers combined these findings with climate data, data on food scarcity in particular animals’ habitats, information on the distribution of the species concerned and their predators, and details about species’ life-histories.

Their plan was to test three (non-exclusive) hypotheses about situations where conflict-reduction and bonding might be important. One was where a species experiences environmental pressures such as extreme climates, scarcity of resources or predation pressure. A second was that facts about the animals themselves, such as sexual dimorphism, lifespan, body size and sex ratio, might lead to a need for conflict-reduction. The third hypothesis proposed social complexity as the driver, predicting greater occurrence in species with larger or more complicated group structures, stricter hierarchies, more fluid mating systems and co-operative infant care.

The first hypothesis was supported. Same-sex sexual activity was indeed more common in primates living in drier climates with less food and more predators. Homosexual couplings between snow macaques, which live in the harsh, cold mountains of Japan, happened almost three times an hour in groups under observation, but the rate in common marmosets, found mostly in the lush tropical forests of Brazil, was a thousandth of this.

Rates were higher in areas with more predators, too. Vervet monkeys, small, silver-haired natives of Africa, rely on each other for warning calls to keep them safe from leopards and other predators. This, the authors suggest, is helped by group cohesion, which may in turn be aided by same-sex sexual behaviour.

The second hypothesis also found support. Species with strong sexual dimorphism—where males and females differ in appearance, a trait associated with larger, more competitive groups—and those that lived for longer, had higher rates than monomorphic species. Male bonobos, for instance, can be a third larger than females and live for 40 years. In bonobo groups same-sex activity happened every two hours, or so. But the figure for gibbons, which show little sexual dimorphism and have lifespans of around 25 years (and, admittedly, live in pairs, so opportunities are limited), was once every 13 hours. However, size and sex-ratio—the two other species characteristics the researchers looked at—played no discernible role.

The third hypothesis proved partly true. Species living in large groups with stratified hierarchies, where there is often social tension and rank-related conflict, took part in more same-sex sexual activity than less sociable species. In bonobos, for example, post-conflict same-sex genital touching is associated with reduced tension. This suggests that the behaviour may be being used as a way to suppress aggression within groups. The influence of mating systems and infant-rearing strategies could not, however, be fully gleaned because of sparse data.

How—or, indeed, whether—any of this fits with same-sex sexual behaviour in humans remains to be seen. Many humans are bisexual, but the exclusively homosexual bonding which also happens in people has not, so far, been noted in other primates. The studies in question, though, are mostly so patchy that they might have missed it. Regardless of this, Dr Savolainen has brought some welcome rigour to a topic beset by speculation and prejudice. And that is a good start. ■

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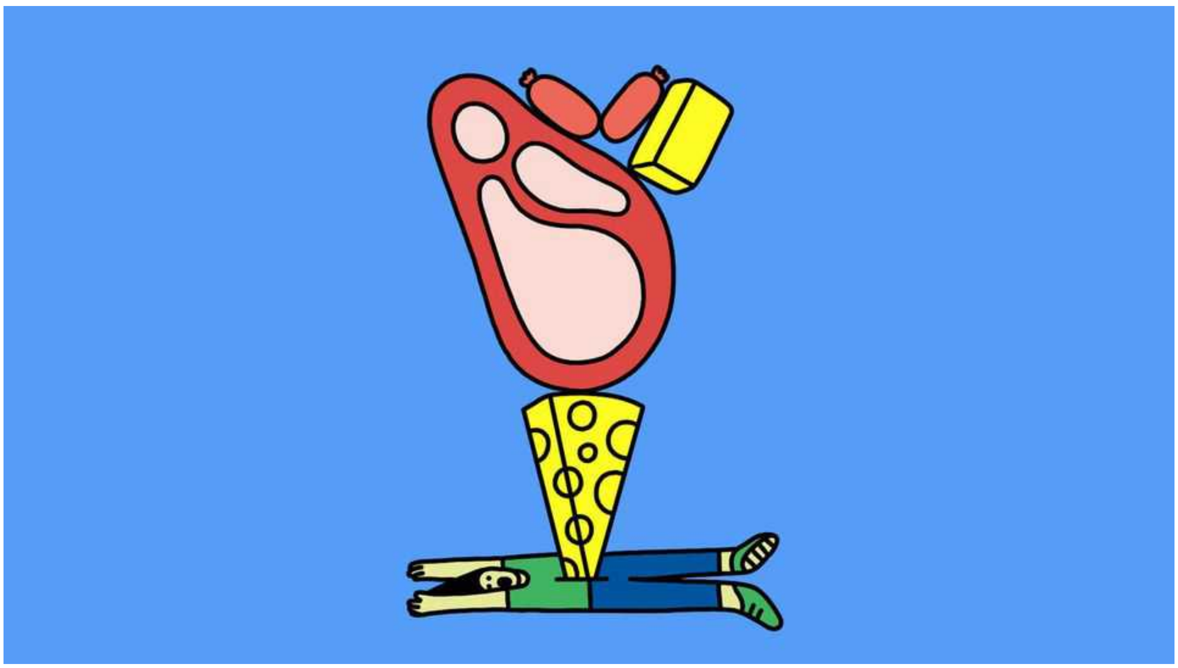
Science & technology | Well informed

Do RFK junior's new dietary guidelines make sense?

We break them down for you

January 15th 2026



The American government's new guidelines on healthy eating, published on January 7th, have both elicited applause from and furrowed the brows of nutrition experts. If you actually eat what the guidelines suggest, you will exceed the healthy limits they set on specific nutrients.

The big-picture message is not controversial. The new guidelines say what earlier editions—and nutritionists—have said for decades: eat lots of fruits and vegetables, a variety of foods rich in protein, and whole grains rather than refined ones (such as white bread). Avoid sugary drinks and processed foods with lots of additives that you would struggle to pronounce; cut down on alcohol, too.

Many nutrition experts have been angered, however, by the new focus on meat and animal fats such as butter and beef tallow (which the guidelines call “healthy fats”). Rightly so, considering the scientific evidence. The image published alongside the guidelines—meant to convey, at a glance, what to eat more or less of—is an inverted pyramid in which meat, dairy products and vegetables are at the top (eat lots of them) and grains are at the bottom (eat sparingly). A marbled steak, a piece of cheese, whole milk and a slab of butter visually dominate the section representing protein and “healthy fats”.

The problem with getting your fats from red meat and animal products is that a lot of them are saturated. A diet high in saturated fats leads to more artery-clogging cholesterol in the blood, a leading risk factor for heart attacks and strokes. A healthier choice is to replace them with unsaturated fats, which are the dominant kind in vegetable oils such as those from olives, rapeseed (canola) or sunflower seeds. Oils from seeds, however, have been a thorn in the side of Robert F. Kennedy junior, America’s health secretary, who has maligned them as poisonous—a claim not supported by the scientific evidence.

The meat-and-butter makeover of the guidelines is also at odds with their advice elsewhere to cap your daily consumption of saturated fat at roughly 20-30 grams (a limit that has long been in place). Just by itself, the marbled steak pictured on the cover of the new guidelines could push you through that ceiling. The recommended three servings of full-fat dairy products will add an extra 15g or so of saturated fat. Cooking anything with butter or beef tallow means adding 7g more with each tablespoon.

The guidelines’ edict to aim for 1.2-1.6g of protein per kilogram of body weight (g/kg) are achievable only if you are really into meat. For someone who weighs 80kg it will take three lean chicken breast fillets. If you are vegetarian, you are looking instead at 17 eggs, a kilogram of cooked beans or 3.3 litres of milk. Whether you actually need this much protein is questionable. The World Health Organisation suggests 0.8g/kg of body weight to keep healthy. Protein is a macronutrient you need to build and maintain muscle mass. If your new year’s goal, say, is to build bigger muscles and you are doing the gym work for it, 1.6g/kg is the upper end of what you would need.

Though muddled, the basic advice in the new guidelines—eat a balanced diet of fresh and freshly cooked foods prepared in a healthy way—is largely sensible. Just don’t overdo the calories, and watch out for the saturated fats. ■

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Culture

Culture | Boffins v brutes

Did killers make the modern world?

A blockbuster history claims that violence drove the Industrial Revolution

January 15th 2026

Like many planters in 18th-century Jamaica, Thomas Thistlewood grew rich by forcing other people to work for him at gunpoint. Unlike most slaveowners, he kept a detailed record of his own cruelty. His diaries, never intended for publication, offer valuable insights into the day-to-day horrors of slavery. In matter-of-fact prose, Thistlewood describes whipping slaves and rubbing chilli into their wounds; raping more than 100 women; and punishing a runaway by shackling him, smearing him with molasses and exposing him "naked to the flies all day".

Clifton Crais, a historian at Emory University, uses Thistlewood's ghastly story—and many more like it—to illustrate a striking argument. In his view, brutality like Thistlewood's was not merely a scar on the modern world but essential to creating it. In “The Killing Age”, he claims that “without… globalised violence, the Industrial Revolution would not have happened.”

He is building on two ideas that have long been popular on the campus left. First, that the West is to blame for most of the world’s ills. As Mr Crais puts it, “killing [has been] the West’s most profound contribution to world history.” Second, that capitalism is a jolly bad thing. (This “economic system is the cause of violence”, says the platform of the Democratic Socialists of America, a party whose members include Zohran Mamdani, the charismatic new mayor of New York.)

It is always tempting to describe the past in ways that reflect the present. Shakespeare played up what a repulsive villain King Richard III was because he could not afford to upset the Tudor dynasty that overthrew the hunchbacked monarch. British imperialists lauded the Roman empire as a backhanded way of justifying their own “civilising” mission.

This year, as the United States turns 250, MAGA types are promoting a self-congratulatory kind of history. The White House’s “Taskforce 250” urges unrestrained joy at “the greatest political journey” of all time. By contrast, the New York Times’s “1619 Project” dates the nation’s true founding from the day the first slave ship docked and describes racial injustice as the central fact of American history.

Mr Crais makes an even bolder argument, and applies it more broadly. Over 700 gore-splattered pages, he contends that “capitalism’s ‘big bang’—a turning-point in the history of the planet—emerged out of nothing less and nothing more than the globalised use of violence to make money.”

His reasoning goes like this. Weapons technology improved dramatically in the West in the late 1700s. Many new guns, often wielded by private firms such as the British East India Company, were used to conquer and plunder foreign lands. Others were sold to local warlords, who then preyed on their neighbours. Global trade was thus driven by an arms race. All around the world, people either bought guns or were robbed by those who had. So they sold what they could to raise the necessary funds: wax, camphor and birds’ nests from the jungles of Borneo; ivory from Africa; slaves from almost everywhere.

With a barrage of statistics, Mr Crais shows that weapons were indeed a big business. During the 19th century, he notes, England's annual imports of Indian potassium nitrate were enough to make gunpowder for 1bn-3bn musket shots, more than the number of people in the world at the time. The profits from arms-dealing, looting and enslavement were vast, and some of the cash was invested in the coal-powered factories and railways that made up the Industrial Revolution. Thus, "destruction made the modern world" and sowed the seeds of today's existential threat, climate change.

There are big holes in this argument. It is far from clear that the world grew more violent after the late 1700s. The torture that Thistlewood inflicted, though vile, was not obviously worse than that inflicted by slave-owners in previous times and in other places. (The Romans, for example, practised crucifixion.) The warlords and imperialists of the 19th century were not obviously more brutal and rapacious than the warlords and imperialists of earlier ages, from the crusaders who sacked Constantinople to the Mongols who rode bloodshod over Eurasia.

Data about the distant past are sketchy and disputed, but scholars such as Steven Pinker of Harvard argue that there has been a dramatic decline in violence over the centuries. The homicide rates in 14th-century Germany, Italy and Spain were, respectively, roughly 70, 200 and 50 times higher than they are now. In some pre-modern hunter-gatherer societies, as many as a third of people died violently.

For 18 blood-drenched centuries after the birth of Jesus, global income per head barely budged. Then, after 1820, it shot up 14-fold (see chart). It is simply not plausible that violence caused this sudden great enrichment. What changed was not "man's inhumanity to man", a phrase coined by Robert Burns in 1784, but an explosion of innovation by the poet's contemporaries. That single decade, for example, saw the invention of the power loom, paddle steamer, threshing machine and bifocal glasses.

The fundamental driver of the Industrial Revolution was the invention, spread and application of new ideas. This in turn depended on an earlier technology—printing—which allowed the price of a book to fall from months of wages for a typical worker to a couple of hours. Knowledge is cumulative and advanced ever faster as more and more people had the means to learn, digest and build upon the ideas that came before them.

Did the profits of slavery and colonialism accelerate this process, as some argue? Perhaps. But if so, probably not by much. European powers with large colonies industrialised at roughly the same pace as those with insignificant ones. The slave trade was no weightier in the British economy than sheep farming, yet few people claim that "sheep farming financed the Industrial Revolution", notes a study by Kristian Niemietz of the Institute of Economic Affairs, a free-market think-tank.

“The Killing Age” is deeply researched and contains some fascinating passages about who killed whom and who stole what in parts of the world to which too little attention is paid, from Darfur to New Zealand. It offers interesting digressions on the environmental harm caused by 19th-century whalers and elephant-hunters. But the author, who often says “infinitely” when he means “very much”, has a tendency to exaggerate. And his central thesis is bunk. The modern world has been cursed by killers, but it was built by boffins. ■

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Culture | Untying the knot

How well do you know the person lying next to you in bed?

"Strangers", a new memoir, taps into a trend of documenting worst-case marital scenarios

January 15th 2026

IF YOU ENJOY a good yarn about a terrible husband, you have been spoilt for choice in recent years. Malevolent men are everywhere on television, thrillingly dependable in their awfulness. There was "Big Little Lies" (violent husband), "The Undoing" (murderous husband) and "The White Lotus" (depending on the season, fraudulent, greedy, and unfaithful husbands). In "Bad Sisters" four women try to rescue their sibling from not one but two psychopathic spouses. The men in "All Her Fault", a recent mini-series, are either manipulative and deceitful or selfish and inept. Perhaps the #MeToo movement has moved into writers' rooms. Whatever the explanation, these husbands seem to be emphasising the "worse" part of "for better or for worse".

Now comes "Strangers", a memoir that is at once a horror story, a record of suffering and a cautionary tale. Belle Burden (pictured below) begins her narrative in March 2020. With New York in lockdown, she has decamped to a summer home in Martha's Vineyard along with her husband, James, and two of their children. They settle into a routine of cocktails and home cooking.

Then comes the jump scare. One evening, as Ms Burden is cleaning up after dinner, she gets a voicemail message from an unknown number. "I'm sorry to tell you this," a man says, "but your husband is having an affair with my wife."

At first James is regretful, offering Ms Burden assurances that the relationship is over and that the other woman "meant nothing" to him (a line that has been used in many a bad Hollywood movie and therapy session). But the next morning, his demeanour has changed. He is cold and implacable. He does not want their homes in Martha's Vineyard or New York or even custody of the children. All he wants is a divorce. Ms Burden, stunned, had had no inkling that James was unhappy.

Around 40% of first marriages in America end in divorce. The division of assets is often fraught—and it is especially knotty here, as there are quite a lot of assets. Part of the fascination of "Strangers" is its glimpses into a rarefied elite. The author's father was a Vanderbilt; her grandmother was Babe Paley, a socialite described by Truman Capote as "the most beautiful woman of the 20th century".

Ms Burden used trust funds to pay for her family's homes, but she put both hers and James's names on the deeds to celebrate their union. So when James comes looking for their prenuptial agreement, alarm bells ring in the reader's ears. In the end Ms Burden ends up with their homes in New York and Martha's Vineyard (as well as their private beach on the island).

Women may recognise aspects of themselves in Ms Burden, her riches notwithstanding. Like many wives, she had ceded financial decisions and planning to her husband. "I had chosen not to look," she writes. "I had chosen not to know." Marriage had stymied her independence. After she had children, Ms Burden found it hard to balance a job and motherhood. She left paid work, sacrificing her career in order to support James's ambitions as a hedge-fund manager. After the separation, friends imply that this may be why James left her, for "women become less interesting to men when they don't work."

Ms Burden is an elegant writer. To her credit, her crystalline prose is unclouded by spite. Her mother and grandmother were also betrayed by their husbands: she does not want to have to pretend, as they did, that she is having a good time with her bad husband. "Be brave. Claim it. Say it. Break the cycle," she writes.

Today more people are willing to air and share their marital dirty laundry. In 2023 Ms Burden published an essay about her divorce as part of the New York Times's "Modern Love" series. It went viral, and she was inundated with messages from people sharing similar experiences of abruptly severed unions. As "Strangers" and myriad tv shows attest, even the most intimate and long marriages can yield nasty surprises. In the end, how well do you really know the person who lies next to you in bed every night? ■

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Culture | Back Story

Are artists right to boycott the "Trump-Kennedy Centre"?

The row illuminates the role of art in divisive times

January 15th 2026

Footage of police brutality is intercut with pop stars in the music video. The lyrics of the song of 1985 are adamant: "Don't ask me, Sun City", the name of a resort in apartheid South Africa where some celebrities had controversially appeared. Bruce Springsteen, Gil Scott-Heron and other luminaries join in for the funky refrain: "I…I…I ain't gonna play Sun City!" Fast-forward four decades and another boycott is afoot among American musicians, not of a repressive overseas state but of a flagship institution in Washington, DC.

The target now is the cultural complex which, at least on its façade, is now called "The Donald J. Trump and the John F. Kennedy Memorial Centre for the Performing Arts". This ongoing ruckus, and comparisons with previous ones, shed light on the role of artists in divisive times. Must the show always go on—or should they pull the plug?

In December the name of the Kennedy Centre, as it was and is colloquially known, was changed by its board to include the current president. Maintaining that only Congress can alter it, critics are challenging that in court; meanwhile a stream of offended artists are pulling out of gigs. Jazz concerts planned for Christmas Eve and New Year's Eve were cancelled. Ditto shows in 2026 by award-winning dancers and musicians.

The trouble did not start with the renaming, however. Mr Trump's cultural enthusiasms—such as beauty pageants, bathroom design, scatological memes and reality tv—did not, in his first term, extend to the Kennedy Centre, which he avoided. Nevertheless, last February he declared himself chairman, alleging that some of its output had been "a disgrace"; drag acts were a particular bugbear. The board soon rubber-stamped this appointment. Mr Trump had helpfully purged the old trustees and installed new ones, many with links to his administration or Palm Beach.

As for the art itself: "woke" programming was avowedly out, patriotism and faith were in. Cue the first spate of withdrawals, including by the producers of “Hamilton”, a run of which was due this spring. “We’re just not going to be part of it,” Lin-Manuel Miranda, the hit musical’s creator, said of the revamped institution. In response to all this, the centre’s combative new president, Richard Grenell, has lambasted the cancellers, threatening to sue and shame them. Artists should perform for everyone, he insists. The arts, he claims, should be “politics-free”.

On that second point, he is mistaken. Art is often political, all the more so in an age when some of its key tenets—compassion for dissimilar people, free expression, cultural exchange—are contentious. Whether by speaking out or keeping schtum in protest, many artists have used their platforms for what they have seen as urgent political causes. The question is whether a boycott makes sense today.

The boycotters are entitled to follow their consciences, and curate their reputations, as they see fit. Especially now that Mr Trump’s name is above the door, some may feel that playing the centre implies support for him. Distaste for his administration’s treatment of some minorities, or for its selective approach to free speech, is understandable. One performer says administrators tried to interfere with a show’s content, an ironclad reason for anyone to pull out.

All the same, the practical impact of doing so is sketchy. Consider “Sun City” and the wider boycott of apartheid South Africa by many artists and athletes, a textbook example of the strategy. Encouraged by black South Africans, the campaign was part of a broad effort to raise awareness of the system’s evil and isolate the apartheid regime, with the clear goal of ending it.

Not much of that strategic clarity applies here. Whether or not his name stays on the building—and it is likely to come down eventually—for now Mr Trump is America’s president, having been fairly elected. Awareness of his excesses is already high. Some would-be attendees may applaud the boycotters’ stand. Others may just be disappointed.

And, whatever its benefits, not playing has a cost, in more than forgone fees. Performers who decide to show up, as lots do, have an opportunity to share their views, even if they risk not being invited back; some have taken it.

More than that, they have a chance to forge and nurture sympathies across divisions and categories: a fundamental job of art, and the bedrock of any polity. In this respect, Mr Grenell is onto something. Most of the time, talking to everyone is the surest way to be heard. ■

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Culture | World in a dish

How bagels conquered the world

Despite rampant "carbphobia", the circular bread is on a roll

January 15th 2026

The Italians have their tarallo, the Kashmiris their telvor. Ka'ak and simit are nibbled in the Middle East and Turkey. All are baked round breads with a hole—and unappreciated outside their places of origin. Only one circular bread has a global reputation: the bagel. The story of how it emerged from obscurity into a popular treat with a holiday (National Bagel Day on January 15th in America) is a classic immigrant's tale of perseverance, ingenuity and hard work.

According to Maria Balinska, an American journalist, in her charming book-length history, the first written mention of the bagel was in 1610. Regulations issued by the Jewish Council of Krakow detailed who could "send for" and receive bagels to celebrate a baby boy's circumcision. One tempting (if dubious) origin story claims bagels first took off in Prussia, where Jewish bakers briefly boiled their rolled breads before "toasting" them, to evade a restriction banning non-Christians from baking.

Bagels came to America with Jewish emigrants in the late 19th and early 20th century. Two main rival styles soon emerged: Montreal and New York. Montreal's bagels are smaller, denser and sweeter than their southern cousins, because they are boiled in honeyed water before baking in a wood-fired oven, which gives them a snappier crust with a hint of smoke. New York's puffier bagels are better for sandwiches; the Montreal version is a superior standalone product.

However, bagels remained a niche Jewish food for decades: as recently as 1960, the New York Times felt obliged to explain, inaccurately, that "a bagel is an unsweetened doughnut with rigor mortis." (Calling a bagel a doughnut because both are round and yeasted is like calling a savage beating a massage because both involve hands on bodies.) That was before mechanisation made bagels easy to mass produce. Sleeves of bagels now shiver in supermarket freezer aisles and turn up on fast-food menus. Purists may shudder—mass-produced bagels use a wetter dough, and the final product can be cottony and bland—but their popularity shows that even a bad bagel is pretty good.

Bagels, like hamburgers, hot dogs and pizza before them, have moved out of their culinary ghettos to become American foods with vaguely ethnic roots. Sales of the ringed bread were estimated at around $5bn last year and are growing steadily, with demand especially high in East Asia. Despite rampant "carbphobia" among the health-conscious, the average American eats nearly 40 bagels each year. Innovators have expanded beyond the traditional flavours of onion, garlic, pumpernickel and salt, and created novelties: rainbow-coloured, French-toast flavoured and (shudder) stuffed with cheese and buffalo chicken. Not bad for a petrified doughnut from the shtetl. ■

Culture | The beat goes on

The risky plan to take the "K" out of K-pop

Music executives reckon the genre's future lies outside its home country

January 15th 2026

For a cool S$6,500 ($5,050), you can attend a professional course at SM Universe, a new k-pop training academy, opened in Singapore last year. SM Universe is the first facility in South-East Asia with backing from a major music label (Sm Entertainment). Its goal is to train the next generation of hitmakers to follow in the choreographed footsteps of some of K-pop's biggest stars. Students include aspiring performers from France, Germany, Indonesia, Malaysia and the Philippines.

The academy points to a change in the popular music genre: South Korean pop is becoming less Korean. With demand for K-pop more muted at home, labels are eyeing markets abroad. The musical acts need to reflect their adoring audiences. HYBE, another label, now runs training programmes in

Los Angeles and Mumbai. (HYBE is behind BTS, one of the world's biggest bands, which is reuniting in 2026 for a world tour. BTS's seven male members had to trade their mics for fatigues and spent nearly four years completing South Korea's required military service.)

Going abroad "is a natural progression" for the K-pop industry, says Andy Lim of SM Universe. Artists hoping to widen their appeal already collaborate with American stars. For example, Blackpink, a girl group, has collaborated with artists such as Cardi B, Lady Gaga and Selena Gomez. Many now sing in English rather than Korean. (One of the biggest hits of the past year was "Golden" by Huntrix, the fictional group in "KPop Demon Hunters", the most popular film to ever stream on Netflix.) HYBE's founder, Bang Si-hyuk, has said the company wants to "get the K out of K-pop".

But if K-pop is not pop music from Korea, is it just regular old pop music? Moa "Cazzi Opeia" Carlebecker, a Swedish songwriter who has written K-pop tunes, says the term no longer implies a country of origin or language but "a really fun music style". It is ebullient, with catchy hooks and polished production. Melodies and transitions are written to be danced to, which is why academies treat choreography with the seriousness of North Korean army drills.

Each track includes a variety of sounds: K-pop songs often shift from ballad to rap or from pop to electronica. K-pop groups tend to have lots of members, so songs are often structured in a way that gives each a moment in the spotlight. That way, if a fan likes only one member of the band, there is still something for her (K-pop fans are overwhelmingly female).

Labels are not only exporting that musical style, but also the specific system by which k-pop artists are coached. Training is long, demanding and tightly structured. Hopefuls can spend six to ten hours a day, for years, preparing for their big break. They are starting at ever younger ages—some have made their stage debuts at the age of 13—which some industry observers find concerning. "To be honest, it's not really healthy," says Yeonsoo Do, a former star. "But you have to understand how the industry works."

For Jason Jaesang Lee, the boss of HYBE, what a chart-topper does offstage is almost as important as what happens under the spotlights. Another crucial aspect of K-pop is “idol” culture and the intense devotion performers inspire in their admirers. Wannabes are judged not just on their voice or their dancing, but also on their discipline, teamwork and public presentation. K-pop training aims to develop talented kids into charismatic stars who “can connect deeply with their fans”, Mr Lee says. Students are taught the art of the selfie and how to win fans and influence them.

Early attempts at casting a wider net for talent have been successful. Katseye—a girl group formed in 2023 that has accrued hundreds of millions of streams and has a new popular single, “Internet Girl”—includes American, Indian, Filipina and Swiss members. They trained in Los Angeles under HYBE x Geffen Records, a joint venture between the Korean label and Universal Music Group. Katseye was formed during a televised talent show that let fans watch the trainees compete and vote on who would make the final cut. Only one of the six winners is Korean. ■

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Culture | Crime queen

The secret to Agatha Christie’s success

Fifty years after her death, she remains the bestselling novelist of all time

January 15th 2026

“HER WRITING is of a mawkishness and banality which seem to me literally impossible to read,” complained Edmund Wilson. Her characters “are no more real than Cluedo figures”, sneered Julian Symons. Wilson and Symons were prominent critics in the mid-20th century; today few have heard of them. But the object of their scorn, Agatha Christie, is revered, 50 years on from her death on January 12th 1976. She is the bestselling novelist ever, according to Guinness World Records, and her works continue to be adapted for film and television. A new Netflix series, “Agatha Christie’s Seven Dials”, will premiere on January 15th. Why are people still reading—and watching—her stories?

One explanation is that Christie favoured unlikely sleuths. Take Jane Marple, a spinster fond of knitting and gardening, who solves crimes in a dozen novels. Or Lady Eileen "Bundle" Brent in "Seven Dials", who at first seems dotty but turns out to be doughty. ("To think was to act with Bundle," Christie wrote.)

Even her most famous detective, Hercule Poirot, protagonist of more than 30 novels, is not hyper-rational and physically brave like Sherlock Holmes, nor quick with a gun like his hard-boiled successors. He is short, chubby and finicky, with a carefully waxed moustache and dandyish clothes. But her sleuths see things and pursue leads that elude the police, making the reader an accomplice in their clever independence.

Christie also chose isolated settings, including, most famously, the Orient Express, turning every character into a suspect. Jane Marple works in her charming village of St Mary Mead. Much of "Seven Dials" unfolds in and around a country home. These Edwardian locales transport today's audiences to (what they think was) a simpler and more romantic time. More importantly, they allow her narratives to restore a sense of order at the end. Unlike, say, the globetrotting stories of Ian Fleming or John le Carré, in which victories only temporarily frustrate an implacable foe, Christie's smaller worlds feel put right when the cover closes or credits roll.

Most obviously, Christie had an exceptional gift for plot. Her twists are cleverly disguised until the point of revelation, becoming obvious only in retrospect. "Seven Dials", with its conspiratorial, slightly outlandish conclusion, is an exception, but nobody can write 66 novels, 150-odd short stories and 25 plays and be perfect every time. In short, the secret to her success is that she worked hard and thus became very good at her job. No twist there. ■

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Economic & financial indicators

- Economic data, commodities and markets

Economic data, commodities and markets

January 15th 2026

Economic data

1 of 2

	Gross domestic product % change on year ago: latest		quarter*	2025†	Consumer prices % change on year ago: latest		2025†	Unemployment rate %	
United States	2.3	Q3	4.3	2.1	2.7	Dec	2.7	4.4	Dec
China	4.8	Q3	4.5	5.0	0.8	Dec	-0.1	5.1	Nov‡§
Japan	0.6	Q3	-2.3	1.3	2.9	Nov	3.2	2.6	Nov
Britain	1.3	Q3	0.4	1.4	3.2	Nov	3.9	5.1	Sep††
Canada	1.4	Q3	2.6	1.7	2.2	Nov	2.0	6.8	Dec
Euro area	1.4	Q3	1.1	1.4	2.0	Dec	2.1	6.3	Nov
Austria	0.9	Q3	1.7‡	0.6	3.9	Dec	3.5	5.8	Nov
Belgium	1.0	Q3	1.0	1.1	2.2	Dec	3.0	6.4	Nov
France	0.9	Q3	2.2	0.9	0.7	Dec	0.9	7.7	Nov
Germany	0.3	Q3	nil	0.2	2.0	Dec	2.3	3.8	Nov
Greece	2.0	Q3	2.4	2.2	2.9	Dec	3.0	8.2	Nov
Italy	0.6	Q3	0.5	0.6	1.2	Dec	1.7	5.7	Nov
Netherlands	1.8	Q3	2.0	1.5	2.5	Dec	3.0	4.0	Nov
Spain	2.8	Q3	2.5	2.8	3.0	Dec	2.5	10.4	Nov
Czech Republic	3.0	Q3	3.2	2.5	2.1	Dec	2.4	2.8	Q3‡
Denmark	4.0	Q3	9.2	2.8	1.9	Dec	1.9	2.9	Nov
Norway	2.1	Q3	4.6	1.2	3.2	Dec	3.1	4.6	Oct‡‡
Poland	3.8	Q3	3.6	3.3	2.4	Dec	3.8	5.7	Dec§
Russia	0.6	Q3	0.4	0.6	6.7	Nov	8.8	2.1	Nov§
Sweden	2.5	Q3	4.3	1.8	0.3	Nov	2.7	8.2	Nov§
Switzerland	0.5	Q3	-2.1	1.2	0.1	Dec	0.2	3.0	Dec
Turkey	3.7	Q3	4.4	3.2	30.9	Dec	34.5	8.6	Nov§
Australia	2.1	Q3	1.6	1.9	3.4	Nov	2.7	4.3	Nov
Hong Kong	3.8	Q3	2.8	3.1	1.2	Nov	1.5	3.8	Nov‡‡
India	8.2	Q3	8.4	7.4	1.3	Dec	2.2	6.9	Dec
Indonesia	5.0	Q3	4.1	5.0	2.9	Dec	1.9	4.9	Aug§
Malaysia	5.2	Q3	9.0	4.9	1.4	Nov	1.4	2.9	Nov§
Pakistan	3.7	2025**	na	3.7	5.6	Dec	3.5	6.3	2021
Philippines	4.0	Q3	1.6	5.0	1.8	Dec	1.6	5.0	Q4§
Singapore	5.7	Q4	7.8	4.6	1.2	Nov	0.8	2.0	Q3
South Korea	1.9	Q3	5.4	1.1	2.3	Dec	2.1	4.1	Dec§
Taiwan	8.2	Q3	7.0	7.6	1.3	Dec	1.7	3.4	Nov
Thailand	1.2	Q3	-2.2	2.0	-0.3	Dec	-0.1	0.7	Nov§
Argentina	3.3	Q3	1.1	4.5	31.5	Dec	41.7	6.6	Q3§
Brazil	1.8	Q3	0.4	2.4	4.3	Dec	5.0	5.2	Nov§‡‡
Chile	1.6	Q3	-0.6	2.4	3.4	Dec	4.2	8.4	Nov§‡‡
Colombia	3.4	Q3	5.0	2.8	5.1	Dec	5.2	7.0	Nov§
Mexico	-0.1	Q3	-1.1	0.5	3.7	Dec	3.8	2.7	Nov
Peru	3.4	Q3	5.7	3.3	1.5	Dec	1.6	5.5	Nov§
Egypt	5.3	Q3	39.4	4.3	12.3	Dec	14.1	6.4	Q3§
Israel	3.0	Q3	11.0	3.3	2.4	Nov	3.0	3.1	Nov
Saudi Arabia	2.6	2024	na	4.4	1.9	Nov	2.1	3.4	Q3
South Africa	2.1	Q3	2.0	1.4	3.5	Nov	3.2	31.9	Q3§

Source: Haver Analytics *% change on previous quarter, annual rate †The Economist Intelligence Unit estimate/forecast §Not seasonally adjusted ‡New series **Year ending June ††Latest 3 months ‡‡3-month moving average Note: Euro-area consumer prices are harmonised

Markets

In local currency	Index Jan 14th	% change on: one week	Dec 31st 2024
United States S&P 500	6,926.6	0.1	17.8
United States NAS Comp	23,471.8	-0.5	21.5
China Shanghai Comp	4,126.1	1.0	23.1
China Shenzhen Comp	2,693.4	2.8	37.6
Japan Nikkei 225	54,341.2	4.6	36.2
Japan Topix	3,644.2	3.8	30.9
Britain FTSE 100	10,184.4	1.4	24.6
Canada S&P TSX	32,916.5	2.4	33.1
Euro area EURO STOXX 50	6,005.1	1.4	22.7
France CAC 40	8,331.0	1.2	12.9
Germany DAX*	25,286.2	0.7	27.0
Italy FTSE/MIB	45,647.4	0.2	33.5
Netherlands AEX	996.8	1.8	13.4
Spain IBEX 35	17,695.7	0.6	52.6
Poland WIG	121,322.3	-0.9	52.5
Russia RTS, $ terms	1,083.6	-2.0	21.3
Switzerland SMI	13,464.8	1.1	16.1
Turkey BIST	12,369.9	2.8	25.8
Australia All Ord.	9,151.8	1.5	8.7
Hong Kong Hang Seng	26,999.8	2.0	34.6
India BSE	83,382.7	-1.9	6.7
Indonesia IDX	9,032.6	1.0	27.6
Malaysia KLSE	1,710.9	2.0	4.2
Pakistan KSE	182,569.8	-2.1	58.6
Singapore STI	4,812.5	1.4	27.1
South Korea KOSPI	4,723.1	3.8	96.8
Taiwan TWI	30,941.8	1.7	34.3
Thailand SET	1,244.3	-2.9	-11.1
Argentina MERV	2,950,111.3	-2.1	16.4
Brazil BVSP*	165,146.0	2.0	37.3
Mexico IPC	67,403.1	3.9	36.1
Egypt EGX 30	43,058.3	3.6	44.8
Israel TA-125	3,964.0	1.8	63.3
Saudi Arabia Tadawul	10,945.2	4.7	-9.1
South Africa JSE AS	120,856.8	2.5	43.7
World, dev'd MSCI	4,519.1	0.6	21.9
Emerging markets MSCI	1,472.3	0.6	36.9

US corporate bonds, spread over Treasuries

Basis points	latest	Dec 31st 2024
Investment grade	91	95
High-yield	342	324

Sources: LSEG Workspace; Moscow Exchange; Standard & Poor's Global Fixed Income Research *Total return index

Economic data

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	Current-account balance % of GDP, 2025†	Budget balance % of GDP, 2025†	Interest rates 10-yr gov't bonds latest, %		change on year ago, bp	Currency units per $ Jan 14th	% change on year ago
United States	-3.7	-5.9	4.2		-63.0	-	
China	2.7	-5.6	1.6	§§	17.0	6.98	5.0
Japan	5.0	-2.9	2.2		96.0	159	-1.1
Britain	-2.8	-5.5	4.4		-49.0	0.74	9.4
Canada	-1.5	-1.9	3.4		-10.0	1.39	3.6
Euro area	3.1	-3.2	2.8		19.0	0.86	14.0
Austria	1.4	-4.5	3.0		-3.0	0.86	14.0
Belgium	-0.6	-5.3	3.4		12.0	0.86	14.0
France	-0.3	-5.7	3.5		2.0	0.86	14.0
Germany	5.2	-2.7	2.8		19.0	0.86	14.0
Greece	-5.2	0.6	3.4		-16.0	0.86	14.0
Italy	1.2	-3.1	3.4		-44.0	0.86	14.0
Netherlands	7.8	-2.4	2.9		2.0	0.86	14.0
Spain	2.7	-2.8	3.2		-2.0	0.86	14.0
Czech Republic	1.2	-2.1	4.4		20.0	20.8	18.3
Denmark	12.5	2.2	2.7		33.0	6.42	13.4
Norway	14.3	9.6	4.2		17.0	10.1	13.2
Poland	-0.6	-7.0	5.1		-103	3.62	15.2
Russia	1.8	-2.7	14.6		-117	78.9	30.3
Sweden	6.5	-1.3	2.8		38.0	9.22	21.9
Switzerland	4.5	0.5	0.3		-20.0	0.80	15.0
Turkey	-1.2	-3.6	28.0		157	43.2	-17.8
Australia	-2.1	-1.8	4.7		26.0	1.50	8.0
Hong Kong	11.9	-4.8	3.2		-76.0	7.80	-0.3
India	-1.1	-4.4	6.7		-18.0	90.3	-4.0
Indonesia	-0.3	-2.9	6.2		-105	16,856	-3.2
Malaysia	2.4	-3.9	3.6		-29.0	4.06	11.1
Pakistan	-1.4	-4.8	11.1	†††	-94.0	280	-0.5
Philippines	-4.3	-5.7	6.0		-33.0	59.4	-1.2
Singapore	17.2	0.5	2.2		-91.0	1.29	6.2
South Korea	5.5	-2.4	3.4		59.0	1,475	-0.6
Taiwan	18.2	1.8	1.4		-24.0	31.6	4.5
Thailand	2.6	-5.3	2.1		na	31.5	9.9
Argentina	-2.1	0.3	na		na	1,458	-28.8
Brazil	-3.3	-6.5	13.7		-126	5.37	13.4
Chile	-1.8	-2.3	5.3		-73.0	886	13.8
Colombia	-2.4	-7.5	12.5		108	3,663	18.2
Mexico	-0.4	-3.9	9.0		-142	17.8	15.8
Peru	1.9	-2.4	5.9		-75.0	3.36	12.5
Egypt	-2.4	-7.7	na		na	47.1	7.2
Israel	1.3	-4.5	3.8		-79.0	3.15	15.6
Saudi Arabia	-2.3	-5.3	na		na	3.75	nil
South Africa	-0.2	-4.4	8.3		-101	16.4	16.0

Source: Haver Analytics §§5-year yield †††Dollar-denominated bonds

Commodities

The Economist **commodity-price index**

2020=100	Jan 6th	Jan 13th*	% change on month	% change on year
Dollar Index				
All items	147.4	147.7	5.2	8.7
Food	142.2	138.9	-2.3	-9.7
Industrials				
All	151.7	155.0	11.7	28.0
Non-food agriculturals	128.4	129.2	1.6	-3.3
Metals	157.7	161.6	14.0	37.1
Sterling Index				
All items	140.2	141.2	5.1	-1.3
Euro Index				
All items	144.0	144.8	6.3	-3.9
Gold				
$ per oz	4,478.9	4,612.5	6.9	72.6
Brent				
$ per barrel	60.7	65.5	11.1	-18.5

Sources: CME Group; LME; LSEG Workspace; NOREXECO; NZ Wool Services; S&P Global Commodity Insights; Thompson Lloyd & Ewart; USDA *Provisional

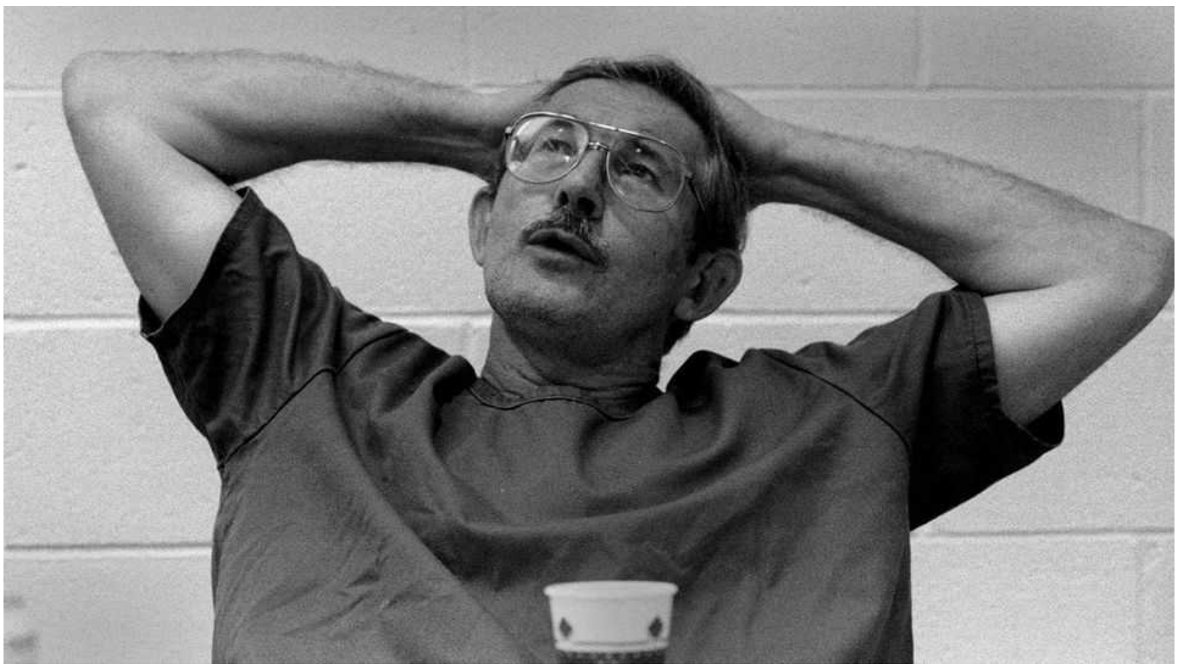
Obituary

Obituary | Shopping bags of secrets

Aldrich Ames built a career on betraying trust

The most senior CIA man to spy for Russia died on January 5th, aged 84

January 15th 2026



It took about ten minutes for him to drive to “Smile”, so it was quickly done, and so was what he had to do there, which was to chalk a thick horizontal line above the postal symbol on the mailbox at the corner of 37th and R Streets NW in Washington, DC. That was his signal to his contact in Soviet, later Russian, intelligence that he had left secret CIA files and papers in the dead drop at “Pipe”, or “Bridge”, or “Ground”, to be retrieved and replaced with cash. Then he drove home.

Aldrich Ames did not like this system. It was fiddly and frustrating, and the dead drops could not accommodate enough, either secrets or dollars. He much preferred his previous style, simply stuffing a few pounds of classified papers into a plastic shopping bag and marching directly into the Soviet embassy, or wherever it was. Or just slipping an envelope containing a note with a couple of names, a hint of more and a request for $50,000 to a duty officer, which was how it had all begun. "It" was the biggest-ever transfer of intelligence from the CIA to the KGB and its successor, over nine years from 1985 to 1994, which resulted in the executions of at least ten Russian sources working for the Americans and the disruption of almost all the CIA's secret Soviet operations. And he did it all himself, with just a bit of help from his Colombian wife Rosario, with no one at the agency properly querying or stopping him until that day when the FBI clipped handcuffs on him, and he went down for life without parole.

It was not ideological. He saw himself as a sort of liberal anti-communist, who didn't like the hawkish ways of Director Bill Casey and respected the KGB officers he worked with, but was no left-winger. His main gripe was that the CIA did not produce enough. He knew it as thoroughly as anyone because his father, a history professor, had worked for it and he himself, as a bored teenager in the summer vacations, had done odd jobs at the Langley headquarters. It paid his way through college and he could have left it there, but something kept drawing him back. To work for the CIA made him feel proud and selected and, besides, spying was fun. It appealed to his theatre-loving side, the disguises and dissembling, the building and betrayal of trust. From 1962, when he joined full-time, he enjoyed almost all of it.

Betrayal of trust was a heavy taboo. Yet all agents were prepared to do it, throwing to the winds if necessary people they had worked with for years. It was a con-game both sides played. When he first gave the names of Russians working with the CIA to Sergey Chuvakhin, his contact at the Soviet embassy in Washington, he presumed that it was harmless because the KGB had sent them. But even if he put them at risk, he would still have done it, because he had his own sufficient reasons. He needed money. Fast.

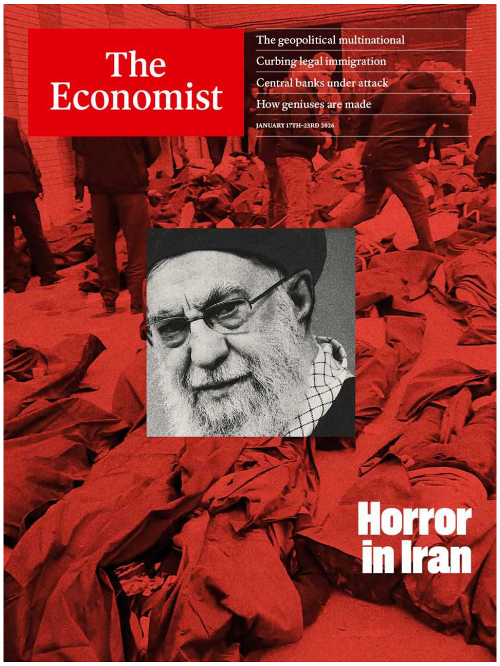
Life had become expensive once his first marriage had crumbled and he had taken up with Rosario. There was alimony to pay and a new flat to buy and furnish. Rosario had lavish tastes for handbags, designer dresses and shoes, eventually running to more than 500 pairs. She also liked to call her family in Colombia, running up phone bills of $5,000 a month, and that was all right, since he loved her. To ask the Soviets for money for a bit of not-very-useful information struck him as a brilliant plan. But they made him wait a month for it, and though there was no pressure or horse-trading he was aware they wanted more. And so did he.

Somehow, somewhere in those weeks, he crossed a line. From two or three names in an envelope, he moved to delivering five to seven pounds of message traffic in plastic bags. He scarcely knew why, when the initial $50,000 had cleared his debts, but he knew he could not step back. Recklessness, arrogance, greed were all involved, no doubt, but it was also as if he had sleepwalked into it. His data-dumps began to take down the big names: Major-General Dmitri Polyakov, who had provided military intelligence to the CIA for a quarter of a century, and Oleg Gordievsky, the KGB rezident in London and an asset run by MI6, who survived only because he escaped from Moscow in the boot of a car. The KGB in its gratitude paid Mr Ames $3,000 or more a month and put $2m aside for him. That sealed the deal; the KGB was his protector now, and the CIA left baffled.

So much money flowed that he struggled to hide it, dispersing it among multiple accounts. But he loved to flaunt it too, forking out $540,000 for a house in Arlington, buying not one but two Jaguars, getting his smoker's teeth capped and his suits tailor-made. He felt like James Bond. When his gleaming white Jaguar was parked at Langley, colleagues marvelled. They also grew suspicious, but for years all attempts to investigate him foundered.

He had always been lucky that way. His reports were generally good even when, as a loner, he proved poor at fieldwork, recruiting almost no one in his postings to Ankara and Mexico. He sailed through polygraph tests, including a worrying one in 1986 when he was specifically quizzed about working for other people. When he was careless as he often was, leaving his safe open or forgetting his briefcase on the New York subway, he was not officially reprimanded. These things tended to happen because he was drunk, but the catalogue of his alcoholic mishaps, traffic accidents, loutishness at receptions, passing out in the street, hardly deserved a mention. He could claim that vodka by the bottle was essential to handling two important Soviet assets in New York and encouraging one to defect, his greatest achievement.

And his worst? When he heard of the deaths he was shocked, but on his own account: this might expose him. He was not sorry. The men who had taken a bullet in the head had assumed the same risks, on the same understanding, as he had. They were fully prepared to give up names and to be named themselves. What had happened to them might have happened to him. And in the end, in a way, he felt it had. ■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