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The world this week

Politics

October 2nd 2025



Donald Trump announced a [20-point plan to end the war in Gaza](#). Along with Binyamin Netanyahu, Israel's prime minister, Mr Trump committed to a ceasefire proposal that was endorsed by many Arab and Muslim countries. Under the scheme the war would end, Hamas would release its remaining hostages and Israel would allow aid into Gaza without limits. Hamas would disarm, Israeli troops would withdraw in phases and an international stabilisation force would take responsibility for security. A “technocratic apolitical Palestinian committee” would take over the civil government. Mr Trump would lead a Board of Peace to oversee reconstruction.

Sweeping sanctions were reimposed on Iran ten years after they were lifted. Britain, France and Germany, the three European partners to the JCPOA, the multinational deal meant to restrict Iran's nuclear programme, activated the “snapback” mechanism, accusing Iran of “continued nuclear escalation”.

Iran suspended inspections of its nuclear sites after America and Israel bombed them in June.

[Protesters in Madagascar](#) demonstrated against persistent power cuts, water shortages and rampant corruption and called for the resignation of Andry Rajoelina, the president. In response Mr Rajoelina sacked his cabinet, imposed a curfew and deployed his security forces against the crowds. At least 22 people were killed.

Joseph Kabilo, a former president of Democratic Republic of Congo, was sentenced to death in absentia by a military court in Kinshasa, the capital. He was found guilty of colluding with rebels and complicity in war crimes. Mr Kabilo has denied any wrongdoing and says his successor is using the court for political gains.

America's relations with Colombia worsened, when the State Department revoked the visa of Gustavo Petro, Colombia's leftist president, after he took part in a pro-Palestinian rally outside the UN in New York. At the rally Mr Petro called on American soldiers to "disobey the orders of Trump", and for the creation of a worldwide army to aid Palestinians. His comments were described as "reckless and incendiary" by the State Department.

An American proposal to double the size of the international security force in Haiti was backed by the UN Security Council. Criminal gangs have de facto control of the country and the current international force led by Kenya has not curtailed the violence. China and Russia abstained from the UN vote, claiming the new force could be used by America to further its aims in the region.

Nicolás Maduro, Venezuela's autocratic president, was preparing to strengthen his powers over the security forces and declare a state of emergency, as speculation about an American invasion gripped the country. America's military has struck alleged Venezuelan drug-trafficking boats in the Caribbean and it is stepping up its navy's presence in the region.

Mr Trump criticised Venezuela at a rare gathering of America's senior generals and admirals. The main purpose of the meeting was for Pete Hegseth, the "secretary of war", to [reiterate that the woke era is over](#). Mr

Hegseth blamed woke policies for deteriorating standards, including fitness, and for making the top brass walk on “egg shells” over claims of discrimination. Any officer who disagrees should resign, he said.

Government services in America were left without funding after a spending bill was held up in the Senate over a row about health-insurance tax credits. Although it has come close in recent years, this is the first federal [government shutdown](#) since 2019.

Eric Adams pulled out of New York’s mayoral election. Mr Adams, the incumbent mayor, was running as an independent after a slew of scandals. His departure is unlikely to alter the dynamics of the race much. Zohran Mamdani, the official Democratic candidate and a socialist, is far ahead in the opinion polls.

A gunman opened fire at a Mormon church in Michigan and set fire to the building, killing four people. The suspect, who was shot dead by police, is reported to have held a grudge against the religion.



In India police opened an investigation into the deaths of at least 40 people who were crushed during a political rally for Vijay, an actor turned politician. Investigators are considering whether charges of negligence and homicide should be brought against senior figures from Vijay’s party who

organised the event in Tamil Nadu. Around 20,000 people turned up at a location that was meant to accommodate half that number.

An earthquake in the Philippines killed at least 72 people. Aftershocks hampered rescue efforts in central Cebu province, which bore the brunt of the quake.

South Korea's president, Lee Jae-myung, announced an 8.2% increase in the defence budget, the biggest rise since 2008. Mr Trump has been pressing Asian allies to spend more on defence. Mr Lee remarked that this is an era "where it's every man for himself".

A suicide-bomber targeted a security-forces building in the Pakistani city of Quetta, killing at least ten people. Islamist militants and rebels agitating for the independence of Balochistan province are active in the area.

Internet services started to gradually resume in Afghanistan, after the Taliban government briefly shut it down across the country claiming it was promoting immorality. The internet blackout had affected airports' IT systems and operations.

The pro-EU Party of Action and Solidarity won a [parliamentary election in Moldova](#) with 50% of the vote. The pro-Russian Patriotic Block took just 24%, confounding opinion polls that had projected a higher share. Russia has been accused of interfering in the election campaign. The Kremlin denies this, and claimed that Moldova had provided only two polling stations for the hundreds of thousands of Moldovans who live in Russia in order to suppress their vote.

J.D. Vance, America's vice-president, suggested that the Pentagon could provide Ukraine with long-range Tomahawk missiles, signalling the White House's annoyance with Russia for ignoring Mr Trump's attempts to de-escalate the conflict. Russia warned that America would risk a direct confrontation by supplying Tomahawks, which have a range of 2,500km (1,550 miles). Russia continued to pound Ukraine with drone attacks.

Eleven people were arrested in Serbia in connection with several hate crimes that have taken place in Berlin and Paris. The incidents include daubing the

Star of David on Jewish buildings in Paris in 2023, and more recently the placing of pigs heads near mosques. Serbia said the 11 suspects had acted on the orders of a “foreign intelligence service” and that its leader was still on the run. Many suspect Russia of trying to stir up trouble in the cities.

At least two people were killed in a car-ramming-and-stabbing attack on a synagogue in Manchester, in the north of England. The incident happened on Yom Kippur, the holiest day in the Jewish calendar. The suspect was confronted by police and shot.

Sir Keir Starmer, Britain’s prime minister, tried to stanch the haemorrhaging of support in the polls for his governing Labour Party. In a speech to flag-waving party members Sir Keir insisted he was overseeing “national renewal” and fighting “for the soul of our country”, pitching his address to “working people”. He said the populist Reform UK was his party’s main threat and that immigration policy was a pressing issue, but he claimed Reform’s plans to remove non-citizen migrants were “racist”.

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The world this week

Business

October 2nd 2025



A consortium of investors led by Saudi Arabia's Public Investment Fund announced a [buy-out of Electronic Arts](#), the video-game maker behind such hits as "Battlefield", "EA Sports FC" and "Madden NFL". At \$55bn it is the world's biggest-ever leveraged buy-out. Affinity Partners, an investment firm founded by Jared Kushner, Donald Trump's son-in-law, is part of the consortium. The deal is a bet that artificial intelligence will enhance players' interactions with EA's games, and also cut its operating costs.

The White House pulled its nomination of E.J. Antoni to head the Bureau of Labour Statistics. Donald Trump had nominated Mr Antoni, currently the senior economist at the conservative Heritage Foundation, after sacking the previous head of the BLS for allegedly manipulating jobs figures to make the government look bad (for which there is no evidence). Mr Antoni's

nomination had run into a wall of opposition in the Senate over his suitability for the job.

Brian Quintenz acknowledged that he is no longer the White House's nominee to lead the Commodity Futures Trading Commission, after the Senate held up his confirmation process. Mr Trump wants the CFTC to expand its remit in cryptocurrencies. Mr Quintenz has accused Tyler Winklevoss, the founder of a crypto exchange and supporter of Mr Trump, of trying to derail his nomination.

Analysts estimated a big increase of sales in electric vehicles in America as people rushed to claim tax credits on EV purchases before the programme ended on September 30th. "It's been bonkers," said a director at TrueCar, a retailing website, describing the dash to buy a car. Sales are expected to slow in the coming months.

The British government handed Jaguar Land Rover a £1.5bn (\$2bn) loan guarantee, as the carmaker struggles to restart production following a cyber-attack on August 31st. JLR is having to rebuild its IT systems to pay suppliers, deliver vehicles to dealers and send out spare parts. The disruption to its supply chain could continue for months.

Nike said it now expects costs from tariffs to reach \$1.5bn in its financial year, as it reported a 31% drop in quarterly net profit, year on year. Revenue grew by 1%. Sales were up in North America by 4%, thanks to clothing and equipment; sales from footwear in the region were flat. Overall sales dropped by 10% in China.

Warren Buffett's Berkshire Hathaway was reportedly ready to secure a deal to buy Occidental's petrochemical division for \$10bn. Berkshire is Occidental's largest shareholder and backed the energy giant's takeover of Anadarko in 2019. Occidental has struggled with the huge debts it incurred as a result of that takeover and other acquisitions.

Another blockbuster deal was taking shape, as Global Infrastructure Partners, owned by BlackRock, was said to be close to buying AES, a utility that owns and operates power plants, in a deal worth around \$38bn. GIP's

other assets include stakes in London's Gatwick airport, renewables and big pipeline projects.

The planned merger of Union Pacific and Norfolk Southern to create America's first coast-to-coast freight operator continued to reverberate throughout the industry, as CSX, another railway company, ousted its chief executive. Ancora Holdings, an activist investor, had pressed CSX to appoint a new boss who is more amenable to a takeover offer, potentially from BNSF, in order to compete with the new freight giant.

California's governor signed the first bill into law in America that compels companies to reveal their safety standards for AI. Gavin Newsom wants the legislation to lay the foundations for a national AI safety act. The bill is less expansive than a previous version that was dropped last year amid intense opposition from the likes of Meta and OpenAI.

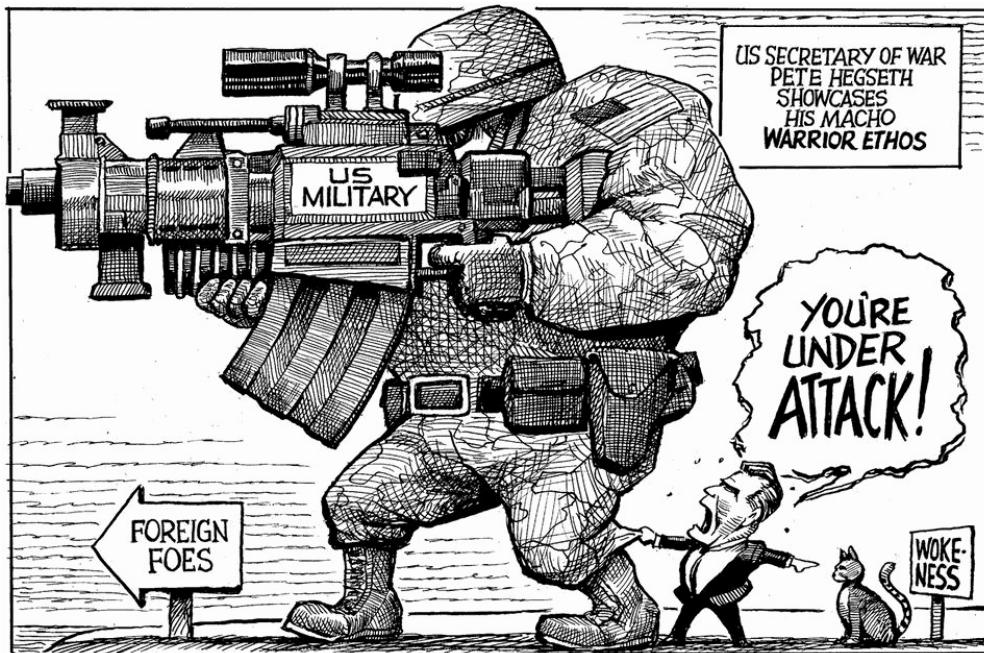
A study from the Budget Lab at Yale University countered the idea that AI is already disrupting jobs, concluding that the effects on American labour markets are "largely speculative". Looking at the 33-month period since the release of ChatGPT, the report found that AI is changing the occupational mix among tech workers, but not in the wider economy. Your job is not safe yet; the study also argues that the impact of AI on the occupational mix is bigger than it was for computers or the internet at the same stage in the cycle.

YouTube agreed to settle a lawsuit brought by Donald Trump for blocking his content after his supporters attacked Congress on January 6th 2021. The bulk of the \$24.5m settlement will go to the Trust for the National Mall, which is helping finance a new White House state ballroom.

The world this week

The weekly cartoon

October 2nd 2025



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

[The president tries to enlist the top brass for “the war from within”](#)

[Vladimir Putin is testing the West—and its unity](#)

[Armed forces are using 18th-century technology to spy on enemies](#)

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

Leaders

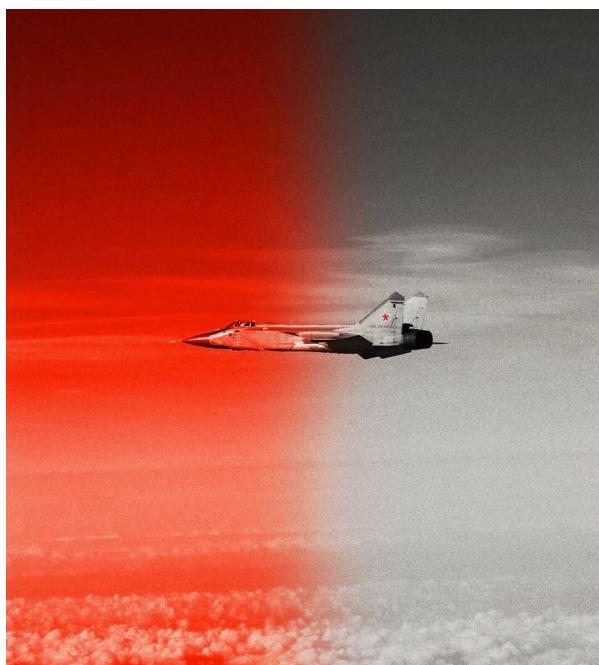
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Leaders | The grey zone

Vladimir Putin is testing the West—and its unity

NATO must resist Russia's efforts to corrode it from within

October 2nd 2025



DRONES OVER Poland; MiG fighters traversing Estonian airspace; telecom cables damaged deep beneath the Baltic Sea; airports paralysed by cyber-attacks and quadcopters; mysterious explosions and assassinations; bot swarms pumping out propaganda to disrupt elections: none of these on its own is a *casus belli*, but together they are adding up to something new and dangerous. [Vladimir Putin is waging a grey-zone campaign](#) against NATO: a cheap, deniable and calibrated effort to unsettle Europe that is carefully short of outright conflict. “We are not at war,” Germany’s chancellor, Friedrich Merz, said this week. “But we are no longer at peace, either.”

The damage has never been serious, so what is the point? Mr Putin knows he cannot defeat NATO in a stand-up fight, yet his aim, given the grand sweep

of his writings and speeches, is more than just to be a nuisance. He is trying to achieve three things, and he needs to fail at all of them.

First, Mr Putin aims to break the unity of NATO. His goal is to make Europeans doubt each other and in particular question America's commitment to the alliance it created in 1949. He aims to sow suspicion that Article 5, which treats an attack on one as an attack on all, cannot be relied on; and, eventually, to prise America away from Europe altogether. NATO, Mr Putin has often stated, is devoted to dismembering Russia; so it must itself be destroyed from within.

At the turn of the century America was mightier than all its enemies and friends put together. Osama bin Laden began the unravelling. His strike on the twin towers in 2001 lured America into overreach in Afghanistan and Iraq, prompting a backlash at home against foreign commitments. China's rulers dream of a similar American exit from East Asia. That is why Xi Jinping, too, is using grey-zone incursions to make Taiwan feel vulnerable—and to cast doubt on America's commitment to its Asian partners. With his carelessness for the security order that has underpinned the world since 1945, Donald Trump is making Mr Xi's task easier.

The same is true in Europe. Mr Trump's response to the drone incursion into Poland was to say that it "could have been a mistake", even though a show of solidarity was called for. It is not hard to connect those words to the violation of Estonian skies by three MiG-31s ten days later. Mr Trump needs to stress his commitment to military action in Europe if it becomes necessary. If sabotage and violations of airspace are shrugged off as routine, deterrence becomes a matter for debate—and once it is debated, it is weakened.

Mr Putin's second objective concerns Ukraine. His summer offensive has failed, so he wants to raise the cost to European countries that support Ukraine's army. A focus of the grey-zone attacks has been the countries that are its strongest backers. Poland, Estonia and Denmark have suffered drone incursions, GPS jamming and sabotage. Germany has faced cyber-attacks on its defence and logistics firms. [Moldova](#) and Romania, as front-line states, have had their elections interfered with—in both cases unsuccessfully, which shows that Mr Putin does not always get his way. His message to voters and

politicians is blunt: rather than sending weapons to Ukraine, you should focus on appeasing Russia or defending yourselves.

The third explanation for this campaign is deeper and older. Mr Putin hates classical liberal democracies whose wealth and resilience show up his failures and his repression. They outperform him economically. Russia's GDP is smaller than Italy's even though its population is well over twice as large. The more he can sow discord and confusion within the West, the stronger he looks. The more he can discredit centrist governments, the more it will benefit populist nationalists who share his suspicion of a united Europe.

What should the allies do? First, they must expose everything. The temptation is to ignore small provocations or, lacking proof of Russia's responsibility, hold back from accusations. But to ignore the grey zone is to concede it. And once conceded, it expands. Sabotage, cyber-attacks, election interference: each should be attributed and publicised swiftly, with evidence. That strips Russia of plausible deniability and educates Western voters that they are the targets of a campaign.

NATO and the European Union must also improve their resilience. Grey-zone defence includes spare parts and repair crews for cables and pipelines, rapid cyber-response teams and hardened electoral commissions. It is the tedious but vital business of building in redundancy and preparedness. At the same time, the Europeans must also harden their defences. Patrols in the Baltic Sea must be continuous; more sensors are needed. Europe needs cheap interceptors that can take out the drones Russia is making by the tens of thousands. Scrambling F-35s and using missiles costing millions of dollars against drones costing only thousands will eventually exhaust Europe's defences, leaving it vulnerable.

Last, the alliance must impose clearer costs. Drones over borders should trigger sanctions on suppliers and shell companies. Cyber-attacks should meet cyber-countermeasures. It is now time to use Russia's frozen assets to pay for the defence of Ukraine, which is in reality the defence of Europe, too. And yes, that defence may mean shooting down a warplane that poses a threat to life or property. Fainthearts worry about escalation, but declining to act threatens escalation of a different kind. If Russia thinks it can get away

with limited acts of aggression, something really dangerous might one day happen—such as Mr Putin grabbing a pocket of land around Narva on the Estonian side of the border, a city filled with Russian-speakers whose rights Russia pretends to champion.

All this is hard to do even if America's guarantee is solid. It is harder still when Mr Trump is an uncertain member of the alliance. This year he says he backs NATO, but last year he suggested he would “encourage Russia to do whatever it wants” to members who don't pay enough. Such words are taken as an invitation to probe and divide. Mr Putin has been listening. ■

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Leaders | A big step forward

The White House's plan for Gaza deserves praise

America, Israel and perhaps Hamas have changed their positions

October 2nd 2025



On September 29TH President Donald Trump stood with Binyamin Netanyahu, Israel’s prime minister, and set out a 20-point plan for “eternal peace” in Gaza. It is tempting to be dismissive. Although the hyperbole was exceptional, it is hardly the first peace plan since the war began in 2023. And while the talking continues, the horror in Gaza persists. Yet dismissal would be a mistake. [This proposal is a milestone](#) because it sets parameters for a way out of the nightmare and marks a change in the positions of America and Israel, and, just possibly, Hamas.

The principles of the plan are clear, even if the sequencing and details are not. The hostages would be released almost immediately. Hamas leaders and fighters would disarm and be granted amnesty or exile. A technocratic

administration that excludes Hamas would take over, supervised by an international board under Mr Trump. The Israeli army would withdraw from Gaza in stages, handing security to an international force and newly vetted Palestinian police. In the long run the rehabilitation of Gaza, and reforms to the Palestinian Authority (PA) in the [West Bank](#), could yet lead to statehood. Eight Muslim countries, including the main Arab powers and Turkey, back the deal.

This is new for America. In February Mr Trump entertained the idea of Gaza being ethnically cleansed of Palestinians to make space for a new Middle East “Riviera”. Since then, he has given tacit approval to the nihilistic fantasies of the hard-right parties in Israel’s coalition government, who dream of settling Gaza. Now, having lost patience with Mr Netanyahu after Israel’s strikes on [Qatar](#) in September, Mr Trump has signalled that “Israel will not occupy or annex Gaza” keeping open the prospect of a two-state solution.

By supporting the proposal, Mr Netanyahu has pivoted, too. Until recently he was committed to a forever war in Gaza and indulged his hard-right coalition partners, partly because a ceasefire might end the government and his time in office (an election must be held by late 2026). Now he has suggested that he intends to fight the election on the platform that the peace plan secures Israel’s original war aims of getting the hostages back and Hamas out of power. Although he is unpopular, the plan is not: almost three-quarters of Israelis support it.

The final shift may be from Hamas. It has yet to formally respond and may have detailed objections to the sequencing of the Israeli withdrawal and the absence of guarantees if Israel changes its mind. But were it to accept in principle and in public that it is prepared to relinquish its weapons and its claim to govern Gaza, that would be a huge shift, in effect signalling it accepts that it is not the legitimate representative of the Palestinian people.

The pitfalls are obvious. Hamas could reject a deal, condemning Gaza to more misery. Mr Netanyahu and Hamas may sign up insincerely, with the real goal of sabotaging the deal later. The details over sequencing are hellish. Rebuilding Gaza may prove impossible to organise or fund. Israel’s politics could pull Mr Netanyahu or his successor back towards annexation. The PA

may be incapable of reform and the interim government overstay its welcome. Notwithstanding proclamations at the UN, there is little evidence that a majority of either Israelis or Palestinians still have confidence in a two-state solution. It will take decades to rebuild trust.

Yet for all that, Mr Trump's plan offers the best pathway out of the tragedy in Gaza. Its success would require sustained pressure from Mr Trump on Israel, and from the Arab states and Turkey on Hamas. But today's unending mass suffering is unacceptable and so are the alternatives of occupation, anarchy or rule by a reconstituted Hamas. For dragging the negotiations to reality, Mr Trump and his team deserve praise. ■

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Leaders | Bad medicine

Donald Trump's cure for drug prices is worse than the disease

The problem is not greedy pharma firms

October 2nd 2025

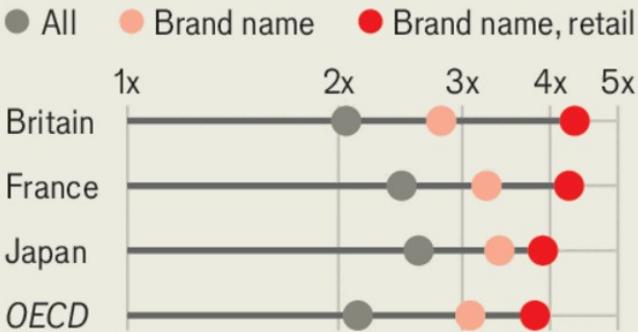


Few things infuriate Americans as much as drug prices. Republicans and Democrats alike agree that poorly patients are being ripped off by greedy pharma firms. They point to the fact that America's list prices for branded drugs are, on average, more than four times those in other rich countries.

Donald Trump agrees with them and he has set out to do something about it. He has asked drugmakers to cut their prices to "most-favoured nation" levels, ie, to the cheapest price out there. If they don't, he says, he will use "every tool in our arsenal" against what he calls abusive drug pricing. But the president's battle to bring down prices is doomed to fail. Indeed, it could even make health care in America worse.

United States, drug prices, 2022

Relative to other countries, log scale



Source: "International prescription drug price comparisons", by A. Mulcahy, D. Schwam and S. Lovejoy, RAND, 2024

Anyone familiar with the country's byzantine health system knows that inefficiencies and rents abound. Yet these tend to be concentrated not among drugmakers, but further along the supply chain. Our analysis of 220 listed health-care firms finds that three-fifths of the excess profits, defined as those that are above a 10% return on capital, are taken by others, including hospitals, and middlemen, such as insurers, distributors and pharmacy-benefit managers. Three pbms handled nearly 80% of prescription claims last year; some of them are being investigated for uncompetitive behaviour. Cracking open the sector and encouraging competition would help bring costs down.

Even if that were fixed, drugs in America would remain three times dearer than in the rest of the rich world. What more should be done?

To answer the question, it helps to grasp why American patients pay more. They are not being ripped off on a grand scale by feckless foreigners. Many European governments buy drugs at the national level, because their health systems are publicly run. But they do so on the basis of a calculation of the value each drug provides, measured by the improvement it offers both to the length and the quality of a patient's life.

This value is often low enough for patients elsewhere to have worse access to new drugs than Americans do. Between 2014 and 2022 one in five medicines approved by Uncle Sam never won approval in Europe, and nearly half were not approved by Japan. Of those cleared in all three places, more than two-thirds were first approved in America—nearly six months before Europe, on average, and almost three years before Japan.

When Mr Trump says he wants to match others' prices, he is therefore proposing to import the value that other countries place on treatments. But there is no reason why the world's wealthiest country should share that assessment of how to value good health. If it did, Americans would save money on drugs, but at the cost of worse care than they enjoy today.

Moreover, because pharma companies are, pace Mr Trump, not price-gouging monsters, imposing the most-favoured nation price on the world's biggest drug market would also curb innovation. Drugmakers take big risky bets on treatments, not all of which succeed; by some estimates, around 90% of clinical drug development ends in failure. If you cut the potential rewards, you cut the appetite for risk.

If its American revenues were threatened, the industry would either find ways to protect them, or innovate less, or both. To lessen the pain, firms could further delay launching their products in other countries, to keep most-favoured nation prices high; or they could raise list prices everywhere, and offer opaque rebates to countries that are not willing to pay higher rates. To the extent that prices in America were forced down, firms would take fewer risks on innovation.

That is why Mr Trump's plan to "rebalance" the system, by making Europeans pay more and Americans less, cannot work. He cannot force the rest of the world to pay more for drugs; nor can he force drugmakers to keep spending as much on research even as their profits take a knock. The harmful consequences would affect patients everywhere—especially Americans, who are the keenest drug buyers of all.

What, then, should Mr Trump do instead? Rather than seeking to import Europe's prices, he could borrow its approach, and establish an American system of valuing drugs. Most prices emerge from a series of negotiations

between makers and middlemen, without any explicit discussion of value. But Medicare, the public-health scheme for the elderly, is showing the way forward. It can now negotiate over the prices of a handful of drugs. Medicaid, the public-health insurer for the poor, is tying payments to outcomes in costly gene therapies for conditions such as sickle-cell disease. Value-based pricing could be extended.

Such a system would reflect Americans' greater preference for cutting-edge treatments, and would make pricing more transparent. It could also steer investments towards therapies and innovations that are more efficacious. Research suggests that these effects could combine to make spending on drugs substantially more beneficial for the health of Americans. Much of the price gap with the rest of the world would remain. But then, so too would the gulf in treatment. ■

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Leaders | Court politics

The new SCOTUS term will reshape America's constitution

If the justices do not check an overmighty president, the country will suffer

October 2nd 2025



THE PHRASE “checks and balances” does not appear anywhere in the United States constitution; and yet in a manual for Martians on how America governs itself it would be on page one. Those three words are a reminder that the country has an unwritten constitution, which resides in beliefs, behaviour and legal precedents, to go alongside its more celebrated written constitution. They describe how the branches of government compete for power—a contest where, the founding fathers wrote, “Ambition must be made to counteract ambition.” The question for the Supreme Court’s new term, which starts next week, is: how much ambition do the justices have?

Over the course of this century the presidency has accumulated power as Congress has stood aside. The justices have been content to wave through gradual increases in presidential authority, steadily rewriting the unwritten constitution as they went. That sort of incremental change is probably necessary when the written part is not working as it should, because of the partisanship that this week [shut down the government once again](#). Yet Donald Trump is taking this indulgent attitude and exploiting it.

His administration combines the theory that the presidency should be all-powerful with a method that makes it seem so. That method involves stretching presidential authority to its limit, without waiting to see if the courts check it. When they catch up, the administration will obey the law (at least after the Supreme Court has had its say), then try another route to the same end. This is not outright defiance, but neither is it deference to a branch of government that should be coequal.

For the court, this presents a dilemma. Its first job is to define the law. And yet it is unavoidably a political institution, whose members have always quietly taken politics into account when making those judgments. Today's chief justice, John Roberts, is caught between a desire to prevent the court from being seen as just another partisan institution, and an instinct to avoid a direct confrontation with the administration that the court could lose. Those two impulses are in tension. And so far—whether because of coincidence, ideology or pragmatism—the wish to placate the president is winning.

That was true most clearly in *Trump v United States*, which expanded presidential immunity from prosecution beyond the expectations of most court-watchers. It has also been true on the shadow docket, where cases are not exposed to a full public hearing. Although the court this week said that Lisa Cook could remain at the Federal Reserve while it considers Mr Trump's right to sack her, the administration has often got what it sought on the shadow docket with scant, if any, explanation. [The term that starts next week looks likely to expand presidential power yet again](#).

Three cases will be defining. One, the ominously named *Trump v Slaughter*, touches on whether the president can sack people at independent government agencies. The court seems likely to conclude he does, with the exception of the Fed. Handing this power to the president would overturn a

precedent from the 1930s, when the justices ruled against an overmighty FDR. In another case, on birthright citizenship, the court is likely to resist the president.

And then there are the cases about tariffs, involving importers of wine and toys. Unfortunately for free traders, The Economist's SCOTUS bot, an AI that has been trained on case filings and previous rulings, thinks the president will get his way here, too (as does our correspondent who trained the bot).

Taken together, these cases do not signal the end of the republic and its replacement with an elected monarchy. The court's defenders can argue that, by yielding now, the justices will be in a better position to stand firm when they really need to. Maybe. But the court has started along a path that gives a power-hungry executive most of what it wants. If it continues to give ground, by the end of this president's term America's constitution—the one that actually describes how the country is run—will look very different. ■

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Leaders | Self-driven to despair

Unleash the robotaxi revolution

Across the West, safety rules are standing in the way of progress

October 2nd 2025



In San Francisco and Shenzhen, the future is already here. Between April and June Waymo, an American firm, conducted 2.2m robotaxi trips in California—five times as many as in the same period in 2024. Over the same three months Baidu, a Chinese tech giant, provided 2.2m trips across 16 mostly Chinese cities—a two-fold increase.

That is exciting for residents of those places. Since robotaxis have fewer accidents than human drivers, they are almost certainly saving lives. Unlike private cars, they can be in near-continuous use; the more popular they become, the more they will free up space and make urban life more comfortable. Yet city dwellers elsewhere have less to celebrate. In many places, regulation is a roadblock to self-driving taxis.

Some restrictions slow the development of the tech itself. In America firms need approval from the National Highway Traffic Safety Administration to deviate from federal standards by, say, building a car without pedals or a steering wheel, both of which are more useful to a human than to an AI driving system. And the NHTSA can allow each firm to make only 2,500 non-standard cars a year.

Other regulations control or even ban the operations of robotaxis. In New York the Taxi & Limousine Commission prohibits the use of autonomous vehicles in paid for-hire services. City councillors in Boston have proposed legislation that would require a “human-safety operator” in each. Only a few European countries are even testing them. In Germany robocabs must be monitored by a human at all times.

Such policies stem from two concerns: that robotaxis could crash into pedestrians or oncoming traffic; and that they will displace human workers, who must be protected. Neither of these justifications holds water.

Consider safety first. Regulators are right to require that new technology be tested. But the evidence so far is encouraging. A study by Waymo and Swiss Re, a reinsurer, finds that Waymos are involved in 88% fewer property-damage claims and 92% fewer injury claims per mile than humans. Other firms may struggle to match those numbers, and the vehicles have so far been let loose in “easy” cities. Still, the figures suggest that robotaxis will make roads safer. Regulators in the West could follow China and make it easier to run pilot projects.

What about the job-killing effects? Josh Hawley, a Republican senator, wants to ban self-driving cabs because they are “terrible for working people”, since they may lead to job losses among taxi drivers. More often, the concern is unspoken. Protests from drivers sway the calculations of city officials, who then insist on ultra-stringent safety standards. In China, too, fears of job losses have slowed the transition from tests to real-world use.

Yet the impact on taxi drivers must be set against the benefits to a wider group: for every cabbie in San Francisco, there are hundreds of riders and residents. And the relationship between new and old can be surprising. In San Francisco [robotaxis are replacing private cars rather than manned taxis](#).

Although robotaxis have cruised on to the scene, demand for ordinary cabs has held up, perhaps because they are sometimes more available. Human drivers are most useful at peak demand, when fares are highest.

Even with adroit regulation, robotaxis would not be everywhere. The challenge of making them commercially viable would remain. Each Waymo car, with all its sensors and the latest software, is said to cost around \$150,000; mapping and testing can be expensive, perhaps forbiddingly so in small European cities with medieval road plans. Remove regulatory roadblocks, though, and firms could at least have the chance to expand their operations, improve the technology and bring down costs—while more consumers enjoy the ride. ■

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Letters

- Should work restrictions on asylum-seekers in Britain be reformed?

Letters | A selection of correspondence

Should work restrictions on asylum-seekers in Britain be reformed?

Also this week, America's relations with Israel, the US constitution, cosy crime, the Democrats

October 2nd 2025



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

Your article on [the work restrictions faced by asylum-seekers in Britain](#) omitted fundamental questions at the heart of the issue ("Wasted talent", September 20th). What sort of employer would choose to hire an asylum-seeker whose right to remain in the country could be terminated at any moment over employing a local person? Or over any of the large number of migrants whose right to be in the country is not conditional? We know the likely answer.

Legal migrants coming to Britain who do have work visas, even in the lowest-paid jobs, do so under conditions where the bona fides of employers and minimum pay are monitored. Asylum-seekers who find work are afforded no such oversight and protection. We don't even know which employers are employing them.

The argument over asylum-seekers having the right to work should not be over whether they have to wait X or Y number of months to do so. Simple comparisons with other countries on this measure are flawed, because in practice there are often other barriers to migrants working in those countries. Rather, the important question is what controls and protections are needed to prevent asylum-seekers who do work from being just a channel for the exploitation of the most vulnerable cohort of potential employees in Britain.

Jonathan ThomasSenior fellowSocial Market FoundationLondon

Britain does indeed receive fewer illegal migrants than other countries and “far-right” agitators do exploit the issue (“On deaf ears”, September 20th). But reducing discontent with mass immigration to the “far-right” is itself populist. The real grievance among the British public lies not in the numbers coming but in perceived unfairness, that the state is more willing to bend for outsiders than it is for its own citizens. The current backlash is better understood as a correction against a wider illiberal-left agenda. For years the concerns of many people were dismissed as bigotry, whether over mixed lavatories in junior schools, parents’ rights to withdraw children from sex education, the removal of historical statues without sanction, high streets where English is absent, or the sense that migrants jump the queue for housing and health care while locals wait. Illegal migration has become a lightning rod for a wider frustration that society’s balance has tilted too far, and the pendulum is now swinging back.

Phillip HarrisonLondon

I am bemused by your description of Reform UK as “hard right” (“The Farage power project”, September 6th). Here I am, a centre-right voter whose opinions have largely unchanged over the past 50 years, pondering whether the centre of British politics has really moved so far to the left in that time that my views are now considered to be hard right.

Nigel Johnson-HillPetersfield, Hampshire

Concerns about America's shifting support for Israel are not new ("How Israel is losing America", September 20th). Similar alarms were raised during Israel's war in Lebanon in 1982 and again during the first intifada, when American opinion cooled towards Israel. These cycles return whenever conflict intensifies and moral questions rise to the fore.

Warnings of this kind should be welcomed. They remind us that the American-Israeli partnership cannot rest on military dependency or partisan loyalty alone. A lasting relationship requires new political thinking. The well-worn mantra of a "two-state solution" is empty of imagination and fails to address the hopes and fears of both peoples. Even ideas that may sound fanciful, such as Donald Trump's vision of a Gaza riviera, deserve consideration if grounded in strong Arab involvement and real economic opportunity.

Gaza had nearly two decades to develop after Israel withdrew, but instead chose violence. Those mistakes must not be repeated. What is needed now is the courage to explore political and economic constructs that can sustain Israeli security and Palestinian dignity, while keeping America's support on firm ground.

Dr Henning SteinFinance fellowCambridge Judge Business School

Your review of Jill Lepore's history of America's constitution asserts that the country has been "stuck with the electoral college", implying that the direct election of our presidents is preferable ("The notion of a nation", September 13th). The electoral college has helped preserve the stability of our system of national government for well over two centuries now. It means that the least populous states have some say in an election (take Iowa). Under direct voting it would be the marginal voters in large states like California that matter, and candidates would have an even greater incentive to ignore smaller states.

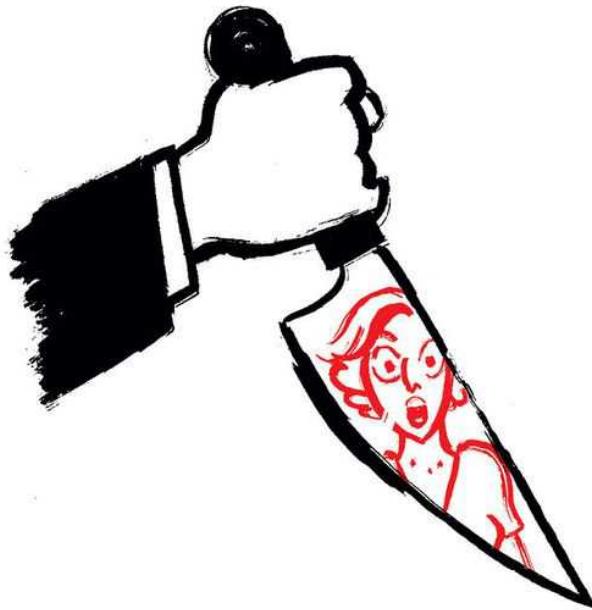
The electoral college also serves our strong two-party tradition. Ross Perot got almost 19% of the popular vote in 1992, but zero electoral-college votes. Without the present system we would have factious multiple parties, and

presidents without a consensus to lead. In a large and diverse country such as ours, the electoral college prevents single-issue and geographical fragmentation, leading to a more truly egalitarian election result.

Many have cited the situation in Florida in 2000 as justification for abolishing the electoral college. In fact, this highlights why it is necessary. Many of our presidential elections are close. The electoral college hives off voting disputes like the one in Florida. Without it there could be a “Florida” everywhere, paralysing the government as lawsuits, challenges and recounts in possibly thousands of jurisdictions turned the election into a nightmare.

There have been only five elections where the president won the electoral college but did not gain the popular vote, and each of those was essentially a toss-up. We are the United States of America, not the United People of America. We should be very wary of tinkering with this elegant constitutional establishment.

Paul Staneski
Merry Hill, North Carolina



Although [Agatha Christie's Miss Marple novels match the cosy-crime template](#) (amateur sleuth, small village), a number of her other works do not (“It takes a village”, August 30th). In “Murder on the Orient Express,” she flouts convention when Hercule Poirot lets the murderers go. It’s also

bloody; the victim is stabbed 12 times by 12 people. Moreover, Georges Simenon's Inspector Maigret is a police detective, not an amateur. Maigret pursues crime down dark Parisian allies, along foreboding canals and in seedy seaside towns, with gangsters, greed, sex, family dysfunction, abuse and psychological torment elements in the novels. The Maigret books are hard-boiled mysteries. In the interwar years, Simenon was ploughing a similar furrow to Dashiell Hammett and Raymond Chandler. Maigret is similar to Chandler's depiction of his own hero, Philip Marlowe: "Down these mean streets a man must go who is not himself mean, who is neither tarnished nor afraid...He is the hero, he is everything."

RICH ZAHRADNIKRehoboth Beach, Delaware

[Democratic disarray is nothing new](#) ("America's missing opposition", September 6th). Just recall the 100-year-old quip by Will Rogers: "I am not a member of any organised political party. I am a Democrat."

David RaymondSocorro, New Mexico

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By Invitation

- [Kosovo shows that Donald Trump's Gaza plan can work, writes Petrit Selimi](#)
- [A Nobel laureate on why stablecoins may be nothing of the sort](#)

By Invitation | A bit of Balkans in the Middle East?

Kosovo shows that Donald Trump's Gaza plan can work, writes Petrit Selimi

The Balkan state's former foreign minister on what international “governing boards” need to get right

October 2nd 2025



PRESIDENT DONALD TRUMP'S plan to end the Gaza war offers something rare: a way forward for the people of both Gaza and Israel. The 20-point proposal will need fleshing out and further negotiations, but it addresses the short-term necessity of stopping the [bombings and killings](#), the return of Israeli hostages and the release of Palestinian prisoners. Crucially, it also provides a medium-term formula for an interim administration that can usher in a new era of peace for both Palestinians and Israel.

A key element of the plan calls for Gaza to be run “under the temporary transitional governance of a technocratic, apolitical Palestinian committee”

made up of “qualified Palestinians and international experts”, with oversight by an international transitional body, the “Board of Peace”, chaired by Mr Trump—and with [Sir Tony Blair](#), a former British prime minister, playing a central role.

This type of interim governing board is not a pipe dream. Nor is it, as some have suggested, a relic of a colonial past. It can work. The example of my country, Kosovo—a state twice the size of the Palestinian territories, and with a population slightly smaller than Gaza’s—shows why Mr Trump’s initiative deserves support.

When, in the late 1990s, Kosovo faced destruction at the hands of Slobodan Milosevic’s regime, prompting NATO bombing of the Serbian military machinery, many sceptics doubted that peace could hold or there could be reconciliation in that part of the Balkans after so much bloodshed.

Yet Western powers moved quickly to create an interim administration under the provisional mandate of the UN. It was led by credible international figures such as Sérgio Vieira de Mello, a highly experienced Brazilian diplomat, and Bernard Kouchner, a former French foreign minister.

The interim mission in Kosovo (UNMIK) quickly proved its worth. Kosovo Albanian leadership seized the opportunity and agreed to the demilitarisation of the pro-Western guerrillas. But it was the interim international administration that managed the reconstruction, opened the territory to global engagement and, most important, prepared the ground for free and fair elections.

Out of chaos, Kosovo began building democratic institutions that allowed its people to control their destiny. Various countries chipped in with their expertise: Norway’s top diplomat, Kai Eide, helped create a professional police force; America helped build modern banking and justice systems (in addition to providing troops for NATO’s KFOR mission); the EU funded physical reconstruction and support for businesses; the OSCE organised free and independent elections; and KFOR provided overall security.

Even though the parallels are not perfect—Kosovo exists on the edges of the EU, whose rich, peaceful and democratic countries are all keen to see it

succeed—Mr Trump’s Gaza plan has echoes of this tested model. Encouragingly, the plan appears to strike a careful balance between local ownership and international expertise. By considering key roles for figures like Sir Tony, who has deep, if controversial, experience in the Middle East—as well as hero status in Muslim-majority Kosovo following his role in the NATO air campaign in 1999—alongside credible Palestinian figures, the peace proposal may just be able to avoid being perceived as dominated by outsiders. The broader the coalition of stakeholders, the less chance the project also falls foul of machinations on the UN Security Council, or gets pulled into the morass that is Palestinian politics.

There are other elements of the Kosovo precedent that explain why Sir Tony is keen to draw on experience there in devising plans for a transitional Gaza authority. The interim mission in Kosovo quickly combined the legitimacy of international figures and organisations with the knowledge and buy-in of local leaders of all political stripes. Efforts were made to ensure gender, ethnic and religious balance.

In Gaza such a hybrid body should start rebuilding the shattered economy, channelling resources for reconstruction while ensuring that political realities and cultural sensitivities are respected. Sir Tony brings stature and experience on the world stage; Palestinian leaders bring the lived experience and the local credibility necessary to connect and represent the people of Gaza.

The final strength of Mr Trump’s plan lies in its promise of a path forward to peace, albeit one that is not yet fully clear. Embedded within the plan is agreement with Arab countries that the people of Gaza will not be left in limbo and that they have the right to remain in their ancestral land. The key will be to look at the interim administration and its Board of Peace as a process, not a destination. This means organising democratic elections, putting governance in the right Palestinian hands and making firm guarantees of Israel’s security.

Kosovo teaches us that such clarity is vital. UNMIK succeeded in the immediate aftermath of the war only because its mission was transparent: to stabilise existing institutions and build new ones as needed. But Kosovars grew anxious when transition slowed down as the interim UN bureaucracy

started to take on a whiff of permanency. A process was devised and negotiations started for the final status—and Kosovo did not fall apart after the interim mission wound down. It became independent under a plan shepherded by Finland’s then president, Martti Ahtisaari, for which he won the Nobel peace prize. Remarkably, Kosovo today is one of the safest destinations in Europe, according to Gallup.

The war in Gaza is horrific. True reconciliation may never come. But the Trump plan is pragmatic and grounded in precedent. It is exactly what the people of Gaza need. ■

Petrit Selimi is a former foreign minister of Kosovo. He is a fellow at the University of Southern California Centre on Public Diplomacy.

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By Invitation | Coin loss

A Nobel laureate on why stablecoins may be nothing of the sort

Payments systems must be built on public infrastructure, not speculative tokens, writes Jean Tirole

October 2nd 2025



STABLECOINS HAVE entered the financial mainstream, thanks in no small part to the [GENIUS Act](#). This American law, passed in July, creates a regulatory framework for these digital tokens, thereby lending them legitimacy, and opens the way for financial institutions to launch their own versions. One of the crypto-ventures backed by President Donald Trump and his family has issued a stablecoin, USD1. The value of the most popular stablecoin, issued by Tether, has leapt by 46% in the past 12 months, to \$174bn.

This type of cryptocurrency, which is pegged to real-world assets like the dollar, promises more stability than Bitcoin, with its wild swings. It is also marketed as a cheap, rapid means of payment. Yet stablecoins will bring more risks than benefits—and alternatives exist.

The supporters of the first wave of cryptocurrencies, led by Bitcoin, were a curious mix of technological enthusiasts, libertarians bent on escaping government control, money-launderers and speculators seeking easy riches. The firms in this vanguard thrived on seigniorage (from the minting of coins) and transaction fees (levied by platforms that enabled them to be traded).

Their critics saw little social value. Cryptocurrencies make it easier to dodge tax, deprive governments of seigniorage revenues and burn resources in energy-guzzling mining. They also challenge central banks' ability to stabilise economies in crises and to restrain capital flight from economies facing speculative attacks. Their volatility rules out any serious use as money.

Stablecoins arose as a supposed solution to the last of these problems. By pegging value to dollars or other safe assets, they claim to combine digital efficiency with stability. They also present themselves as rivals to the expensive incumbents—banks, and payment platforms like Visa, PayPal and SWIFT—especially for cross-border transfers. At first glance, this looks like progress. But financial innovations with an aura of safety often sow the seeds of crises, as derivatives and bundles of subprime securities did before 2008.

Stablecoins, like money-market funds, project security but can collapse under pressure. Governments may then feel compelled to bail out holders to protect small businesses and households, to prevent financial contagion or to preserve reputations as crypto-friendly jurisdictions. This expectation encourages risk-taking.

Proponents insist that stablecoins are fully backed by “dollars” (that is, dollar-denominated cash, bank deposits, US Treasuries, money-market funds) and that regular audits by an accounting firm verify the level of reserves, with regulators interpreting the findings and doing whatever

enforcement is required. In practice, full backing is not a sure thing. [Tether](#) has been fined for misrepresenting its reserves, which have never been fully audited by an independent entity; Circle, another stablecoin issuer, had 8% of its reserves jeopardised by the collapse of Silicon Valley Bank (fortunately for Circle, SVB's uninsured depositors were bailed out with public money).

Even when backing is real, small doubts about its completeness can spark destabilising runs: in 2022, for instance, the TerraUSD stablecoin collapsed (though it was an “algorithmic” coin, less secure than the fully reserved kind). Worryingly, the rules under the GENIUS Act on redemption—covering the honouring of holders’ requests for their money back, the suspension of payments to stabilise liquidity under stress, and so on—remain vague.

Moreover, safe assets such as cash and government bonds yield little. History is littered with prudentially constrained banks that went searching for riskier assets disguised as safe. Why assume stablecoin issuers, much less regulated than banks, will behave better and refrain from seeking yield by taking risks with, say, interest rates or uninsured deposits?

GENIUS forbids stablecoin issuers from paying interest, a sop to banks worried about losing deposits (which, incidentally, would jeopardise financial intermediation and therefore the availability of credit). The prohibition does not apply to stablecoin platforms, such as Coinbase and PayPal. This distinction provides a loophole: a platform can partner with an issuer while remaining exempt from rules governing it.

Some platforms use this loophole to offer backdoor rewards (as both Coinbase and PayPal do through rebates) and take risks to fund them. Yet unlike banks, they need not meet capital and liquidity standards or pay deposit-insurance premiums. They thus join the ranks of shadow banks— institutions that enjoy implicit public backstops without bearing the regulatory costs.

The risks are amplified by political dynamics. [The current American administration](#) has personal financial interests, an ideological tilt and a geopolitical incentive to promote crypto, which bolsters global demand for

dollars, thereby helping to finance the trade deficit. Regulators sympathetic to crypto have been appointed. Light-touch supervision seems inevitable.

For Europe and others, this is worrying. Any move to regulate dollar-based stablecoins tightly may be painted by the Trump administration as an unfair trade barrier, much as America currently frames Europe's attempts to rein in tech giants—most recently by finding Apple and Meta in breach of the EU's Digital Markets Act.

Stablecoins highlight a genuine need for payments that are faster, cheaper, round-the-clock and “programmable” (to execute and settle automatically, and more efficiently, when particular conditions are met). But public authorities can and should deliver this directly. Brazil and China already have efficient digital systems; the euro zone is preparing its central-bank digital currency. The payment system is a public good.

But because innovation often comes from private enterprise, the public infrastructure should be open and offer programming interfaces that allow entrepreneurs to build applications on top of the system. Done right, such a system could blend public trust with private creativity.

Stablecoins may dazzle as the latest financial fad. But they risk destabilising finance while enriching a few. The better course is to treat payments as a shared utility, not a speculative playground. ■

Jean Tirole is a professor at the Toulouse School of Economics. He won the Nobel economics prize in 2014 for his work on market power and regulation.

Briefing

- [Why Russia's micro-aggressions against Europe are proliferating](#)

Why Russia's micro-aggressions against Europe are proliferating

It is hoping to sap support for Ukraine and highlight America's ambivalence

October 2nd 2025



THE DRONES that appeared late on September 25th over Schleswig-Holstein, Germany's northernmost state, did not fly the usual erratic routes one might expect from a misguided hobbyist. They flew neat, parallel paths, according to an internal assessment seen by *Der Spiegel*, a German magazine, as if surveying what was below them. And what was below them was a treasure trove of critical infrastructure. They flew over a power plant and a refinery, a hospital, the state government's headquarters and an arms factory owned by Thyssenkrupp, a conglomerate.

Later drones would appear over an army base in Mecklenburg-Western Pomerania and the port of Rostock, its capital. Days earlier, a little farther north, drones had been sighted above airports in Copenhagen and Oslo, disrupting flights, as well as over Danish oilfields in the North Sea and around Danish and Swedish military bases. “There can be no doubt that everything points to this being the work of a professional actor,” said Troels Lund Poulsen, Denmark’s defence minister, of the incidents in his own country. “This is what I would define as a hybrid attack.”

Since Russia’s full-scale invasion of Ukraine in February 2022, its intelligence services have led a campaign of sabotage and subversion across Europe. Described variously as “hybrid warfare” or “grey zone” tactics, these hostile acts occupy a hazy space between untroubled peace and open war. They encompass everything from straying fighter jets to cyber-attacks.

Although the concept may be woolly, the threat is real enough. Recent research by the International Institute for Strategic Studies, a British think-tank, found that incidents of confirmed Russian sabotage against European infrastructure more than tripled between 2023 and 2024 (see map). Norway’s intelligence service recently noted that Russian hackers had taken control of a local dam earlier this year, causing water to flow, unnoticed, for hours. On September 17th Lithuanian authorities charged 15 people tied to Russian military intelligence with planting explosive parcels on cargo planes, causing fires in Germany, Poland and Britain last year.

And it is not just Russia that has embraced these micro-aggressions. Chinese sorties into Taiwan’s air-defence identification zone, a self-declared buffer area, have increased relentlessly, from 20 or fewer in 2019 to more than 3,000 last year, according to a tally kept by the Centre for Strategic and International Studies, an American think-tank. Indeed, there is some blurring between Chinese and Russian grey-zone operations. In 2023 a Chinese ship damaged a gas pipeline and telecommunications cables by dragging its anchor in the Baltic Sea (accidentally, it claims; deliberately, the West suspects). In 2024 another Chinese ship severed more undersea cables in the Baltic in the same way.

The proliferation of affronts, many of them difficult to trace back to their probable perpetrators, creates “a defender’s dilemma”, says Elisabeth Braw

of the Atlantic Council, another think-tank: respond harshly and you appear to overreact; let it pass and you lose credibility; retaliate in the grey zone and you instigate “a race to the bottom”. Western countries are conscious that China and Russia are testing them, but unsure or, in some cases, in outright disagreement about how to respond. That is presumably one of the aims of such actions: to sow dissent among allies and raise doubts in particular about America’s willingness to stand up for distant friends. How the West reacts to the current spate of provocations has big implications, therefore, not only for the immediate security of Europe and East Asia, but also for the future of America’s alliances.

The drone sightings over Germany and Scandinavia are just part of a wider aerial challenge. On September 10th Russian decoy drones were shot down deep inside Poland. On September 19th three Russian MiG-31 jets spent 12 minutes in Estonian airspace. Norway has said that Russia has violated its airspace three times this year. Such violations have approximately doubled in the past year, according to a Western official. They have also grown more serious. The breach of Estonian airspace was the most egregious in that country in more than 20 years. The drone barrage into Poland was on an even bigger scale.

The drone sightings around the Baltic are murkier. Some may have been the work of errant hobbyists, but Denmark, at least, seems convinced that the incursions there were no accident. It is unclear where the drones came from, however. A Russian military vessel and various commercial ones have been loitering in nearby waters. The fact that so many sightings have clustered around the Baltic littoral lends strength to the hypothesis that Russia might have launched drones from one of its so-called [“shadow fleet” of vessels](#) used to transfer oil. On October 1st French authorities seized one of the suspect ships and arrested two of its crew.

Western countries cannot be certain why Russia has ramped up its poking and prodding. Some believe that both the Polish and Estonian incidents were accidental, a function of Russian sloppiness rather than malfeasance. Others, including Estonia and Poland, insist the incursions were intentional. “In Russia nothing happens by accident,” says Hanno Pevkur, Estonia’s defence minister. “These actions aren’t coincidental, but part of a pattern targeting our airspace, critical infrastructure, and defence readiness,” argued Johann

Wadephul, Germany's foreign minister, on September 29th. "Russia is testing our resolve and attempting to sow unrest."

If that is so, then part of the explanation might lie with America's president. In recent days Donald Trump has sounded much less friendly towards Vladimir Putin, his Russian counterpart. At the same time, however, he appears to be washing his hands of the war in Ukraine, insisting that he will sell—but no longer donate—weapons to Ukraine. A draft of America's new national defence strategy is also said to downgrade the importance of Europe.

"Now Putin has started making incursions into the NATO border," noted Scott Bessent, Mr Trump's treasury secretary, on September 24th. "The one thing I can tell you is that the US is not going to get involved with troops or any of that." When Mr Trump was asked whether he thought NATO should shoot down Russian planes violating its airspace, he replied bluntly, "Yes, I do." Moments later, however, when asked whether he would help allies in such a clash, he offered a mealy-mouthed, "It depends on the circumstances."

America's ambivalence, in turn, has exposed splits within Europe over how to respond. Some would like NATO to provide a show of strength. Radek Sikorski, Poland's foreign minister, has delivered a rhetorical broadside to Russia: "If another missile or aircraft enters our space without permission, deliberately or by mistake, and gets shot down...please don't come here to whine about it. You have been warned." Some laud the example of Turkey, which shot down a stray Russian jet in 2015.

But Germany's defence minister, Boris Pistorius, has urged prudence, and warned allies not to fall into "an escalation trap". Major General Jonas Wikman, the head of the Swedish air force, whose jets were among those that responded to the Estonian incursion, says that he has the delegated authority to shoot down Russian planes if needed. "But we will always refer to the threat level," he adds. "When we talk about Swedish territory, we talk about proportionality." In the Estonian incident, NATO was able to track the Russian jets throughout. Moreover, they were armed only with air-to-air missiles, so posed no threat to anything on the ground.

On paper, each member of NATO has the right to shoot down whatever it likes; it need not wait for permission from the alliance's joint command. The Baltic states do not have fighter jets of their own—they rely on a rotating cast of allies to patrol their airspace—but their neighbours do. Poland is free to incinerate the next stray jet. The problem is a political rather than military one. If Russia chose to escalate in response, one concern would be that Mr Trump might stand back and that Europeans would squabble among themselves over how far to back the ally that had attacked a Russian aircraft.

It is also possible that the combination of Russian risk-taking and the erosion of readiness, maintenance and pilot skill in the Russian air force could result in an accident, such as a collision or inadvertent release of weaponry. In 2022 a Russian fighter pilot, having received an ambiguous message from ground control, thought he had permission to fire at a British spy plane in the Black Sea. He fired two missiles; one missed and the other malfunctioned. Russian officials were chastened by that near-calamity, though it did not stop them from harassing other Western planes in the area. “The risk of an incident is one of the top items that we are tracking and what we are communicating within our own chain of command,” says Major General Wikman. “With more aircraft in the air, also NATO operations and our own [heightened] posture level, that definitely increases the risk of mistakes.”

Naturally, NATO’s European members are beefing up their defences. Five days after the Estonian incident, more than 100 Polish paratroopers landed on Gotland, a Swedish island in a commanding position in the Baltic Sea, as part of a joint exercise. Sweden is also moving ground-based air defences to the island and increasing the readiness of its air force. Britain, France, Germany and Sweden have sent anti-drone equipment to Copenhagen. And in recent days the European Union has also accelerated plans to fund a “drone wall”, formally known as “Eastern Flank Watch”, made up of an array of different systems to detect, track and intercept drones.

But this, too, may be what Mr Putin wants. Boris Bondarev, a former Russian diplomat who resigned to protest against the invasion of Ukraine, says he is hoping in part to distract NATO countries from the task of supporting Ukraine. “The more Europeans perceive the threat to themselves, the more resources they will need for their own rearmament, and the fewer

resources will be available for Ukraine. As a result, Kyiv's military potential will weaken, and Ukrainians will find it increasingly difficult to maintain their defence."



Russia may be resorting to more grey-zone intimidation precisely because repeated offensives in Ukraine have made little headway. "I think they are looking for new ways to play because they cannot make even one step ahead in Ukraine," says Liviu-Ionut Mosteanu, Romania's defence minister. His Estonian counterpart, Mr Pevkur, echoes the sentiment: "This is probably because they're not doing well on the battlefield and they need to pressure Europe and the West collectively, so as to say, 'Deal with your own matters, deal with your own air defence and don't give air defences to Ukraine.'"

At any rate, Russia's incursions appear to be aimed specifically at some of the countries that are most helpful to Ukraine. Denmark, for example, will be the first NATO country to host Ukrainian weapons production on its territory. Fire Point, which makes Ukraine's long-range Flamingo cruise missile, is expected to start making solid rocket fuel near a Danish air base in December. Poland's Rzeszow airport has long been the main hub for the transfer of military aid to Ukraine. "By sending drones into NATO's airspace, under the cover of plausible deniability, Putin is showing...that there is a direct cost to the countries directly involved in the production of

Ukrainian long-strike missiles and the transfer of weapons to Ukraine,” says Alexander Gabuev, the head of the Carnegie Russia Eurasia Centre in Berlin.

Mr Putin does not need to frighten politicians or generals with his grey-zone manoeuvres. He can advance his aims simply by alarming the public in the countries he targets and so undermining confidence in their governments. That may make voters think twice about support for Ukraine and a hostile stance towards Russia.

It is in this respect that Russia’s grey-zone tactics have the most in common with China’s. The gradual encirclement of Taiwan with ever bolder and more frequent military exercises appears intended in part to sap the morale of ordinary Taiwanese and make the island’s eventual absorption into China seem inevitable. The difference is that China also has considerable economic clout that can be used to influence its neighbours. It has time on its side, too, notes Michael Mazarr of the RAND Corporation, a think-tank in Washington. “The Chinese leadership feel like history is moving in their direction already, and they’re not quite as paranoid and anxious to lash out. Russia is in the domain of losses and feels it has to take some big risks.”

In either case, however, the best response may be to focus not on the grey-zone tactics themselves, but on the outcomes that China and Russia are trying to avoid by deploying them. Helping Taiwan improve its military readiness through training and arms sales may be more productive than seeking to curb threatening Chinese military exercises directly. As Mr Pevkur says of the Russian incursions, “We need to be more clever and to forget about this. Yes, we will respond militarily, if necessary. We have the necessary means and we will respond. But strategically, we have to put more pressure on Russia with sanctions, with the oil price [cap], with the military assistance to Ukraine.”

Whether the West will coalesce around such a response is far from clear. But the surge in Russian provocations has at least focused minds. As Friedrich Merz, Germany’s chancellor, put it this week, “The threat is real. You read it in the newspapers, you hear it in the news: drone flights, espionage...not only in Germany but in many other European countries—daily acts of

sabotage, attempts to paralyse data centres, cyber-attacks... We are not at war, but we are no longer at peace, either.” ■

This article was downloaded by [zlibrary](#), from <https://www.economist.com/briefing/2025/10/02/why-russias-micro-aggressions-against-europe-are-proliferating>

United States

- The president's agenda looks safe at the Supreme Court—with a few exceptions
- Your federal government is now closed for business
- The president tries to enlist the top brass for “the war from within”
- Republicans in the West want more wolves killed
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United States | The king and aye

The president's agenda looks safe at the Supreme Court—with a few exceptions

What to expect from the nine justices, including SCOTUSbot's predictions

October 2nd 2025



TWENTY-TWO years before he became America's chief justice, John Roberts, then a junior lawyer in Ronald Reagan's White House, [quipped](#) that "the constitution is safe for the summer" during the Supreme Court's annual adjournment. No more. What was once a sleepy summer recess, punctuated by the odd execution appeal, is now thick with emergency petitions spurring on-the-fly judgments about core principles of American government.

Reckonings over tariffs and presidential control of administrative agencies lie ahead this autumn. But since the last bang of the gavel on June 27th, Donald Trump has racked up eight off-season victories. The supermajority he forged in his first term granted his pleas to gut the Department of

Education, racially profile suspects during ICE arrests, deport men to South Sudan, restructure the federal government and remove Democratic members of the Consumer Product Safety Commission. It also let the president cut nearly \$800m in research grants from the National Institutes of Health, sack the last Democrat on the Federal Trade Commission and withhold \$4bn in foreign aid that Congress had appropriated.

This string of summer wins (most decided 6-3) followed an equally bright spring for Mr Trump. In all, he has lost only two of his administration's nearly 30 pleas. This remarkable streak has come on the court's "emergency" or "shadow" docket: cases resolved briskly, without full briefing or oral argument and with little or no explanation. On September 26th Justice Elena Kagan suggested in her dissent from the foreign-aid decision that this mode of jurisprudence may not meet the gravity of the moment. While "cases of far less import" are given "far more process and reflection", the court breezily resolves weighty questions of presidential authority without discussion and with barely a word of justification.

The high court's emergency procedures were not created for a presidency spawning hundreds of lawsuits as it seeks to transform America in many directions at once. Strain within the judiciary is starting to show. After a ruling in August by Justices Neil Gorsuch and Brett Kavanaugh which criticised lower-court judges who "defy" Supreme Court orders, several judges responded in kind, noting that the high court's emergency orders are often cryptic and leave them at sea.

The 2025-26 Supreme Court term, which begins on October 6th, should clarify a few areas of law that have remained murky while Mr Trump pursues his agenda with nods—but little else—from the conservative supermajority.

Trump v VOS Selections and Learning Resources v Trump, two big tests of the president's authority over trade policy, will be argued together on November 5th. VOS Selections says Mr Trump's wide-ranging tariffs "jeopardise" its wine-importing business, while Learning Resources and hand2mind, educational toy companies, contend the duties, in effect, bar the import of some products and "increase their annual costs over 40-fold". Three federal courts sided with the plaintiffs, concluding that the

International Emergency Economic Powers Act (IEEPA), the law mentioned in Mr Trump's executive [orders](#), does not authorise him to impose hundreds of billions of dollars of tariffs on dozens of countries.

The case against Mr Trump is straightforward. Article I, section 8 of the constitution gives Congress the power to tax and regulate foreign commerce. In enacting the [IEEPA](#), Congress handed some authority to presidents to "regulate...importation" in the event of a declared emergency stemming from "any unusual and extraordinary threat...to the national security, foreign policy or economy of the United States". The court rulings against Mr Trump did not second-guess the emergencies he cited as justification for the tariffs—fentanyl trafficking and trade deficits. But they rejected his contention that the IEEPA allows presidents to dramatically rejig America's import duties. One concluded that the statute, which nowhere mentions "tariffs", allows no presidential tariff tinkering at all.

The government's [brief](#) to the justices leads with bombast. A year ago America "was a dead country", it reads (quoting Mr Trump), but today, "because of the trillions of dollars being paid by countries that have so badly abused us, America is a strong, financially viable and respected country again." The IEEPA, the brief continues, "unambiguously encompasses tariffs" and neither the "major-questions" nor "non-delegation" doctrines—which curbed some of Joe Biden's more adventurous policies, like vaccine mandates and student-loan forgiveness—apply to presidents when they are conducting foreign affairs.

SCOTUSbot, The Economist's AI tool to predict Supreme Court rulings, forecasts success for Mr Trump's tariffs. In ten run-throughs (tapping into the three lower-court opinions, the administration's opening brief and knowledge of each justice), the president wins nine times by margins of 5-4, 6-3 or 7-2. This more expansive reading of the IEEPA has bipartisan appeal: the Republican-appointed justices tend to defer to presidents, at least Republican ones, and two appointees of Barack Obama sided with Mr Trump at the Federal Circuit Court of Appeals—including Judge Richard Taranto, author of the [dissent](#). Mr Trump's tariffs on cars, copper and furniture (among other goods) are backed not by IEEPA but by Section 232 of the Trade Expansion Act of 1962 and Section 301 of the Trade Act of 1974. They are not at risk.

Mr Trump will almost certainly prevail in another consequential test of presidential power. In *Trump v Slaughter*, the court will consider overturning a 90-year-old precedent, *Humphrey's Executor v United States*, that stymied Franklin Roosevelt's plans to remove William Humphrey from the Federal Trade Commission in 1933. Nearly a century later, the Supreme Court seems keen to abandon the principle that congressional statutes can protect heads of independent agencies like the FTC, the Federal Communications Commission and the National Labour Relations Board (NLRB) from direct presidential control.

A sign of the justices' impatience with *Humphrey's Executor* came in May, when the six Republican appointees voted to let Mr Trump sack the heads of the NLRB and the Merit Systems Protection Board, an agency that adjudicates disputes involving federal employees. But that order sought to distinguish the Federal Reserve as a “uniquely structured, quasi-private entity” whose governors should not serve at the pleasure of the president. This suggests the court may be less receptive to Mr Trump’s bid to sack Lisa Cook from her position at the Fed. The court deferred Mr Trump’s plea to remove her in another shadow-docket case and announced it would hear oral argument on the matter in January. She is the only official Mr Trump has tried to sack who gets to stay in her job while the justices mull the challenge.

Mr Trump could falter in cases on the regular docket, too. On September 26th he asked the justices to let him deny birthright citizenship to babies born to non-citizens. The court will probably take up *Trump v Washington* and rebuff the iconoclastic reading of the 14th Amendment. Mr Trump’s more extravagant immigration policies—such as using the Alien Enemies Act, an 18th-century law, to whisk purported gang members out of the country—could fail when the issue returns on the regular docket. The White House seems to understand where it skates on thinner ice: it has not rushed the Alien Enemies matter before the justices or tried to revive its attacks on law firms, which remain blocked by lower courts.

SCOTUSbot, the AI we trained to predict the outcomes of cases, forecasts another banner year for conservative causes outside Mr Trump’s orbit (see tables). But SCOTUSbot throws up its hands (five outcomes each way)

when considering whether the court will make it easier for police to enter homes without a search warrant when they suspect an emergency.

Many expect the court to take another bite out of the Voting Rights Act (VRA) in a case challenging the creation of a second majority-black congressional district in Louisiana. Were the challenge to succeed, it could open the door to yet more gerrymandering. But SCOTUSbot is equivocal: in ten simulations of *Louisiana v Callais*, Section 2 of the VRA—the provision that required the redrawing—survived four times. With next year’s midterm elections expected to be close, a ruling that averts the loss of Democratic-leaning House districts could be consequential: a consolation for Democrats in what otherwise looks like being a bitter term. ■

How do you think the court will decide its biggest cases this term? We are collaborating with Good Judgment Inc for a SCOTUS forecasting tournament. Can you beat the SCOTUSbot? Make your predictions [here](#).

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United States | Shutdown rundown

Your federal government is now closed for business

The short- and longer-term consequences of another governing fail in Washington

October 2nd 2025

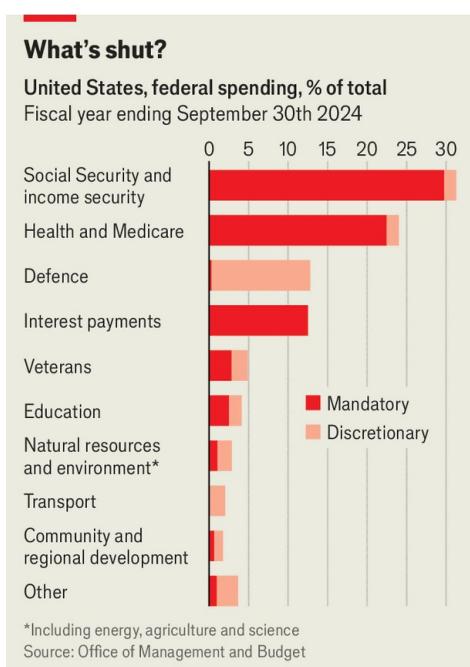


Editor's note (October 1st): American lawmakers failed to agree on a spending proposal before the deadline, causing a government shutdown.

A government shutdown, to paraphrase Ernest Hemingway's quip about bankruptcy, happens gradually, then suddenly. After weeks of wrangling on Capitol Hill, Democrats and Republicans failed to agree on a stopgap spending proposal. [Democrats](#) refused to support a bill to keep the government running unless Republicans made concessions on health-care funding. Republicans retorted that Democrats were holding the government

“hostage” by refusing to keep spending at current levels. And so, at 12:01am on October 1st, America’s federal government shut down—once again.

What happens next will feel familiar to anyone who followed the three shutdowns in the 2010s. Federal agencies will stop providing non-essential services and federal workers will be furloughed. Employees who work in areas deemed essential, like air-traffic controllers or active-duty soldiers, will continue to work, though without pay. Social Security and Medicare payments, which are considered “mandatory” spending, will keep going (see chart).



It remains unclear how long the shutdown will last. Recent ones have tended to last longer—such as the record 35-day shutdown in 2018-19—but their economic impact was limited. That may well be the case this time, but a few wrinkles in today’s economy and a larger change in politics could complicate things.

A shutdown means that important economic statistics, most notably employment figures from the Bureau of Labour Statistics (BLS), which are due out on October 3rd, will be delayed. At a time when the outlook for the [American economy](#) overall is murky and the Federal Reserve’s interest-rate

decisions have been unusually contentious, leaving policymakers to grope in the dark is hardly ideal.

Financial markets tend to treat shutdowns mostly as non-events beneath the noisy politics. But looking across the past few decades' shutdowns, Goldman Sachs, a bank, does find that the dollar has typically declined following the start of a shutdown. From the tariffs of "Liberation Day" to attacks on the Federal Reserve, the administration has already done plenty this year to ding the dollar. A shutdown would be an unwelcome addition.

Furloughing 750,000 federal employees will also push employment down and growth down in the short term. The government payroll was already expected to shed 300,000 workers by December, mostly as a result of deferred resignation packages offered earlier in the year. The Congressional Budget Office estimates that the shutdown in 2018-19 knocked 0.02% off GDP that year. Should those furloughed seek a new job, they would face a tricky hiring environment: job growth has slowed in recent months, especially in the areas around Washington, where many federal workers live. Usually those effects are swiftly reversed when a shutdown ends, as employees return to work with their pockets stuffed with back pay. That might not be the case this time.

Russell Vought, the director of the Office of Management and Budget (OMB), has encouraged the federal government to use the shutdown as an opportunity to fire thousands of federal workers and gut government programmes. His office circulated a memo urging heads of departments to consider getting rid of all employees working on parts of the budget covered by discretionary spending and which do not align with the president's priorities. That might be dismissed as a tactic to put pressure on Democratic senators to vote for a budget, except that it aligns both with Mr Vought's long-held goals and a widely shared antipathy to the federal bureaucracy in the Republican Party.

No black-letter law explicitly provides agencies with the power to fire workers due to a lapse in government funding (but none says it cannot, either). In practice, a shutdown means HR departments inside most federal agencies would go unfunded, stopping them from following procedures to dismiss workers. Yet questions over legality or process are unlikely to stop

the administration, argues Bobby Kogan, a former OMB official now of the Centre for American Progress, a left-of-centre think-tank. One lesson from the DOGE experiment is that the administration moves faster than the courts. By the time the judges decide an institution should not have been gutted, it may already be beyond repair. ■

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United States | Rank partisanship

The president tries to enlist the top brass for “the war from within”

A gathering of generals turns into a surreal, and worrying, political show

October 2nd 2025



AMERICA’S GENERALS and admirals scrambled home from the four corners of the world, summoned at short notice to hear an urgent message from their leaders on September 30th that was both ludicrous and ominous. Absurdly, President Donald Trump complained about “ugly” modern warships designed for stealth, and called for the return of old-school battleships with big guns rather than missiles. Alarmingly, he said military forces should be deployed at home to help wage “the war from within” against migrants and leftists. He confirmed that the National Guard would soon be sent to Chicago, and he added a chilling note: “We should use some of these dangerous cities as training grounds” for military forces.

As ever with Mr Trump's rambling speeches, it is difficult to say what is real. But he has repeatedly dispatched [military forces](#) for domestic duties. He has deployed the National Guard to Los Angeles and Washington, DC—and plans to send them to Portland, Oregon—ostensibly to deal with crime in Democrat-run cities. Military forces have also been deployed to the southern border to help stop illegal immigrants and even blow up alleged drug-smuggling boats.

The gathering in Quantico, Virginia, was a sea of brass, campaign ribbons and balding heads. Hundreds of senior figures—one- to four-star commanders, along with their senior non-commissioned officers—were told to appear for a mysterious address by [Pete Hegseth](#), now the renamed “war secretary”. Mr Trump was a late addition. The commanders rushed from places such as Honolulu, headquarters of Indo-Pacific Command, and Stuttgart, home to European Command, using military and commercial flights, at a cost probably running into the millions of dollars.

Mr Hegseth, a former major in the Army National Guard, lectured the generals about restoring the “warrior ethos”. The “War Department” had until recently been the “Woke Department”, he averred. He offered his well-known remedy: physical fitness, grooming, restoring “male” standards for combat, and promotions based on merit rather than diversity. More worrying, he advocated relaxing both rules of engagement in combat and measures to stop hazing and toxic behaviour in the barracks. Basic training would be “restored to what it should be, scary, tough and disciplined.” Women would not be excluded from combat units, but would have to meet the same exacting physical standards as men.

Mr Hegseth seemed nostalgic for the 1990s, when America swiftly evicted Iraqi forces from Kuwait, restoring swagger to a military shadowed by Vietnam. (It was also the time of the infamous “Tailhook scandal”, when navy and marine corps officers indecently assaulted scores of women and some men at a lewd convention in Las Vegas.) Above all, Mr Hegseth wants to project the ethos of the infantry platoon to the whole armed forces. He spoke about the “E6 rule”, ie, adopting the worldview of a squad’s staff sergeant. Thus all military personnel, commanders included, would have to do “hard” physical training: “fat generals and admirals” were unacceptable. “It’s a bad look.”

Mr Hegseth yielded to Mr Trump, who delivered a partisan speech to an audience drilled in the art of being apolitical. The commanders' stony silence seemed to unnerve him. "They did not treat you with respect, the Democrats. They never do," he said. He poured bile on former presidents, notably "sleepy Joe Biden" and Mr Obama. He boasted of his own brilliance in ending wars. If he did not get the Nobel peace prize, he said, "it would be a big insult to the country".

Most disturbing was Mr Trump's talk of using unrestrained force at home, which most senior officers dread. Soldiers had been made to defend "the borders of foreign countries" while America faced an "invasion from within", Mr Trump said. America's cities were being ruined by "radical left Democrats". He would no longer tolerate protesters spitting at troops: "I say: 'They spit, we hit.'" If vehicles get pelted with stones, "you can do whatever the hell you want to do".

Despite these worrying exhortations, the event went better than many feared —there was no mass dismissal of officers or pledge of loyalty (though anyone who disagreed with the changes was urged to resign). "The politicians gave partisan speeches, which is their right," says Peter Feaver of Duke University, a scholar of civil-military relations. "The military listened respectfully, without appearing to be partisan cheerleaders, which is their duty."

Yet the biggest gathering of top brass that anyone can remember was vacuous. There was no guidance about how to deal with China, say, or how to manage the war in Ukraine. As the brass hurried back to their billets before the looming government shutdown, what would they have made of it all? At best it was a money-wasting pep-talk, at worst an attempt to draw them into the political and culture wars at home. Most alarming, perhaps, the commanders got a close-up view of how erratic their civilian leaders could be. ■

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United States | What big quotas!

Republicans in the West want more wolves killed

In the battle between farmers and conservationists, canis lupus is losing

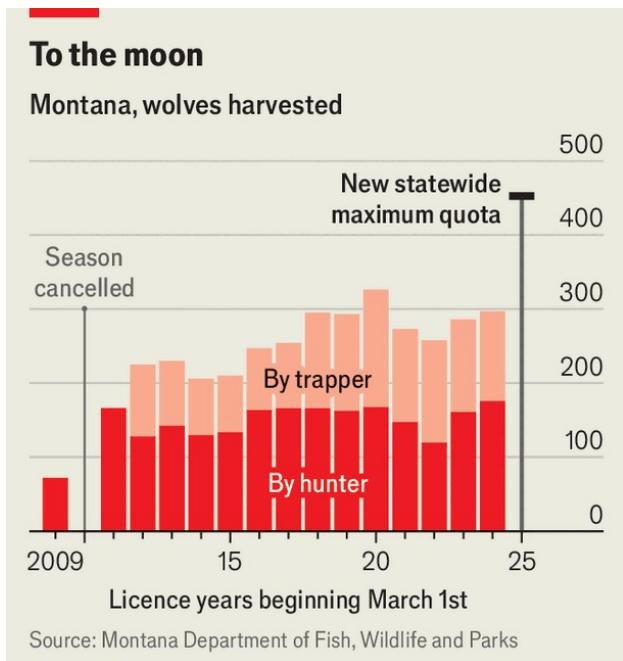
October 2nd 2025



In 1915, with war waging in Europe, America's Congress had a different conflict in mind. That year it appropriated \$125,000 (equivalent to \$4m now) for the purpose of "destroying wolves, coyotes, and other animals injurious to agriculture". By the 1930s there were essentially no wolves in the western United States (some survived in the upper Midwest). It was not until the 1990s that a few—at first imported from Canada—were reintroduced. Around 2,600 now roam between Idaho, Montana and Wyoming. Some would like to wipe them out again.

In Montana, after six hours of debate at a meeting in August, the state's fish and wildlife commission authorised a quota for hunters and trappers of 452 grey wolves. That is equivalent to two-fifths of the state's estimated canis

lupus population. A single Montanan hunter can now get a licence to kill up to 30 wolves, spread between a 15-wolf hunting and a 15-wolf trapping permit. On private land, hunters can use thermal rifle scopes. The eventual aim is to get the population down to 450 wolves in the state, the lowest sustainable level as determined by a 1987 plan to guide the species's reintroduction.



What did the wolves do to deserve this? "Every calf lost to wolves is a blow to my family's livelihood," said Nancy Conover, a rancher from Dillon, Montana, at the commission hearing (though ranchers do get compensation for livestock). Justin Webb of the Foundation for Wildlife Management in Idaho, a pro-hunting group, accused regulators of "bowing to preservation extremists". Unless Montana shrinks wolf numbers, he warned, the legislature may strip the wildlife agency of authority altogether.

Conservationists are horrified. The Center for Biological Diversity, a charity, says that "the cruelty in Montana is extreme". People in the tourist trade are also upset. "A wolf close to Yellowstone National Park has great economic value," said Jim Bell, a Bozeman business owner, noting that wildlife watching generates far more for the state's economy than hunting wolves does.

Since the wolf in the Northern Rockies was first delisted from federal protection in 2011, allowing hunting, the population has fallen. In August a federal court ordered the state to do more to protect wolves. To Republicans, that reeks of federal overreach. The spokeswoman for Greg Gianforte, Montana's governor, said that this was “another activist decision in favour of environmental extremists”. The wolf population, she argued, is “healthy and sustainable”. His administration has backed higher quotas, bounties of up to \$1,000 per kill and trapping methods like neck snares. Still, fewer than 2% of licensed hunters kill a wolf. For all the heat, few Montanans actually want to pull the trigger. ■

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United States | Jersey guys

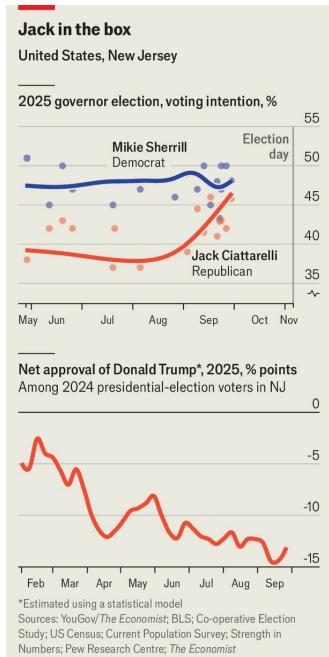
How a MAGA-aligned Republican has put a Democratic state in play

A bellwether race for governor of New Jersey looks closer than many expected

October 2nd 2025



NEW JERSEY has been unkind to Donald Trump. The Trump Taj Mahal and other hotel-casinos he opened in Atlantic City during the 1980s failed by the early 2000s. His American football team, the New Jersey Generals, played two seasons before its upstart league collapsed. When Mr Trump won the White House in 2016, Hillary Clinton beat him in New Jersey by 14 percentage points, and in 2020 Joe Biden beat him by even more.



Lately, however, things have been looking up. Last November, Mr Trump came within six points of upsetting Kamala Harris in a state that hasn't voted for a Republican presidential candidate since 1988. And this autumn Jack Ciattarelli, a MAGA-aligned, Trump-endorsed Republican, has moved within striking distance of being elected as New Jersey's governor on November 4th. Recent polls depict his contest against Mikie Sherrill, the Democratic nominee, as very close (see chart).

Much of this is due to Mr Ciattarelli's skill as a retail politician. A businessman and former state legislator, he is campaigning as a "Jersey guy" and a change candidate determined to stump in all 564 of the state's municipalities and several hundred of its greasy diners. On September 26th, in Lumberton, Mr Ciattarelli fist-bumped his way through a sweaty, alcohol-fuelled crowd at Dadz Bar and Grill, a South Jersey fixture that offers \$2 beers on Philadelphia Eagles game days. "There are a lot of differences between me and my opponent," Mr Ciattarelli shouted from a makeshift stage, "but one big one is she doesn't know where the hell Lumberton is."

That may not be fair, but unarguably Ms Sherrill is relatively new to the bloodsport that is New Jersey politics, and until recently she ran an aloof front-runner's campaign. A congresswoman and former navy helicopter pilot, she moved to New Jersey after her military career and entered politics

in 2018, when she deployed her appealing centrist biography to flip a House of Representatives seat long held by Republicans. She comfortably won a crowded primary earlier this year and enjoys the backing of New Jersey's party machine.

Ms Sherrill wants the race to be a referendum on Mr Trump, whose net approval rating in New Jersey since his re-election has sunk to minus 14 points, according to estimates by The Economist. Her ads relentlessly paint Mr Ciattarelli as "100% MAGA" and warn that he would govern as "Trump in Trenton". Yet Ms Sherrill is burdened by her own party's baggage. The outgoing Democratic governor, Phil Murphy, is unpopular after eight years in office. New Jersey voters have been solidly Democratic in national races, but are less predictable in local and governor's elections. After a two-term governorship like Mr Murphy's, the state has not elected a successor from the same party since 1961.

As the race has tightened, the candidates increasingly debate rising prices and local energy policy. Mr Ciattarelli promises to cut the state's notoriously high property taxes and reverse Mr Murphy's green-energy push; Ms Sherrill promises to quickly cap electricity rates.

It is easy to say that Ms Sherrill should focus even more on affordability issues and less on Mr Trump, yet Mr Ciattarelli, as an outsider unburdened by Mr Murphy's record of presiding over spiking electricity prices, probably has the edge on that issue. And because the New Jersey legislature is solidly Democratic and its Senate is not on the ballot this year, a vote for Mr Ciattarelli is a vote for divided government, not Republican monopoly power. "When Republicans win in the state it comes down to these kitchen-table issues and the cost of living," says Ashley Koning, director of a polling centre at Rutgers University.

Whether Ms Sherrill can pull out a victory will depend in part on how many Democrats and left-leaning independents turn up at the polls to express their outrage at Mr Trump's provocative policies, particularly on immigration. Nearly a quarter of New Jersey's population is foreign-born and ICE has been a target of protests. Party membership figures favour Ms Sherrill and Democrats "still have a fairly significant advantage in their ground game",

ensuring voter participation by mail and on election day, says Matthew Hale, a politics professor at Seton Hall University.

New Jersey's governorship is unusually powerful; the incumbent appoints offices that are elected in other states, such as attorney-general and the state board of education. If Mr Ciattarelli does eek out a victory, expect Mr Trump to identify as a Jersey guy and plant himself more often at the golf club he owns west of Newark, to thumb his nose at New York and make mischief for a city that made him famous but has scorned his presidencies. ■

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The Americas

- [The deal shielding Mexico and Canada from trade oblivion](#)
- [Jair Bolsonaro is running out of options](#)
- [A German newspaper for Bolivian blondes](#)

The Americas | Trick or treaty

The deal shielding Mexico and Canada from trade oblivion

Donald Trump's tariff assault has been eroding the United States-Mexico-Canada Agreement

October 2nd 2025



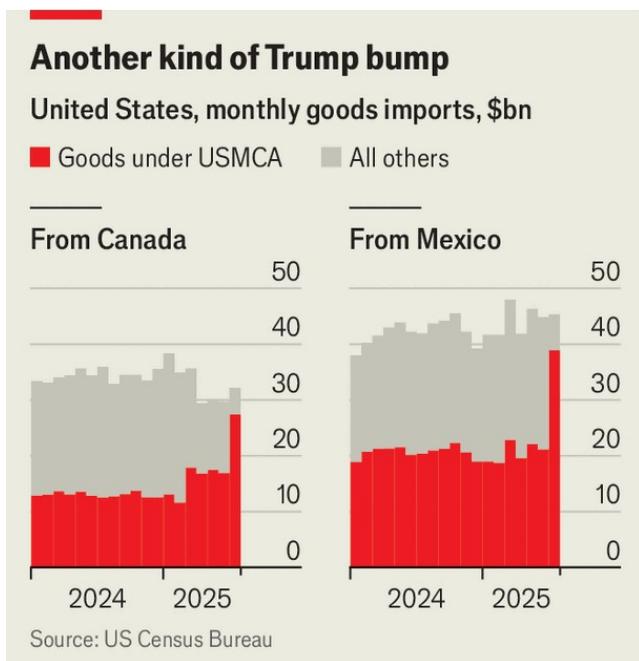
Mexico and Canada were the first countries that Donald Trump threatened with tariffs when he returned to the White House in January. Ten months later, both enjoy an estimated overall tariff rate of less than 10%, according to Capital Economics, a consultancy based in London—well below the global average of 17%. They have been protected by the United States-Mexico-Canada Agreement (USMCA), a trade deal negotiated by Mr Trump during his first term to replace the similar, longstanding North American Free Trade Agreement. Most products covered by the USMCA have been excluded from tariffs. Without it, Mr Trump would have had freer rein to indulge his impulses.

But the USMCA is coming under pressure. On September 16th Mexico and the United States launched consultations ahead of the deal's first formal review, which is due to start on July 1st 2026. The review is "the biggest leverage point for the United States", says Lila Abed of the Inter-American Dialogue, a think-tank in Washington. Despite having negotiated the USMCA himself, Mr Trump could yet blow it up. Whether the agreement is extended, rewritten or scrapped will define North America's economic future, particularly for Mexico and Canada.

The bloc has done well by free trade. Diego Marroquín Bitar of the Centre for Strategic and International Studies, a think-tank in Washington, reckons trade between the USMCA's three parties grew by 32% between 2019 and 2024 to reach \$2trn a year in nominal terms. Annual foreign direct investment from the rest of the world into North America grew by 21% over that period, bucking a global decline.

For many of Mr Trump's declared aims—such as competing with China—it seems logical for bloc members to work together. "Mexico is the perfect complement to the United States," says Luis Rosendo Gutiérrez, Mexico's undersecretary for foreign trade. Take the production of semiconductors, a strategically important industry mostly concentrated in East Asia. Bringing more of it to North America could mean expanding high-end chipmaking in the United States. Mexico could ramp up the lower-end assembly of chips into working electronic devices.

So far, it seems that economic realities have protected the USMCA. Businesses in the United States have supply chains which are deeply embedded in Mexico and Canada. Ending the agreement would hurt them. But Mr Trump does not respect its letter or spirit. As well as imposing a 25% tariff on Mexican goods not covered by the USMCA, and one of 35% on Canadian goods (both of which will soon come before the Supreme Court), he has also slapped duties on some items which are covered, including cars, steel and aluminium. These tariffs are justified on national-security grounds, which the USMCA allows.



But when the USMCA was agreed in 2018, the United States also decided to give Canada and Mexico an annual quota of duty-free imports of cars and car parts that could be used whenever tariffs are invoked in the name of national security. That quota, which includes some 2.6m passenger vehicles from each of Mexico and Canada, as well as car parts worth many tens of billions, has been ignored by the United States. Instead, a 25% tariff on non-American content in finished vehicles is currently in force, though it is proving to be a highly complex duty to collect.

Firms in Mexico and Canada have been able to limit the damage by ensuring that a larger share of their products comply with USMCA rules (see chart). But the United States has several investigations running which might lead to national-security tariffs being applied to more products, like semiconductors and medical devices, thereby bypassing USMCA protection. "The universe of goods that get preferential treatment is getting increasingly small," says Mr Marroquín. By some estimates, up to a third of all USMCA trade is now affected. Mexican beer, for example, is covered by the USMCA, but exporters must pay Mr Trump's national-security tariff on the aluminium in the can.

This erosion of USMCA protections is bad for Mexico, Canada and the United States. But scrapping the deal would be much worse. The damage

would be swift, especially for Mexico. Over 80% of its exports go north, equivalent to about a third of GDP. Kenneth Smith Ramos, a former Mexican trade negotiator, notes that Mexico's advantages—its location, workforce and integration into supply chains—would endure even without a trade deal. But he says the USMCA is a “fundamental piece for Mexico’s competitiveness”.

Canada, meanwhile, sends three-quarters of its exports south, including oil, wood, car parts and aluminium. The United States would not be spared either, as the fifth of its exports which go to Mexico and Canada would be exposed to tariffs without the USMCA. And so most observers expect the USMCA to be renewed in some form in 2026 for 16 years, the term of the first agreement. But few think that will stop Mr Trump from lashing his neighbours with tariffs.

Cars are most likely to become a flashpoint in talks. Canada has already raised official objections over the failure of the United States to honour the quotas. Wrangling over what counts as “regional content” was constant even before Mr Trump returned to the White House.

Reliance on Chinese supply chains will certainly come up. The United States frets also about the activity of Chinese firms in Mexico. And it dislikes that Mexico's imports from China are large and growing, especially of cars.

Non-tariff barriers bother all three. Mexico's ban on genetically modified corn enrages American growers. Farmers in Mexico hate America's use of security to justify suspending fruit imports. Mr Trump thinks Canada's dairy rules block American products.

It may bolster the USMCA that its two more pro-trade parties say they will work together. On September 18th Mark Carney, Canada's prime minister, made his first official trip to Mexico and met Claudia Sheinbaum, Mexico's president. The pair promised to “strengthen” the USMCA.

To date they have adopted very different tactics when dealing with Mr Trump's tariffs. Canada has been openly critical; Mr Carney won the general election with a strong anti-Trump message.

In contrast, Mexico has embraced American demands and worked hard to build a relationship with Mr Trump and his team. In September, Mexico said it would impose tariffs of 20–50% on 1,463 products from countries with which it has no free-trade deal. Mexico claims these tariffs have been crafted to protect local industries, but they are undeniably also a reaction to Mr Trump's concerns about China.

Chinese cars, which in 2024 accounted for 20% of new cars sold in Mexico, up from under 1% in 2017, will be subject to a 50% tariff. Moreover, Mexico has drawn up a screening mechanism for foreign direct investment, and passed it to American officials to review. “Mexico has sometimes done more than the United States itself does to protect North American competitiveness,” says Mr Gutiérrez.

In the long run Mr Trump’s constant, erratic attacks can hardly fail to damage the North American trading system. Mexico and Canada both want to diversify their trade away from the United States (even if Mexico’s planned tariffs undermine that goal). Both also say they want to make more goods at home, tilting towards protectionism. Integration and free trade are still by far the best deal for North America. The more that is preserved, the better. ■

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Jair Bolsonaro is running out of options

Donald Trump's support has not helped, and hopes of amnesty or pardon have been dashed

October 2nd 2025



Jair Bolsonaro is having a terrible few weeks. On September 29th Tarcísio de Freitas, the right-wing governor of São Paulo, announced that he would not run in next year's presidential race, and would instead seek a second term as governor. The right's leading candidate, Mr Freitas had said that if he won, he would pardon Mr Bolsonaro for the crime of plotting a coup, for which the hard-right former president was sentenced to 27 years imprisonment on September 11th. Several centrist governors are now jockeying to take Mr Freitas's place. None seems keen on a pardon.

It is the latest in a string of setbacks for Mr Bolsonaro. Options for softening or eliminating his sentence have evaporated. The United States, which

vowed retaliation for his conviction, has done nothing of substance. An amnesty bill to spring him from prison has fallen through. His family had been in a strong position to anoint a right-winger to face Luiz Inácio Lula da Silva, Brazil's left-wing president, in October 2026. Now they look irrelevant.

Relations between Mr Trump and Lula, as Brazil's president is known, thawed after they met at the United Nations General Assembly in New York on September 23rd. Mr Trump later said they had "great chemistry" and that they would talk by phone. The reasons for the change of heart are not clear. Firms affected by Mr Trump's tariffs have sought to de-escalate the spat. Reuters, a news agency, reports that Mr Trump recently met with Joesley Batista, the co-owner of JBS, a Brazilian meat-processing giant. A JBS subsidiary in the United States was a donor to Mr Trump's inauguration. JBS was hurt badly by the 50% tariff that Mr Trump placed on Brazilian imports in July. JBS has said that its meetings with public officials adhere to its code of conduct.

Mr Trump has not dished out further economic punishment on Brazil for Mr Bolsonaro's conviction. Instead, his State Department extended sanctions to the wife of Alexandre de Moraes, a leading supreme-court judge on whom it had placed the same sanctions in July. Mr Trump may have noticed that his assault on Brazil seems to be helping Lula. The Brazilian president's approval rating has increased from 40% in June to 44% in September, its highest level this year.

The amnesty bill has also disappointed. Mr Bolsonaro's Liberal party had made a deal with a bloc of ideologically fluid parties known as the centrão (the big centre). It would approve a faster evaluation of the amnesty law in exchange for the Liberal party backing a "shielding amendment" that would insulate lawmakers from supreme-court investigations. Neither group was prepared for the scale of public outrage this prompted. On September 21st 100,000 people marched against the bills, one of the largest protests in years.

Congress backed down. The upper house hastily rejected the shielding amendment. The lower house is heavily diluting the amnesty law. Its speaker, Hugo Motta, declined to protect Mr Bolsonaro's son Eduardo, a congressman who in March moved to Texas to lobby the Trump

administration on his father's behalf. The attorney-general has charged Eduardo with seeking to improperly influence his father's trial, while the supreme court has authorised the police to investigate Eduardo and his father for alleged crimes committed during the covid-19 pandemic.

Complicating matters, the unpopular Eduardo has insisted he will run for president himself, splitting the right and triggering Mr Freitas's withdrawal. While the São Paulo governor's decision may not be final, the rift is sapping the Bolsonaro family's influence and risks condemning its patriarch to a life sentence. ■

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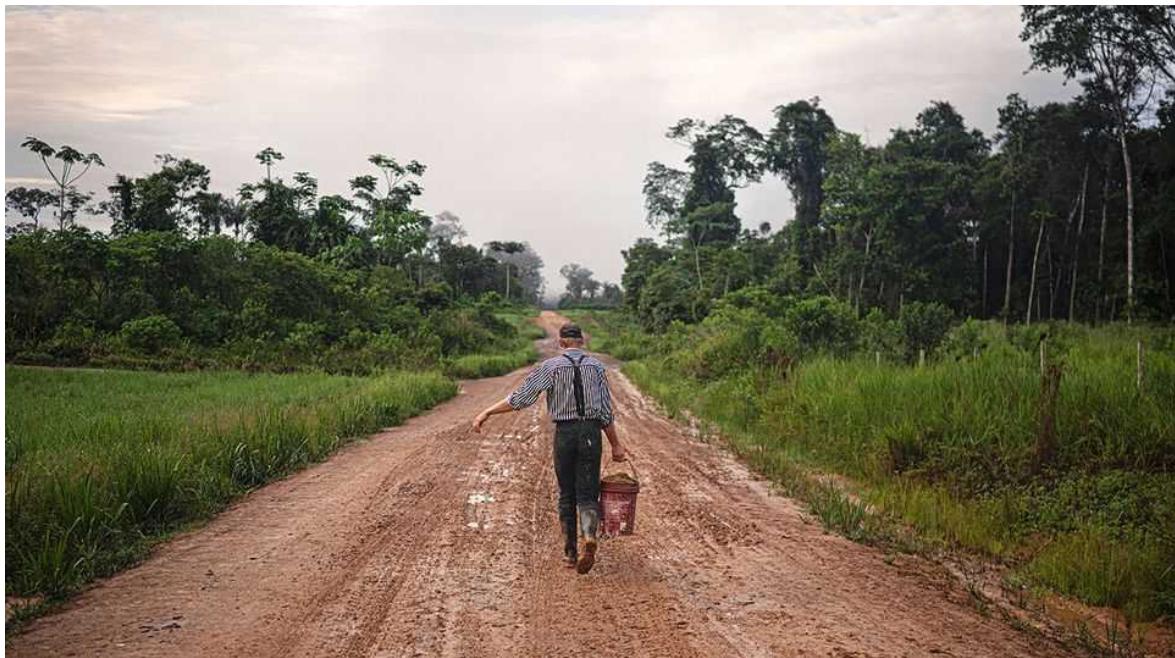
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The Americas | The printed word

A German newspaper for Bolivian blondes

For Mennonites from Bolivia to Belize, Die Mennonitische Post is often the only connection to the outside world

October 2nd 2025



Cross the road in Santa Cruz, Bolivia's largest city, and the pedestrians are suddenly pale, blond and six feet tall. They are Mennonites, a close-knit [Christian group](#), who travel in from their remote farming communities to buy seeds, fertiliser and tractor parts. They also pick up *Die Mennonitische Post*, a newspaper. "I don't understand a word of it," says a local cashier. "But we sell a lot of copies."

Die Mennonitische Post—or simply the Post—is a unique sort of newspaper, written by Mennonites, for Mennonites. It is produced in German in Canada, and distributed across the Americas. And unlike most other media, it is doing just fine in print, thanks to its readership's distinct preference for the

old ways. For some Mennonites in the Americas, from Belize to Bolivia, it is one of their only links to the wider world. For outsiders, it is a window into a thriving farming diaspora.

Mennonites emerged in Europe after the Reformation, taking their name from a Dutch priest, Menno Simons, who advocated separation from a wicked world. They have roamed in search of hands-off governments and land to farm ever since. In the 20th century they spread across the Americas. Perhaps half a million live there now, speaking Low German, many in remote “colonies”. The Post was set up in 1977 to connect them. It is published twice monthly and sold in almost every colony, says Kennert Giesbrecht, who edited the newspaper for almost 22 years.

Mennonite colonies vary in theology and strictness, but there are common elements. Each has a church and a school. The colony owns the land, but it sells slices to its members. Life revolves around mixed farming; individuals are taxed according to acres farmed and litres of milk sold. There is an administrative leadership, elected by landowning men. But it answers to the bishop, whom pastors elect from their own ranks, either by vote or drawing lots. According to Yann le Polain of McGill University in Montreal, well over 200 colonies are spread across nine Latin American countries covering at least 3.9m hectares, an area greater than the Netherlands.

Both Mr Giesbrecht and the current editor of the Post come from the giant colonies of Paraguay. Mennonites are less than 1% of the population there, but own some 8% of the land. Their colonies are poles of agribusiness, with cheese factories and meat-processing plants. These “progressive” colonies are plugged into the wider world. Their inhabitants go into politics and do consulting for foreign investors. But they are not big readers of the Post. “Progressive colonies have the internet, their own newspapers and tonnes of books,” says Mr Giesbrecht. “It’s the conservative colonies that rely on the Post.”



Bolivia is the heartland for conservative Mennonites. Visiting a colony is like time travel. Transport is limited to horse-drawn carts. Each brick house has a long strip of farmland behind it. Technology—including mobile phones—is mostly shunned. People in such colonies leave school at 13. Some homes have no book apart from the Bible. The Post may be their only link to the wider world. That is why it is written in simple language, says Mr Giesbrecht. Some use it to learn to read.

The paper includes news from the colonies, but about half of each edition is given over to letters. Some handwritten ones take months to arrive. An August issue included a letter from a colony in the Peruvian Amazon that is a 20-hour boat ride from the nearest city. It had another from Angola, where a first African colony was recently set up. The correspondent offered a psalm for reflection, precise details of the weather and harvest, and observations on local customs, such as their taste for a particular kind of worm.

Mr Giesbrecht jokes that the Post must be one of the few printed newspapers on solid ground. In 2002, when he took over, he sold 5,000 copies of each issue; now it's 10,000. Demography bodes well: a conservative Mennonite couple may have eight children. They will go forth and multiply—and they will buy print. ■

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Asia | Crude awakening

Can India strike a deal on Russian oil to appease America?

It could help halt the downward spiral in relations between the two countries

October 2nd 2025



In recent days, Donald Trump has appeared across India. At mass celebrations for the festival of Durga Puja in the states of Bihar and West Bengal, the American president's effigy has been dressed up as a demon—and has then been slain by a female goddess. This mood of public defiance adds to a growing headache for Narendra Modi, India's prime minister, who needs to repair relations with Mr Trump.

Mr Modi has some reason to be optimistic that a spat between America and India could soon be over. Negotiations on a detailed trade agreement with America are at an advanced stage. India is looking for creative ways around

some of its long-held red lines, for example by relaxing bans on the import of dairy products and genetically modified food. And it is preparing to spend big on aircraft, weapons and oil from America. But officials on both sides agree that nothing will happen until Mr Modi and Mr Trump patch up a much more personal dispute.

The two fell out in spectacular fashion in May after Mr Trump failed to back India in a short conflict with Pakistan. The American president then boasted that he had negotiated a truce between the two countries. Pakistan's leaders quickly agreed and put Mr Trump up for the Nobel peace prize. In a phone call in June, Mr Trump seemed to expect Mr Modi to do the same. But the proud Mr Modi angered the American president by insisting the ceasefire was not his doing at all.

A month later, Mr Trump demanded that India stop buying oil from Russia, which provides around a third of its crude imports. The president wanted to put pressure on Vladimir Putin, his Russian counterpart, ahead of a summit in Alaska in August. Mr Modi might have been willing to agree to that request, had it been made in private. Russian oil trades at less of a discount than it used to, so India would not take much of an economic hit by weaning itself off it. But when India did not comply, Mr Trump doubled tariffs on most Indian goods exports to America to 50%.

The two strongmen are now locked in a stalemate: Mr Trump insists on a loud win, but Mr Modi can give him only a quiet one. The Indian prime minister wants to appear Mr Trump's equal in front of his supporters, making a public climbdown hard.

How might India handle Mr Trump's ultimatum on its oil purchases from Russia? Some analysts hope that Mr Trump's short attention span might mean that Russian oil becomes less of an issue when another global crisis steals his focus. Others suggest that there is a deal to be done in which Mr Trump lets India buy some sanctioned Russian military kit in exchange for reducing oil purchases. Ashley Tellis of the Carnegie Endowment for International Peace, a think-tank in Washington, hopes a new boss at America's embassy in Delhi might help. Mr Trump has nominated Sergio Gor, a close aide in charge of hiring MAGA acolytes for the administration,

to be ambassador to India. Once confirmed, Mr Gor could use his ties to Mr Trump to persuade him to moderate his demands.

If the oil spat can be set aside, the two countries could strike a trade deal that would be much deeper than the shallow framework agreements that America has negotiated with others. In July people familiar with the negotiations say that India put on the table historic concessions on agriculture, in what one called a legally enforceable “thousand-line trade deal”. A decrease in tariffs on American industrial goods could also be included. Other issues remain; America wants India to accept genetically modified crops. It also wants to sell Indians milk from cows that are fed non-vegetarian diets. For religious reasons, India has refused. But it might allow the milk in if cartons are labelled as coming from carnivorous cows.

An arms deal could help, too. A team of Boeing executives visited India in September, hoping to sign a contract to sell India \$4bn-worth of P-8 maritime surveillance aircraft, which are useful for tracking Chinese subs in the Indian Ocean. But the executives left empty-handed. One insider speculates that India is holding the deal in reserve to sweeten a trade deal later.

The bigger question is whether the damage done to India-America ties is permanent. American officials say that fixing the question of Russian oil will put relations right back on track. Indian officials, putting on a brave face, echo those talking points in public. But dig deeper, and it is apparent that months of diplomatic turbulence have unravelled a quarter-century of painstaking diplomatic work to build trust between the countries. “It will be like if you have long covid,” says Lindsey Ford, who led the White House’s efforts to get closer to India during the Biden administration. “You look normal, but your body doesn’t function the same way. And there will be things internally that make your body more susceptible to illness and disease.”

Mr Trump’s diplomacy has activated India’s muscle memory from the cold war. “For 50 years, we officially hated the US,” says one Indian analyst. Among India’s elite-educated class of post-colonial bureaucrats, many nurtured Soviet sympathies; all pledged solidarity with the global south. Neither main party could fully embrace Uncle Sam. “America never had a

high moral quality, for any of us,” says a former Indian ambassador to America.

The longer the spat persists, the weaker India’s already small pro-America faction will become. Subrahmanyam Jaishankar, the foreign minister, built his reputation as a career diplomat on advancing India’s pivot to America. Now, a reputation for diplomatic foresight looks like a political vulnerability. “Even those who support closer ties with the US and the West are holding their noses,” says Rajesh Rajagopalan of Jawaharlal Nehru University in Delhi.

A cool-headed logic still holds: closer ties let India and America grow more prosperous and could help check China’s rise. America is India’s largest export market. Trade in goods and services between the two was \$212bn last year, up 8% from 2023. The two are due to sign an accord governing military ties over the next decade, meaning more joint exercises and snazzier defence kit for India. Mr Modi would like to cap it off by hosting Mr Trump and the leaders of Australia and Japan for a summit of the Quad countries in Delhi in the coming months. But while emotions run hot, such cold logic will hold far less sway with either leader. ■

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Asia | Boom to bust

Australia's post-China hangover

The country grew rich on Chinese demand. Now it must find a new model for growth

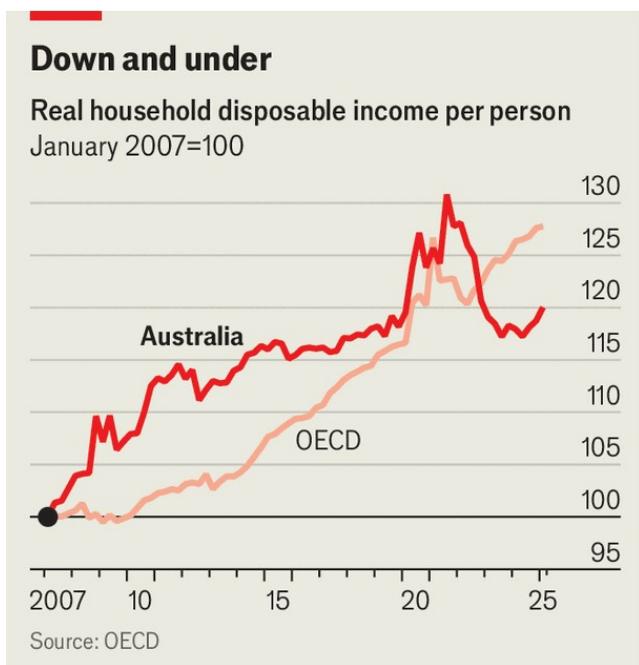
October 2nd 2025



For years Australia benefited from a booming Chinese economy. Ships full of iron ore and coal streamed out of the country. They not only earned Australia foreign exchange but also held up wages, swelled tax revenues and brought a run of budget surpluses. Yet now those good times are over. China's economy is slowing; commodity prices are falling. Australia looks punch drunk.

Having won re-election in a landslide in May, Australia's Labor government has a big mandate to do something about this. Jim Chalmers, the treasurer, says driving up productivity is his priority. The question now is whether his

government has the tools—and the gumption—to reverse the country's economic problems.



The numbers are bleak. Productivity growth slumped between 2019 and 2024: Australia now ranks second-last, ahead only of Mexico, according to the OECD, a club mostly of rich countries. Since 2021 Australians' disposable incomes have declined, and faster than in any other country in the OECD, partly due to weak wage growth and tax brackets that are not indexed to inflation. Young Australians fear they will not live as well as their parents. They face soaring housing costs as well as bills for tackling climate change and for supporting an ageing population, according to Danielle Wood of the Productivity Commission, a government agency that reviews economic policy. Firms grumble that Australia has the second-highest corporate-tax rate in the rich world and that they must navigate a labyrinth of state and federal regulations.

Mr Chalmers wants this to change. He has complained that Australian firms are not sufficiently innovative, that companies invest too little and that workers lack essential skills. In August the government convened 30 leaders from business, trade unions and community organisations to begin discussing economic reforms.

One of the contentious issues relates to the tax system. Awareness is growing that it unfairly favours older Australians, leaving younger workers to shoulder the burden through income tax. Economists who attended the government's roundtable called for raising taxes on capital gains. This would be done by trimming big discounts presently offered to people selling properties they have owned for more than a year. They also want to reform family trusts, which allow the well-off to spread income among relatives in lower tax brackets, and to make tax breaks for people with big pensions savings less generous.

Australia's housing woes do not help matters. Many young workers feel locked out of home ownership. That is true in much of the world, but housing in Australia is especially scarce. Data show it has fewer dwellings per 1,000 people than most other rich countries. Renters spend roughly one-third of their median household income on rent while mortgage-holders spend 50% on repayments. Reform is hard because so many Australian voters have their wealth tied up in housing, says Aruna Sathanapally of the Grattan Institute, a think-tank in Melbourne.

Recent history suggests Australia is capable of making big economic leaps. Governments in the 1980s and 1990s floated the Australian dollar, opened the country up to trade and made saving for retirement compulsory. Yet in the past 15 years Australian governments have become much more cautious. Part of the problem is that they have had their fingers burnt by some high-profile policy failures, including a mining tax and a carbon price.

Today no single change can hoist productivity growth back to its long-term average of 1.6% a year, according to Ms Wood of the Productivity Commission. Instead, the country needs many smaller shifts: faster approvals, simpler rules. "In movie parlance," she said in a recent speech, "less 'Oppenheimer' and more 'Everything Everywhere All At Once'". Australia's future no longer relies on shipping mountains of ore to China—but in chipping away doggedly at the obstacles that hold back its growth. ■

South-East Asia is being swamped with Chinese goods

It is adding to the pain from Trump's tariffs

October 2nd 2025



Grand promises are standard fare for the Association of South-East Asian Nations (ASEAN). The latest came after a meeting of the bloc's economic ministers last month in Kuala Lumpur, Malaysia's capital. It was a vow to build a "trade and investment ecosystem that is open, resilient and future-ready". This time, though, the lofty goal was rooted in a sense of real urgency.

South-East Asia, one of the world's most trade-dependent regions, is being battered by Donald Trump's tariffs. They range from 10% for Singapore to 40% for Myanmar and Laos. But bigger threats lurk in sector-specific tariffs and a 40% levy on goods "trans-shipped" to America. That duty's scope is

unclear, but if enforced strictly it could snag the region's supply chains, which are deeply entwined with China's. Economic growth will be hit: ASEAN has downgraded its annual forecast for 2025 to 4.2%, down from 4.8% last year.

Given this, working together to counter the tariff blitz seems like a sound idea, but it is proving difficult. Hours after Mr Trump's "Liberation Day", Vietnam rushed to seek concessions from the American president. Other countries quickly followed. On the sidelines of the meeting in Kuala Lumpur, negotiations continued with an American trade representative. Later this month there could be even more kowtowing, as Mr Trump himself is expected to attend a meeting of ASEAN leaders. Deals with America may help countries in the short term, but undermine goals of regional integration.

In theory, ASEAN already has a potentially powerful tool to pivot away from American trade in the form of the Regional Comprehensive Economic Partnership. The agreement, which was signed in 2020, links ASEAN to big economies in the region, including China, Japan and Australia, and is the biggest free-trade deal in the world by GDP. Last week four more countries (Bangladesh, Chile, Hong Kong and Sri Lanka) expressed interest in joining it. But despite its growing attractiveness, the RCEP is still a fledgling initiative, modest in ambition and scope.

One of the biggest proponents of a stronger RCEP, unsurprisingly, is China, which has emerged as the winner from Trump-induced turmoil in the region. In the first eight months of 2025, China exported \$435bn worth of stuff—or around 20% of all its exports—to ASEAN countries, up from 13% in 2019. That figure could rise further still. At next month's summit, ASEAN is expected to upgrade an existing trade agreement with China, lowering yet more barriers.

But the flood of Chinese goods entering South-East Asia is also, for manufacturers, a challenge. Traditionally, these imports were intermediate inputs feeding ASEAN's own export industries. Increasingly, though, China is exporting finished consumer goods. Shoppers in South-East Asia may delight in Labubu dolls or cheap EVs, but local producers are being crushed by the influx. Manufacturing output is struggling in many parts of the region and lay-offs are widespread.

A few countries are beginning to push back. Indonesia has launched anti-dumping investigations against Chinese products and tightened import rules. But on the whole, ASEAN has been slow to act. New analysis by researchers at IMD Business School found that less than 7% of Chinese exports that received subsidies at home faced defensive measures in South-East Asian countries, other than Indonesia.

The hesitation to take on China is understandable. For most countries, America's tariffs represent the more pressing and immediate concern. Responding to China is also hard. Few governments want to risk a trade confrontation with their biggest supplier and financier. Between 2015 and 2024, around a fifth of all new project investment in South-East Asia came from China, up from 13% in the decade to 2017, according to data from the Lowy Institute, an Australian think-tank.

Ultimately the best response to both Mr Trump's tariffs and cheap Chinese imports is greater ASEAN integration. Little over a fifth of South-East Asian exports are shipped within the region, a figure that has decreased over the past decade and remains well below the European Union (60%) and North America (29%). Intra-regional trade has been hindered by non-tariff barriers, infrastructure and lack of political will. For decades, countries in ASEAN have been split by parochial politics. The hope is that the pain from today's trade turmoil will give the bloc a new lease of life. ■

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Asia | A tale of two ideologies

Japanese politics heats up

It could get its youngest prime minister, or its first female one

October 2nd 2025



“CHANGE, LDP!” runs the campaign slogan of a leadership race in Japan’s ruling party, which concludes on October 4th. The message may sound a little desperate, but that reflects a crisis in the Liberal Democratic Party (LDP), which has dominated Japan’s politics for seven decades. For the first time, it is governing with a minority in both chambers of the country’s parliament. Two electoral drubbings forced Ishiba Shigeru, the prime minister, to step down in September, less than a year after he took office.

The race to replace Mr Ishiba as leader of the LDP has five contenders. Two have led the polls for weeks. Koizumi Shinjiro, a 44-year-old agriculture minister and son of a popular former prime minister, would be Japan’s youngest post-war leader (pictured). Takaichi Sanae, a 64-year-old hardliner,

would be its first female one. They represent rival visions of change. Mr Koizumi's victory would give the LDP a more moderate image, reviving its claim to be a big-tent party. Ms Takaichi signals greater fidelity to the party's conservative ideology and hawkish foreign policy. Yet neither may be able to lift the party out of its malaise.

Mr Koizumi also ran in last year's leadership race, casting himself as a moderniser. But he faced a backlash from the party's rank-and-file, which skews old and male. This year, he has been more cautious, insisting only that the LDP must remain attuned to "the changing sentiments of the people" and "act on necessary reforms".

Ms Takaichi is running as heir to the late Abe Shinzo, inheriting his controversial views on history that play down Japan's wartime aggression. Like Abe, she also staunchly calls for revising Japan's pacifist constitution. She speaks often of economic security and is fiercely protective of socially conservative values; one of her key pledges is to preserve the male line of Japan's imperial family. Though she cites Margaret Thatcher as a role model, she is doveish on monetary policy; last year, she caused a stir by saying the Bank of Japan would be "stupid" to raise rates.

In this campaign, she has leant into nationalist rhetoric surrounding foreigners in Japan (who account for only 3% of the total population). Other candidates, including Mr Koizumi, have also toughened their language on immigration, in part a response to the rise of Sanseito, an anti-globalist, hard-right populist outfit. But Ms Takaichi's remarks have been especially pointed. Her hardline language appeals to conservatives in the grassroots, but worries many colleagues in the LDP.

In the first round of the race, votes from lawmakers and dues-paying members are counted together. If no candidate wins a majority, the top two advance to a run-off in which parliamentary votes carry greater weight. In last year's contest, Ms Takaichi gained the most grassroots votes but was defeated in the run-off. Whoever wins will face some big challenges. In late October the new leader is due to host Donald Trump in Tokyo. Mr Ishiba had struck a trade deal that lowered American tariffs on Japan to 15%, in exchange for a vague pledge that Japan would invest \$550bn in America. At

home, inflation has sparked public anger. Real wages fell for a seventh straight month in July. Many voters now see the party as out of touch.

The LDP is unlikely to lose power because the main centre-left opposition, the Constitutional Democratic Party, has faded into irrelevance. Yet frustration is mounting. Sanseito has expanded its number of seats from two to 15 in the upper chamber. The party's appeal rests partly on anti-immigrant politics, but also on slick use of social media and an ability to appeal directly to voters—something the LDP struggles to do. Installing a fresh face to revive the party's popularity has been a favoured tactic of the LDP. But the response to this election is tepid. On social media, the party's slogan has inspired a mocking rejoinder: “The LDP can't change”. ■

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Asia | Wicket woes

Women's cricket in India is taking off

Despite being neglected

October 2nd 2025



Eight years ago an Indian cricketer, Harmanpreet Kaur, played one of the best innings of all time. Ms Kaur scored an unbeaten 171 runs in the semi-final of the Cricket World Cup, helping India defeat Australia and reach the final for the second time. An estimated 126m people in India watched the final. Women's cricket was suddenly mainstream.

When Ms Kaur began her career “the women played in kit left over from the men’s team,” recalls Sharda Ugra, a cricket analyst. They were put up in budget hotels. Lobbying from fans and players pushed the Board of Control for Cricket in India (BCCI) to launch the Women’s Premier League in 2022. The five city-based franchises were sold to some of India’s biggest conglomerates for \$572m. TV and digital rights for the first five years of the

competition raised another \$116m. Smriti Mandhana, India's vice-captain, is sponsored by brands such as Nike, Red Bull and Hyundai. Tens of millions of people follow her on social media.

This year's edition of the World Cup began in Guwahati, in Assam, on September 30th. But the BCCI's preparations for the tournament have been chaotic. It announced the schedule only in June. It awarded matches to four cities. (Matches will also be played in Sri Lanka as India refuses to allow Pakistani teams to play games in the country.) But with five weeks to go before the start of the tournament, the BCCI rejigged the schedule. It began to release tickets for the matches only in early September. Promotion of the event has been minimal.

The BCCI presided over similar muddles during its hosting of the men's event in 2023. But India's cricket boom is creating new levels of opportunity for young female athletes. Playing cricket professionally is now a viable career; the BCCI is also training new cohorts of female scorers and umpires. The organisation needs to provide its fans with a better experience. Basic facilities, such as the ability to buy food and water and access to clean toilets, are often lacking. Women's cricket may be thriving, but the BCCI is fumbling in the field.■

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China

- [China is the GOAT of engineering. Right?](#)
- [Bitcoin and a Chinese fraudster in London](#)
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China | The greatest of all time

China is the GOAT of engineering. Right?

Its next five-year plan must contend with a switch from manufacturing to services

October 2nd 2025



CHINA'S RULING Communist Party will hold a giant conclave to review the country's next five-year plan from October 20th-23rd. That plan will span the rest of the decade and shape decision-making for far longer. About 370 members of the party's Central Committee will take part. They include ministers, provincial governors, generals, a historian and even a journalist. Of the 200 or so with voting rights, more than 50 have an engineering degree. They will have plenty to mull.

The new plan, like the last one, is guaranteed to include a feast of "major engineering projects", from restoring wetlands to improving high-performance alloys. These initiatives will draw on the world's biggest

engineering workforce, which numbered over 20m in 2023, according to one estimate. And China hopes to draw on talented foreigners, too. On October 1st it introduced a new “K” visa that will admit science, maths and engineering graduates into the country even without a sponsoring employer. This has offended many among China’s homegrown tech talent, who resent the implication that their own credentials are somehow lacking.

Engineering has become a source of pride and power in China. The country is an “engineering state”, according to Dan Wang, author of “Breakneck”, a lucid new book about the country. Whatever labels the country attracts, its true commitment is to infrastructure and industry, bridges and widgets, building and making—as well as some dystopian exercises in social engineering, such as the former one-child policy and the zero-covid regime.

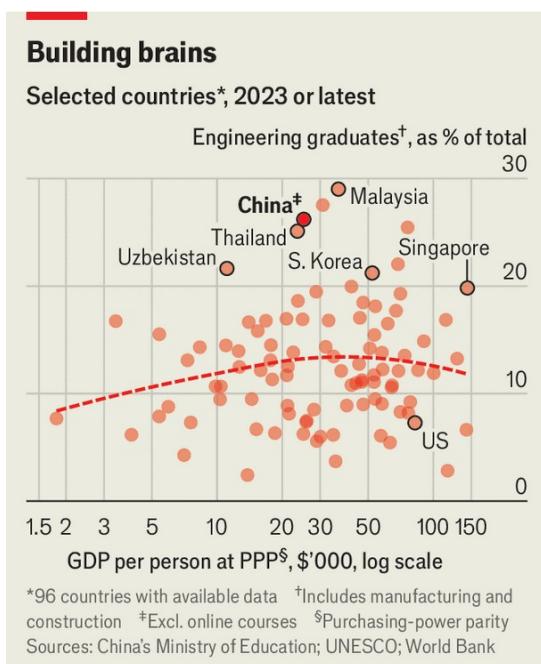
Mr Wang contrasts China’s urge to remake the world and remould the population with American inertia. The country where he now lives, he says, is a “lawyerly society blocking everything it can, good and bad”. His book is reminiscent of a remark attributed to Bill Clinton. “You have too many engineers,” he is said to have exclaimed on a visit to China in 1998, “and we have too many lawyers...let’s trade!”

China’s predilection for engineering now has fresh urgency. China wants to master “chokehold” technologies, such as advanced chipmaking equipment, that it can no longer count on importing from America and its allies. Students are responding. Among regular undergraduates, 36% sign up for the discipline. The share has been increasing in recent years, even as university enrolments swell. Chinese commentators argue that the country’s advances in technology represent an “engineering dividend” to replace the demographic dividend it reaped in generations past.

But there are some economic forces which even the engineering state cannot bend to its will. A leadership and student body stuffed full of engineers has not prevented manufacturing and construction declining as a share of GDP, the result of deep-seated trends in productivity and demand. Mr Clinton may have been wrong to joke that China had too many engineers. But recent evidence suggests it does have too many builders and makers. “The labels ‘breakneck’ and ‘engineering state’ fit less neatly today than they did in the

1980s through the 2010s,” argues Jonathon Sine, a commentator based in America, in a thoughtful review of Mr Wang’s book.

Economists have long argued that industrialisation is “hump-shaped”. As workers move from farms to factories, manufacturing grows as a share of the economy. But as people grow richer, they tend to switch their spending to services, and manufacturing recedes. These trends can be amplified by price changes. Manufactured goods often become relatively cheap, thanks to rapid gains in productivity that are not matched in other parts of the economy. That reduces their weight in GDP, unless the statisticians hold prices constant.



It seems plausible that engineering’s appeal is also hump-shaped, rising as manufacturing gains in importance, then falling as a country deindustrialises. The discipline does seem most popular in upper-middle-income countries like Malaysia (see chart). It also looms large in countries with a communist legacy, like the former Soviet republics. China is not an outlier in the international data, which also include vocational education. And it, too, seemed to have crossed a hump in this century’s early years: the share of regular undergraduates enrolling in engineering fell from 36% in 2001 to under 32% from 2004 to 2011.

China's leadership once seemed at peace with this pattern. Its 13th five-year plan, covering the years from 2016-20, set a goal of increasing the share of services in GDP from 50.5% in 2015 to 56% in 2020. Even the leaders themselves seemed to embody this evolution. The number of engineers in the highest ranks of the party declined. They gave way to students of management, social scientists and even lawyers. In 2013 Cheng Li, then of the Brookings Institution, an American think-tank, wrote about the "rapid rise" of the lawyers up China's political ranks. "This ongoing elite transformation...will likely shape the leadership's socioeconomic and political policies," Mr Li wrote.

But it did not. By the end of the decade, China's leaders became newly determined to resist the turn away from manufacturing. In Donald Trump's first presidency, export controls almost crippled some of China's most prominent technology firms, including ZTE and Huawei.

In response Mr Xi insisted that the country must build a "complete" industrial system that would make it less dependent on others and others more reliant on it. The five-year plan approved in early 2021 dropped the commitment to increase services' share of GDP and promised instead to keep the share of manufacturing stable. The percentage of students enrolling in engineering was already rising again. The number of engineers among full members of the Central Committee also rose.

None of this turn in policy, however, seems to have arrested industrial woes. The prodigious output of China's manufacturing and construction industries is struggling to find buyers. Newly built homes are sitting on developers' books unsold. Factory-gate prices for industrial products have been falling for almost three years. And although students are happy to enroll in engineering degrees, that does not mean they are equally keen to get their hands dirty. According to a survey last year by Zhaopin, a recruitment agency, only 8% of students want to enter manufacturing. (Over a quarter want instead to go into IT, betraying a preference for bits over bolts.) Even among those who studied science or engineering, only 37% pursue engineering-related careers, according to an article in 2022 by Qin Fang and her colleagues at the Southwestern University of Finance and Economics in Chengdu.

When the party's Central Committee, with its big contingent of engineers, reviews China's next five-year plan later this month, it must decide whether to fight these trends or surrender to them. Recent policy signals suggest China's leaders may once again emphasise greater consumption of services, as an answer to the economy's chronic shortage of demand.

If so, they can seek consolation in a Daoist fable that two former leaders, Mao Zedong and Jiang Zemin, both liked to cite. A foolish old man was determined to flatten two inconvenient mountains with little more than a pickaxe. After dedicating himself and his progeny to the task, the gods smiled on his dedication. They shifted the mountains on his behalf, clearing the way for travellers to reach his village. Even this divine engineering project was ultimately in the service of travel and tourism. The mountains moved and a service industry flourished in their place. ■

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[China](#) | Stashed away

Bitcoin and a Chinese fraudster in London

Qian Zhimin made over \$1bn putting a share of her Ponzi proceeds into cryptocurrency

October 2nd 2025



BRITISH POLICE believe their seizure of 61,000 bitcoin from a Chinese citizen is the largest of cryptocurrency anywhere. At current prices, the stash is worth more than \$7bn. On September 29th the 47-year-old woman, Qian Zhimin, pleaded guilty in a court in London to possessing “criminal property”. China’s state media have called her the ringleader of a massive pyramid scheme that was busted in 2017. She will be sentenced in November.

By the time Chinese police dismantled Ms Qian’s operation, nearly 130,000 people, many of them elderly, had put money into it, hoping for promised returns of between 100% and 300%. Their deposits totalled more than 40bn

yuan (\$5.6bn)—an average of 310,000 yuan per person. The scheme was run by Ms Qian’s company, Tianjin Blue Sky Grid Electronic Technology, which claimed to be involved in everything from bitcoin mining to the sale of air purifiers. In fact the firm’s funds mainly came from depositors who, in typical Ponzi fashion, were offered rewards to recruit others, thereby ensuring the scheme’s survival.

Scams roil China. On September 29th 11 people were sentenced to death for their involvement in a crime syndicate in Myanmar accused of running phone scams and illegal online-gambling platforms in China that made more than \$1.4bn. In June an online investment company called Xinkangjia suddenly closed, leaving its 2m investors with nothing. It, too, had offered implausibly high returns. Police are looking into what happened to the 13bn yuan put into the scheme.

According to Chinese media, Ms Qian used 1.1bn yuan—just a small share of the money she took from investors—to buy her bitcoin. Fake documents allowed her to flee to Britain, where she and two accomplices were eventually arrested after attempted use of the bitcoin to buy lavish property triggered investigations. This involved “unprecedented co-operation” with police in China, London’s police said.

The case has drawn much attention in China. On social media, many note the apparent ease with which Ms Qian was able to use bitcoin to get vast sums out of China despite the government’s tight controls on moving money abroad: the usual limit is \$50,000 per year. They have also noted the irony of the outcome. Bitcoin has risen so much in value that what she bought is now worth about \$1bn more than the total sum investors put into her firm.■

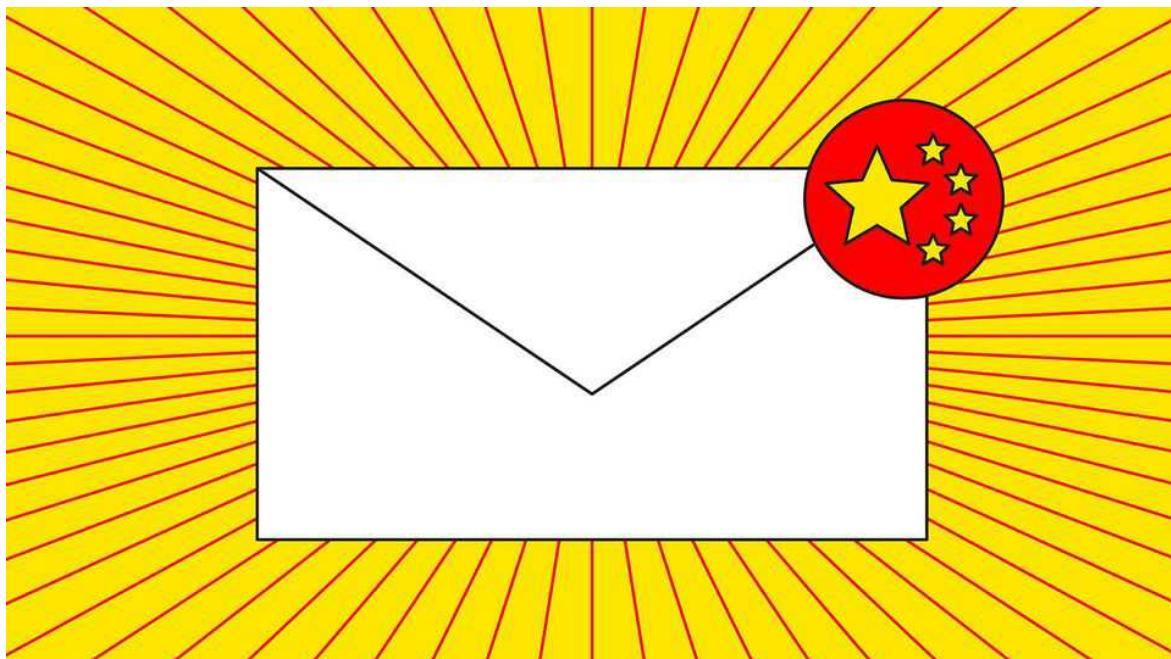
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China | Chinese newsletters

Xi Jinping wants a spot in your inbox

Policymakers hope to shape the thinking of Western elites in new ways

October 2nd 2025



EVEN AS WESTERN news outlets struggle to gain access to China, a crop of worldly Chinese writers offers what many crave: original insight into the country from bright journalists in the know. The Economist has identified over a dozen writers on Substack who are employed by China's state media. Cumulatively, they have over 50,000 subscribers on the popular American online-blogging platform (which is home to thousands of writers and more than 5m paying readers). Some of its top newsletters contain interpretations of Chinese government decisions, translations of speeches and analysis for an elite audience—namely, Western diplomats, scholars and journalists.

Certain writers disclose their government ties, but also insist that they are independent. Liu Yang, a staffer at Xinhua, the state news agency, says that

he is “moonlighting” when he writes his blog with more than 4,000 subscribers. Jiang Jiang, also of Xinhua, has more than 13,000 readers and writes that his work reflects his “personal views, not those of Xinhua”. Others, such as Li Jingjing, a star on China’s state television with about 5,000 readers on Substack, do not seem to disclose their government links prominently. The appeal of such writers is obvious; the degree to which they interact with the state’s propaganda machinery less so.

For all the talk of staff airing their personal views, their labours align well with a push by China’s rulers to reach foreign readers in more sophisticated ways. Freewheeling state-owned media outlets, such as Sixth Tone and Phoenix TV, emerged after similar initiatives in the past. Many newsletter readers are aware of the bloggers’ official ties, but are unsure how seriously to take assurances that, despite being state employees, they are not acting at the direction of the government. Such independence would be truly remarkable, given the Chinese Communist Party’s obsessive control of official narratives. (Substack did not respond immediately to requests for comment.)

Xi Jinping, China’s ruler, has often said that his country is engaged in a “struggle” for overseas public opinion. But the state’s media apparatus is slow and bureaucratic. Its risk-averse coverage leads many to tune out, and its unwavering praise for China’s leaders sees it dismissed overseas. In China and the West, individuals with online brands increasingly challenge mastheads for audience and influence.

In response the government has embraced a model which uses personal brands for party agendas, says David Bandurski of China Media Project, a research group. A recent report in Chinese Journalist, a trade magazine for state-media employees, describes how government-run outlets have created “media studios”—outfits run by individuals or small teams that obscure their state-media credentials. These may include certain state-sponsored writers. Mr Jiang’s newsletter, states the report (though this reference was later deleted), was “incubated within Xinhua’s External Affairs Department”, known officially as the Department of China News for World Service. Mr Jiang told *The Economist* his work “speaks for itself”.

It is possible that some bright young journalists choose to write for foreign audiences, with the blessing of superiors, because it is more professionally rewarding to do so. Certain entrepreneurial types may have started online blogs to gain promotion, only for their bosses to take credit for their ingenuity. From the state's perspective, however, cloaking government media is a strategic coup. Xinhua currently has about 50 studios, according to the report, though Sean Haines, a British journalist who used to work for Chinese state media, estimates that there are more than 1,000 across the country aimed at domestic and foreign audiences.

Such studios offer three big benefits. They are nimble, targeted and trusted. Internally, media studios are known as “light cavalry”, as they are free from government bureaucracy (but not its editorial control) and can charge in quickly to influence the interpretation of news events. The idea is that, after building an organic audience through news analysis, media studios can push more controversial fare, such as one article on “Why Xinjiang’s labour transfer program ≠ forced labour”.

Newsletters are favoured by Western elites, Du Jian, a Xinhua official, has written. They enable a long-term strategy to “influence readers’ thoughts drop-by-drop” and establish a “benign mutual relationship”, he noted in another report for Chinese Journalist. His article was first analysed on Mr Haines’s own Substack, TooSimple, which investigates Chinese state media. Mr Jiang’s blog, the article continued, “targets elite subscribers in the United States” (this also appears to have been deleted).

Because they can ditch state media’s tainted reputation, says one Chinese academic, media studios are adept at “engaging in international public opinion struggles”. Unlike those with official backgrounds, the scholar argues, these influencers “can more freely and boldly engage” in such debates in ways that are “more easily accepted...by overseas audiences”.

Many China-watchers will welcome having more voices on the goings-on inside the country. Such mutual understanding also rests on transparency around the origins and intentions of those voices. Xu Zeyu was one of the first Xinhua personalities to be given a studio to cultivate foreign audiences, according to Xinhua’s own reporting. He has 3.9m followers on Facebook,

but is perhaps just as influential on his Substack, aptly named Sinical China, which has 9,000 readers.

He explained his vision of writing for foreign audiences on a state TV programme in 2021. “On this battlefield, I am also a fighter; the words under my pen and the lens in my hand are my weapons,” he said. He described his role differently to *The Economist*. “My work is to bridge the gap between foreign misconceptions and China’s realities,” he says. ■

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[China](#) | Chaguan

Jerome Cohen was China's most optimistic critic

The American legal scholar kept a liberal vision of China alive

October 2nd 2025



JEROME COHEN could not stay quiet. On a visit to China in 1972, his first of many, he was invited to dinner with Zhou Enlai, Mao Zedong's lieutenant, a rare honour for foreigners. Rather than stick to pleasantries, Mr Cohen pressed him on a range of concerns. He urged Zhou to release his former college classmate, imprisoned for espionage two decades earlier, and to start sending students to America. A legal scholar, Mr Cohen also encouraged China to join the International Court of Justice.

At the time Zhou was not much moved by these suggestions. It was too soon for all of them. The idea of China joining the ICJ got the biggest laugh. Why would a Communist government, then in the throes of the Cultural Revolution, take part in a bourgeois legal institution? But to Mr Cohen it

was only natural: China was a great power, and it should have a seat at the table. When meeting such an important interlocutor, he could not pass up the opportunity to speak his mind about matters of justice—though he consistently leavened his criticism with wry humour.

Mr Cohen, who died on September 22nd aged 95, was more than just a lawyer. He came to personify the value of deep engagement between China and America. He also embodied the associated frustrations. He offered a riposte to both the knee-jerk hawkishness and the wide-eyed optimism that, in turn, have often characterised the West's approach to China.

The longevity and breadth of his work gave him an unusual perspective. He got interested in China, in part, because of America's "red scare" of the 1950s. The ranks of China experts had been denuded, and American officials were starting to rebuild them. That gave him an opening: he left a promising, if conventional, academic path focused on American law for a fellowship in Chinese law. In later years he was sometimes called the father of Chinese legal studies in America. More accurately, he transformed an arid, text-heavy field into a living, breathing one. He drew on extensive interviews with refugees from the Chinese mainland in Hong Kong to write a seminal book on Chinese criminal law.

He completed it soon after Mao's Cultural Revolution erupted, timing that gave him a measure of stoicism about China's development. He felt "better equipped", in his words, to hold a patient view, even when China took a dark turn in putting down the Tiananmen uprising of 1989. Although upset by Xi Jinping's authoritarian revival of recent years, he was not distraught. "His rule will not last for ever, and one can then expect another swing of the political pendulum toward a more moderate polity," he wrote in a memoir published months before his death.

He was also, in his way, an architect of engagement between China and the West—a project now under great stress. The modern phase of Sino-American relations is usually dated to the secret mission by Henry Kissinger to Beijing in 1971, which set in motion the normalisation of ties between the two countries. But a seed was planted by Mr Cohen and a small group of fellow academics who, a few years earlier, had drafted a confidential

memorandum laying out why rapprochement made sense and how to achieve it.

He then gave the engagement concrete form, leaving academia to practise as one of the first foreign lawyers in China. His client list in the 1980s included giant American companies that invested in China during its high-growth years. Yet he stood out among corporate lawyers because of his simultaneous advocacy for human rights. It came to him personally, starting with people he knew. There was Jack Downey, the college classmate about whom he spoke to Zhou (Downey was released in 1973). In the 1980s he focused on securing the release of Annette Lu, his former student at Harvard, imprisoned under Taiwan's then-authoritarian regime.

After the Tiananmen massacre, he became increasingly outspoken about China's repression—a charge that carried more weight coming from such an expert. He returned to academia. At New York University, he hosted lawyers and campaigners from China and beyond. He intervened in individual cases—most notably, helping arrange schooling at NYU for Chen Guangcheng, a blind lawyer and activist (though Mr Chen soon fell out with NYU). In recent years he denounced the Chinese Communist Party's crackdown in Hong Kong, its repression in Xinjiang and its crushing of independent lawyers. Xu Zhangrun, a Chinese professor arrested in 2020 after criticising Mr Xi, was among the many in the world of law—from scores of dissidents to legions of former students—to offer tributes to Mr Cohen after his death. “A member of my spiritual family has departed,” he wrote.

The question posed by Mr Cohen's career is whether engagement was a failure and even a mistake. It was something he grappled with, whether he and others like him had helped to create a monster: a Communist Party that uses modern legal tools for control. One answer he gave was that such concerns were deeply ahistorical. In the late 1970s, when China was emerging from the Cultural Revolution, it thirsted for law to get past that deadly chaos and prevent its recurrence. Drawing China closer to the West also added to Russia's isolation, helping to bring the cold war to an end. And life in China today has dramatically improved for most—though certainly not for all, he hastened to add.

His other answer was that it was premature to arrive at a conclusion. It was not out of the question, he thought, that at some point “an ever more educated and sophisticated public might demand a more open, less controlled society with greater protections for personal freedoms”. That seems heartbreakingly distant today. Mr Cohen, for his part, liked to end his speeches that were critical of China by quoting the title of a popular Taiwanese song from the 1980s: “Tomorrow will be even better”. ■

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Middle East & Africa

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- [A big majority of Israelis support Donald Trump’s Gaza peace plan](#)
- [Violent hatred flares between Kurdish cousins](#)
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Middle East & Africa | The Israel-Hamas war

Donald Trump reaches for “eternal peace” in Gaza

The president will be the chairman of the strip’s reconstruction board

October 2nd 2025



Speaking from the White House on September 29th, Donald Trump said it was “potentially one of the great days ever in civilisation”, a day which could lead to “eternal peace”. Even putting aside the braggadocio, a surprisingly substantial milestone towards ending the two-year war in Gaza has been reached. Mr Trump has at last got the prevaricating Binyamin Netanyahu, Israel’s prime minister, to commit to a ceasefire plan that has been endorsed by the leaders of many Arab and Muslim countries. It offers a surprisingly nuanced approach to Gaza. The big questions now are whether Hamas will agree to a proposal that requires it to cede power and its weapons, whether Mr Netanyahu will face down his extremist allies, and whether Mr Trump, who would head Gaza’s reconstruction board, is really ready to commit to the [world’s hardest turnaround](#).

The 20-point Trump plan still lacks many details which will have to be worked out in laborious mediation between the sides. But the basics are clear enough. Assuming both sides agree to the deal, military operations will cease and Israel will withdraw from populated areas. Within 72 hours of Israel publicly accepting the deal, all the remaining 48 Israeli hostages—alive and dead—will be released. Aid will be allowed to enter Gaza without any limits. In exchange, Israel will release 1,950 Palestinian prisoners, including 250 serving life sentences for killing Israelis.

A later stage sets out the disarmament of Hamas. Then Israeli troops will withdraw in phases. Israel has insisted until now that it will retain responsibility for security in Gaza. Under the plan it will control the strip's perimeter, including the border with Egypt. That will continue “until Gaza is properly secure from any resurgent terror threat”. Security inside Gaza will fall to an “International Stabilisation Force” and a Palestinian police force. A “technocratic apolitical Palestinian committee” will run the civil government. Mr Trump will lead a “Board of Peace”, with such luminaries as Sir Tony Blair, Britain’s former prime minister. The board will oversee reconstruction, for the benefit of Gazans, who will enjoy “preferred” tariff rates.

The first barrier to this plan is whether the remnants of Hamas’s leadership agree. The release of the hostages at the start is a difficult concession, since they are Hamas’s main bargaining chip. “What guarantee is there that after Hamas frees all the hostages, Israel will stop firing, withdraw and free Palestinian prisoners?” asks a former Hamas official. The group sees its weapons as an integral part of its identity as a “resistance” movement and is unlikely to relinquish its stockpiles voluntarily, especially while Israel remains in Gaza. But one observer in Gaza who talks to Hamas suggests that it might agree to put them under Qatari or Egyptian supervision.

If Israel withdraws and Hamas at least partly disarms, much then depends on the new stabilisation force. So far, no country has definitely promised to send troops. Egypt will be involved; other countries are being mentioned, including Indonesia and Azerbaijan. This force will rely on the tacit co-operation of Hamas. While Israel has killed most of the militia’s leaders and thousands of its fighters, thousands more are still carrying out guerrilla attacks and hiding in Gaza’s tunnels. The territory’s “technocratic” civilian

government will supposedly have no Hamas involvement. But what about civil servants who worked for Hamas? Under the plan, Hamas's leaders in Gaza may seek exile abroad. But if they refuse to leave, will they really eschew trying to influence politics in the strip?

The second big barrier is Israel. On paper the plan achieves Israel's official war aims—to dismantle Hamas's army and governing structures in Gaza and get back the hostages. But Mr Netanyahu has opposed a return of the Ramallah-based Palestinian Authority (pa) to Gaza, accusing it of supporting terrorism. Even if Gaza's new administration is officially non-aligned with any Palestinian faction, the new deal includes, at the demand of Arab countries, the return of the pa after it "has completed its reform programme" and a nod to a future peace process that could lead to Palestinian statehood. Mr Netanyahu has repeatedly ruled these out.

At the press conference he expressed scepticism that "the pa leopard can change its spots" as well as his opposition to a Palestinian state. That hurdle is in the distant future. The more immediate problem is that [the plan runs against the wishes of Mr Netanyahu's ultranationalist allies](#) so he may still backtrack..

What happens next depends on how much pressure can be applied to both sides. Hamas's patrons, Qatar and Turkey, will press it to accept, but the group may be split. Some are sticking to a hardline position. "As long as there's occupation, all forms of resistance are legitimate, including armed resistance," insists Taha al-Nounou, a Hamas official in Qatar. Others favour a qualified acceptance of Mr Trump's plan, but recognise that the president would see that as a refusal. As the former Hamas official puts it, "It's difficult to say yes, but it's even more difficult to say no."

In the press conference Mr Trump said that if Hamas rejects the deal, "Israel would have my full backing to finish the job of destroying the threat of Hamas." Yet that goal is likely to prove elusive and, without an agreement, the more likely scenario is that the war drags on and the colossal death count soars even higher.

For any deal to happen, Mr Trump will also have to keep up relentless pressure on Mr Netanyahu. There are signs that the president is ready to do

so. On the same day as the press conference he brokered a call between Mr Netanyahu and the prime minister of Qatar in which Israel's prime minister apologised for its recent botched air strike on Hamas leaders in Qatar, which had enraged America's Gulf allies.

The Trump plan has many elements of one presented by the previous president, Joe Biden, in May 2024. It is also similar to the second phase of the ceasefire agreement that Israel abandoned earlier this year, with Mr Trump appearing indifferent at the time. Yet the president has managed to push Mr Netanyahu further than anyone else. He has got Israel's leader to accept the plan in principle and in public, and, crucially, to accept that there will be no Israeli annexation or occupation of Gaza. Hamas has brought death and destruction to Gaza, while Israel has brought itself isolation and condemnation. It seems hard to imagine that Hamas will now embrace Mr Trump's pragmatic vision, or that Mr Netanyahu will abandon his forever war. But even if Mr Trump's "eternal peace" ends up being out of reach, he has created the best chance so far for ending this war. ■

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A big majority of Israelis support Donald Trump's Gaza peace plan

Binyamin Netanyahu hopes he can use this to hold on to office

October 2nd 2025



THE PLAN presented on September 29th by Donald Trump to end the war in [Gaza](#) was received rapturously by the Israeli people. In the first opinion poll on it, 72% of those asked said they supported Mr Trump's proposal; only 8% opposed it (20% have yet to make up their minds). The deal was also greeted by rises in the Tel Aviv stockmarket and the shekel.

At first glance the results should have cheered Binyamin Netanyahu, Israel's prime minister, who stood beside the president and hailed his peace plan. Yet for Mr Netanyahu, who has been plummeting in the polls since the massacre of October 7th 2023, there has been no boost. If Hamas, the Islamist group responsible for the attack, accepts the plan and releases the remaining

hostages, he will probably enjoy a temporary rise in support. But his coalition remains on track to lose the next election.

The strongest backing for the Trump plan comes mostly from Israelis who are unlikely to vote for Mr Netanyahu in next year's election. Meanwhile, some of his supporters adamantly oppose it. Mr Netanyahu's former communications chief, Omer Dostri, posted online that the Trump plan was a "total failure" that would allow Hamas to remain in Gaza while Israeli troops withdraw, to be replaced by a foreign security force and then the Palestinian Authority. "The prime minister has no mandate to hoist a white flag," he wrote.

For much of the past two years Mr Netanyahu has avoided a ceasefire to keep his hard-right partners from bolting and forcing an early election. But pressure from Mr Trump and the Israeli public may have changed his calculations. Israel has to hold elections by October 27th 2026. He wants to present himself to Israelis as a successful war-time leader who has "redrawn the map" of the Middle East, in his words, with victories against Hamas in Gaza, Hizbullah in Lebanon and against Iran. That is harder with hostages still trapped in Gaza and the war continuing.

Whatever they think of Mr Trump's proposal, serious dissent among Mr Netanyahu's Likud party is unlikely. That is partly pragmatic. "There are pluses and minuses to the Trump plan," says a veteran Likud lawmaker. "But ultimately it's clear to everyone that Netanyahu...can't say no to him as he did with previous presidents." It is also self-serving. Loyalty to Mr Netanyahu is a key consideration in determining who gets to stand on the Likud ticket.

But under Israel's multi-party electoral system it is not enough to secure votes just for his own Likud party. The success of the hard-right parties that make up his current coalition and will, he hopes, form the next one, is also vital. They have both ideological and political reasons for opposing the Trump plan. Bezalel Smotrich, the finance minister and leader of the Religious Zionism party, posted that the plan was "an echoing diplomatic failure", which "will end in tears". Mr Smotrich is in favour of Israel resettling the Gaza Strip. Itamar Ben-Gvir, the national-security minister and

leader of the Jewish Power party, shares his views. Both are expected to leave the coalition if the Trump plan is implemented.

That would leave Mr Netanyahu without a majority—at least for now. But he might be able to use these divisions to his advantage in the elections. Likud and its far-right partners will be competing for the same nationalist voters. In the run-up to elections Likud will present itself as the “responsible” right-wing option, while Religious Zionism and Jewish Power will market themselves as the “authentic” right. This range of options is probably capable of capturing almost the entire right-wing vote. So there is still a strong incentive for tacit collusion between Likud and its more extreme counterparts. One right-wing campaign strategist speculates that “while Ben-Gvir and Smotrich are criticising Netanyahu in public, in private they work out a convenient election date and co-ordinate their campaign plans, so as not to waste any potential votes”. Whatever the outcome in Gaza, Mr Netanyahu and his radical partners may have no option but to try to cling to power together. ■

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Violent hatred flares between Kurdish cousins

Corruption and factionalism are prevailing

October 2nd 2025



Armed drones and tanks in the streets of Sulaymaniyah, the second city of Iraq's semi-autonomous Kurdish region, were a shocking sight in August in what was once the most stable part of Iraq. The Lalezar Hotel had been turned into a smouldering wreck. It was caught in the midst of a bitter power struggle between two cousins from one of Iraqi Kurdistan's top families. After the smoke had cleared, at least five were dead, Sulaymaniyah had been shaken to the core, and rancour within the Patriotic Union of Kurdistan (puk), one of the region's two main parties, was more raw than ever.

In his compound on Sulaymaniyah's outskirts Bafel Talabani calls the operation that caused the fracas the “execution of an arrest warrant” following what he claimed was plot by his cousin, Lahur Talabani, to kill

him. “This is the second concerted attempt to assassinate me,” he says. “The first was three and a half years ago, when I was poisoned with dioxin.”



Bafel says Lahur’s men tried to shoot him, while their drones were programmed to hit the home of his ex-wife and children. “If you go back to the worst time in Kurdish history, our civil war, we never did this,” he says, referring to old battles for regional supremacy between the two leading Kurdish clans, the Talabanis and the Barzanis. Lahur is also accused of planning to kill Bafel’s brother, Qubad, the deputy prime minister of the Kurdistan Regional Government (KRG). The aim, says Bafel, was to seize control of the PUK’s political machine and its Sulaymaniyah stronghold.

The cousins hail from the family that has long dominated the eastern half of Iraqi Kurdistan. Bafel’s father, Jalal Talabani, was the PUK’s revered co-founder and a president of Iraq. While Saddam Hussein clobbered the Kurds in the 1980s, Jalal waged guerrilla war from the mountains, before sending his family into exile in Britain. Bafel and Lahur grew up in London, acquiring thick English accents and admiration for the late Queen Elizabeth. “We were hard-working guys,” Bafel recalls. “He [Lahur] had the cafeteria. I was the doorman. We’ve been friends for decades.”

The camaraderie is no more. After America invaded Iraq in 2003, Bafel returned to help form an elite Kurdish group that became an ally of Western forces fighting against al-Qaeda and, later, the Islamic State (IS). Lahur rose to head one of the KRG's intelligence agencies. But relations frayed after Jalal's death in 2017, prompting a power struggle within the PUK. By 2021 Lahur had been ousted from the party and the security apparatus after his first attempt to kill Bafel, according to the latter. Now Lahur is in jail awaiting trial, says Bafel. A wider purge has ensued. In September, in what critics call a broader crackdown on dissent, a court in Sulaymaniyah sentenced the leader of a Kurdish opposition party to five months in prison.

For many Kurds the ructions are dispiriting. The KRG was once seen as “the other Iraq”: a haven of stability and economic growth, as the rest of the country fell into chaos. Its autonomy was enshrined in Iraq’s 2005 constitution, while its fighters helped defeat IS. Today the Kurds are beset by internal rivalries, economic strife and creeping authoritarianism. As a result, their cherished autonomy is under threat.

“The balance of power in Iraq has completely shifted,” says Renad Mansour of Chatham House, a think-tank in London. “This is the first time since 2003 that the KRG has lost this much autonomy.” The malaise goes beyond the PUK. Its rival, the Kurdistan Democratic Party (KDP), based in Erbil, the region’s biggest city, and dominated by the Barzanis, has presided over rampant corruption. Business is suffocated by nepotism and cronyism.

An independence referendum in 2017, strongly backed by the KDP, backfired badly, prompting the central Iraqi authorities in Baghdad to recapture the oil-rich district of Kirkuk from the Kurds. A Kurdish decision to export oil directly to Turkey, bypassing the powers in Baghdad, had briefly boosted revenue. But in 2022 Iraq’s federal court ruled the scheme illegal. Budget disputes between the Kurds and the central government in Baghdad persist.

For the past few years the KRG has been broke. Public salaries go unpaid for months. The authorities have only just coughed up to cover July’s payroll. While ordinary Kurds live in cramped conditions, the ruling families invest in fancy high-rises and gated compounds. Foreigners have begun to pull out. Baghdad, once viewed as chaotic and dangerous, is now a safer bet.

Amid this dysfunction, both the PUK and the KDP are looking for allies there. Bafel Talabani's crackdown may help his faction win more seats in November's Iraqi general election, giving him greater leverage in negotiations expected to precede the formation of a federal government. Whether that leads to increased stability in Kurdistan or across Iraq at large is moot.

"There's no media outlet [in Kurdistan] to report any of this—everything is party-controlled," laments Winthrop Rodgers, an American researcher in Sulaymaniyah. "You can't talk about it on social media: it's monitored. You can't protest: you'll be arrested or tear-gassed. You can't vote for change: the opposition is a mess. There's no political outlet, no accountability." ■

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Middle East & Africa | Treasure island

Why protests are sweeping Madagascar

Anti-government protests reflect profound frustration about poverty and corruption

October 2nd 2025



To see why thousands have taken to the streets of Antananarivo, the capital of [Madagascar](#), in recent days, look up from the demonstrations to the cable car that dangles above the city. The line, which was finished this year thanks to financing from France, is meant to ease congestion. But repeated power cuts mean it rarely works. As a result, the city resembles the world's worst ski resort.

Even when electricity is flowing, at the equivalent of one euro for a short ride the cable cars are about six times the cost of a bus ride and more than many Malagasy people spend on food in a day. “It has become an attraction, not a mode of transport,” admits an official.

Several cable-car stations were set on fire during the largest protests the country has seen in more than 15 years. The demonstrators say they are fed up with persistent power cuts, water shortages and rampant corruption. They want Andry Rajoelina, the president, a pedlar of herbal cures for covid-19 and former dj, to resign. Mamy Ravatomanga, a businessman seen by protesters as the power behind the throne, is another target. So far, Mr Rajoelina has responded by sacking his entire cabinet, imposing a dawn-to-dusk curfew and having security forces crack down on crowds.



The protesters feel a kinship with other youthful activists. Some invoke anti-government movements in Kenya. Others wave the same pirate flag used recently in Indonesia and Nepal. Yet their frustrations stem from home-grown problems. Since 1960, when French rule ended, gdp per person has shrunk by almost a half, the largest fall of any nation without a civil war. The demonstrations are the work of Generation Z, but their grievances have been decades in the making.

On the face of it, there are simple economic explanations for why Madagascar is so poor. The vast majority of workers are subsistence farmers. Their productivity and incomes are “trending down”, notes the World Bank, partly because of deteriorating soil conditions brought on by drought and deforestation. While the population has grown from 5m to 32m

since 1960, forest coverage has fallen from 33m hectares to 6m, according to a diplomat.

To visit a village in Madagascar can involve not only a journey of several miles from a main road but also, seemingly, in time. Ox-carts trundle past, occasionally overtaking girls carrying pails of water. A straw poll by your correspondent suggests many Malagasy have not heard of Mr Rajoelina or Donald Trump. It would take more than 70 years at recent growth rates for Madagascan living standards to catch up with those of Rwanda and Uganda, which are in the bottom half of African countries by gdp per person.

Basic infrastructure is calamitous. There are perhaps half as many paved roads as there were in 1960. On a recent journey around the north of the country two dry riverbeds had to be driven across because bridges were out of action. It costs more to take goods from Antananarivo to Tamatave, a port 200km away, than it does to then ship the produce to France.

Worsening rural poverty and fast population growth have caused a surge of migration to cities, especially the capital. That has added to pressure on ageing power and water systems as well as on housing. On the outskirts of Antananarivo ad hoc developers are building amphibious slums on top of paddy fields.

Many of Madagascar's difficulties stem from the disastrous socialist experiments under Didier Ratsiraka, president from 1975 to 1993 (and again from 1997 to 2002), whom the cia thought wanted to turn the island into North Korea. "But the problem goes beyond economics," says an economist in Antananarivo.

Madagascar, argues Denis Alexandre Lahiniriko of the University of Antananarivo, has failed to do two big things. The first is to foster a common identity among its roughly 20 ethnic groups, which can be crudely divided between those of south-east Asian origin in the interior and coastal peoples with mainland African roots. The second is to build a state that benefits ordinary people, not just a narrow elite. One civil servant says that corruption is so routine that she regularly has to decline envelopes of cash from businessmen from China or other African countries. A politician says that his family would disown him if he did not steer patronage their way.

“We are a mafia state,” adds Ketakandriana Rafitoson, an anti-graft campaigner. One consequence of Madagascar’s renowned natural splendour is that there is no end to the things that can be trafficked through deals between corrupt locals and foreign buyers. The goods that have reportedly been part of criminal enterprises include gold, lychees, vanilla, rosewood, tortoises and the island’s endemic lemurs. In 2023 a British court found Mr Rajoelina’s former chief of staff guilty of soliciting bribes from a gem-mining firm. “It is a treasure island plundered by pirates,” says a locally based analyst.

Given the poverty, some visitors wonder why Malagasy have put up with their lot for so long. One reason is surely the repression that can be meted out to those who upset the powerful. But another theory is that some Malagasy care more about the afterlife than life on earth. In the south it is common for people to spend more on their tombs than their houses and to kill herds of zebu (cattle) upon death. “The attitude is that you can be poor until you are dead,” says a journalist from the region. In the central highlands the practice of famadihana (“turning of the bones”), where corpses are exhumed from tombs in costly ceremonies to appease the family’s ancestors, is another example of how rituals related to death can eat into household budgets.

Yet such practices may be more of an effect of poverty than a cause. The protests that threaten to topple the government are a reminder that Malagasy are willing to take to the streets. In 2009 demonstrations against the elected president, Marc Ravalomanana, led indirectly to a military coup that ultimately brought Mr Rajoelina to power for the first of three terms in office.

Is Mr Rajoelina heading for a similar fate? At the time of writing there were reports of some soldiers joining the protests. Much depends on whether the army’s leaders side with the street or the president. Like his beloved cable cars, the president’s reign appears to be hanging by a thread. ■

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Middle East & Africa | Eritrea and Ethiopia

Africa's most secretive dictatorship faces an existential crisis

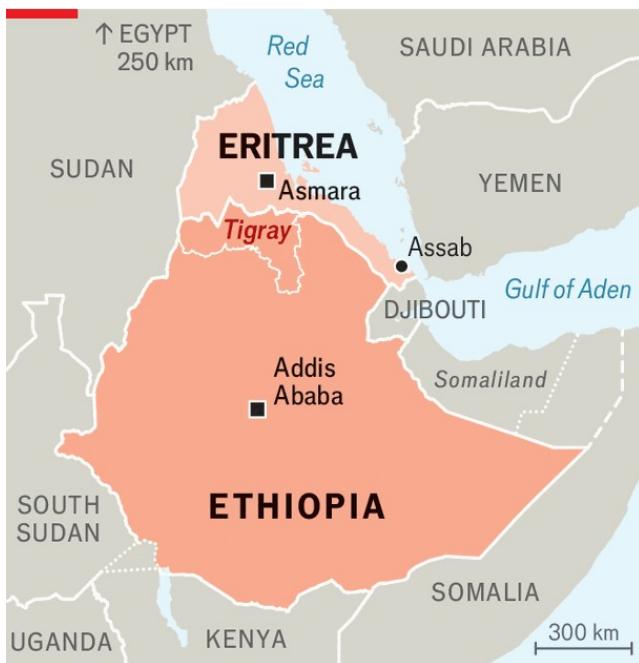
Eritrea's sovereignty is under threat from an expansionist Ethiopia

October 2nd 2025



If the past is a foreign country, its name is surely Eritrea. Residents of Asmara, its capital, pootle around in ancient Fiat 500s, wistfully gliding past art-deco cinemas, ornate villas and grand colonnades. These are (or were) the architectural triumphs of long-vanquished Italian colonists, whose peeling walls seem poetical in their decline. Equally anachronistic, if rather less endearing, is Isaias Afwerki, Eritrea's dictator since 1991. Soon to be 80, he still regularly denounces the "misguided policies" of John Foster Dulles, a former American secretary of state, as if Dwight Eisenhower were still president.

Mr Isaias has almost single-handedly turned back the clock on his country's development. Eritrea was once one of Africa's most industrialised parts. Now even the most basic goods, like soap or bottled water, have to be imported. Perhaps a third of the population has fled abroad to escape Mr Isaias's system of indefinite military conscription, which the UN has compared to mass enslavement, leaving empty villages, shuttered shops and derelict farms.



Its enemies sense weakness, especially a newly irredentist Ethiopia, from which Eritrea seceded in 1993 after a three-decade armed struggle led by Mr Isaias. Abiy Ahmed, Ethiopia's messianic prime minister, has openly declared that he intends to gain control over one of Eritrea's Red Sea ports. Many suspect his real ambition is to overthrow Mr Isaias and perhaps even reannex Eritrea. Ethiopia has amassed a menacing new arsenal of missiles, fighter jets and drones. "They can turn Asmara into Gaza if they want," says a former Western diplomat.

Can Eritrea survive? More than most places, its past is prologue. It was a late 19th-century Italian colony, its name deriving from "Erythra Thalassa", ancient Greek for the Red Sea. In 1935 Benito Mussolini used it as a base for invading Ethiopia, which his fascist forces occupied until British troops

booted them out in the second world war, restoring Haile Selassie, Ethiopia's exiled emperor, to his throne.

But what then to do with Eritrea? One plan involved partition. The Muslim lowlands in Eritrea's west would be annexed to Sudan, while the central Christian highlands would form a new state with Tigray, a region in northern Ethiopia to whose people Eritrean highlanders are close kin. Haile Selassie, however, was hostile to the idea of a "Greater Tigray", which would have shrunk his empire. He also coveted access to the Red Sea. Insisting that Eritrea belonged to Ethiopia, he annexed it in 1962. A guerrilla insurgency ensued. Mr Isaias's rebels won independence in 1993.

Like Haile Selassie, Mr Abiy seems in thrall to imperial dreams of controlling the Red Sea—and therefore Eritrea. On September 27th the Ethiopian army declared it would "pay any sacrifice" to win back the port of Assab. In July one of Mr Abiy's circle called for the two countries to be joined in a "supranational union".

Mr Abiy reckons his drones can deliver victory. Yet an invasion would be fiercely resisted. Mr Isaias may be hated, but few Eritreans "would like to see Ethiopia back", says Mohamed Kheir Omer, an exiled Eritrean scholar. Eritrea would also probably get support from Egypt and the Sudanese Armed Forces (SAF), which it has backed in Sudan's current civil war, as well as from the Tigray People's Liberation Front (TPLF), the party that rules Tigray.

This coalition could still deter Mr Abiy. But Eritrea's rapprochement with Tigray, in particular, may prove consequential in other ways, too. In a bloody border war between 1998 and 2000, the Ethiopian army, then led by the TPLF, trounced Eritrea. Though Ethiopia refrained from advancing to Asmara to topple his government, the humiliation left Mr Isaias and many of his countrymen with an enduring hatred for the TPLF. When Mr Abiy himself went to war against the group, between 2020 and 2022, Mr Isaias sent troops into Tigray to fight on the Ethiopian government's side, where they [massacred civilians](#), raped women and looted widely.

But since then, Mr Isaias and the TPLF appear to have struck up a tactical alliance against Mr Abiy. Some influential Tigrayans want more than a

temporary military pact. “The border [between Tigray and Eritrea] was imposed on us by colonialism,” says a senior TPLF official. “I see every reason for a serious reconfiguration.”

So “Greater Tigray” is back on the agenda. The violence Mr Abiy unleashed in 2020 led many in Tigray to demand secession from Ethiopia. While most Tigrayans despise Mr Isaias, some reckon his regime is doomed. Uniting with their Tigrinya-speaking cousins in Eritrea would boost an independent Tigray—and give access to the sea. Many Tigrayans have relatives in Eritrea (Mr Isaias’s own mother was of Tigrayan descent). “If there is any logic in history, they should reunite,” says Haggai Erlich, a prominent historian of Ethiopia and Eritrea.

Other experts consider this fanciful. “Do you think the fact that the British and the Irish speak English,” scoffs a sceptical Tigrayan, “is enough to make them one country?” Realistic or not, long-buried questions of history are being dug up and re-examined. From such bloodstained soil further havoc may yet spring. ■

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Europe

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Europe | French politics

The unravelling of France's centrist project

There is a real chance that power will fall into the hands of the extremes

October 2nd 2025



When Emmanuel Macron took to the stage at the United Nations in New York on September 22nd and 23rd he made one landmark speech to declare France's recognition of a Palestinian state, and another in defence of multilateralism. The first earned him warm applause; the second reminded his remaining supporters why they voted for him. "We have no right to cynicism. We have no right to fatigue. We have no right to the spirit of defeat," he declared. Mr Macron remains a vigorous figure in foreign affairs. Yet no amount of energetic diplomacy abroad can mask what is happening at home: the unravelling of his great centrist venture.

Appointed on September 9th, Sébastien Lecornu, France's new prime minister, has spent weeks trying to form a functioning government. When

his new team takes office, it will be the country's fifth government in two years, a rate of turnover not seen in France for over half a century. France still plays an outsize part in shaping Europe's future. But its political instability, deadlocked parliament and stretched public finances are creating a worrying hole at the centre of the continent. If the parties of the broad centre cannot overcome their differences, there is a real chance that power will fall at the next opportunity into the hands of the extremes.

This is a concern for centrists well beyond France. When the 39-year-old electoral debutant became president in 2017, Mr Macron vowed "to ensure that there is no longer any reason to vote for the extremes". By bringing moderates from both left and right together in a new post-partisan movement, Mr Macron sought to forge a bulwark against the hard left and hard right, and end the ideological quarrels that blocked reform. Framing the stakes as a near-existential moment for the upholding of democratic values, Mr Macron twice kept the hard-right Marine Le Pen out of the presidency, beating her in presidential run-off votes in 2017 and 2022.

Today, however, support for the centre is collapsing. The number of parliamentary seats in the 577-seat lower house held by Ms Le Pen's National Rally (RN) has shot up from eight in 2017 to 123; those held by Jean-Luc Mélenchon's hard-left Unsubmissive France from 17 to 71. The RN currently tops first-round parliamentary voting intentions with 32%; the left-wing group comes next, on 25%; Mr Macron's centrists trail in third place, on just 15%. For the presidential vote, not due until 2027, an Ifop poll on September 29th suggested that Ms Le Pen would sail into the second-round run-off with 33%; the best-placed centrist candidate—Edouard Philippe, a former prime minister—on 16% would only just qualify for the run-off at all.

Centrists are despondent. This was captured in a recent acceptance speech for the Légion d'honneur by Jean Pisani-Ferry, an economist who was in charge of Mr Macron's manifesto in 2017. Describing himself as "the grumpy old man" of macronisme, he recalled how he had first joined the project as a response to the "role-playing" by the left and the right, which "fuelled democratic disenchantment and extremism". Yet today, he said, France faced "the ultimate threat of a swing into authoritarianism". To a hushed audience, he went on: "I don't know what happened."



One answer is a series of miscalculations. In 2022 Mr Macron was re-elected, but failed to campaign convincingly for the legislative election that followed, and lost his parliamentary majority. “That was the real turning point,” says Alexandre Holroyd, one of his former deputies. Instead of seeking a coalition with the centre-right Republicans, he pressed ahead with an enfeebled minority government, ramming pension reform through parliament without a vote and stirring popular resentment. His rash decision last year to dissolve parliament shrank his minority further, and entrenched a three-way deadlock. In September Mr Macron’s popularity fell to 22%, a record low. Support has shifted to the left and right. “The centre is squeezed by both sides of the vice,” says Mathieu Gallard at Ipsos, a polling group.

Another reason is the broad shift in Europe to the right, powered by identity politics. In Britain the rise of Nigel Farage’s right-wing party, Reform, is recent. In France the RN has been preparing for power for years. Ms Le Pen’s party is a rebranded, scrubbed-up version of the one her father co-founded back in 1972. The more the RN makes itself appear respectable, the more the cordon sanitaire is fraying.

This puts the centre on the defensive. Many of those who came from the left are uneasy taking a hard line on immigration. The centre’s component parties are divided over other matters too, and struggling to sound relevant

to voters. Like centrists everywhere, Mr Macron's technocratic moderates find themselves with a blunt toolkit to use against the populists' raw indignation and defiant certainties, so much easier to turn into viral TikTok clips.

A final problem is budgetary drift. Mr Macron's existential appeal for a vote against the RN in the past was about competence as well as values. That case is harder to make today, when the budget deficit is running at 5.4% of GDP, and bond markets are edgy. Polls suggest that voters are still wary about the competence of the RN. But public opinion is increasingly unconvinced by the centrists' claim that only they can provide shelter from chaos.

This does not mean that centristism in France is finished. Much can happen in 18 months. But the centre's unravelling does mean that the coming months are at best likely to consist of muddling through. "Don't expect a German-style grand bargain," says Roland Lescure, a centrist deputy. He still thinks there is a narrow path to a pragmatic parliamentary compromise on fiscal policy and deficit-cutting.

Yet France lacks a culture of political compromise. Even Mr Lecornu has called himself the "weakest prime minister under the Fifth Republic". If bond markets lose confidence, or if he fails to get a budget through, a messy situation could become a crisis. France was once a case study in how to fend off the extremes. Today the centre ground looks more fragile than ever. ■

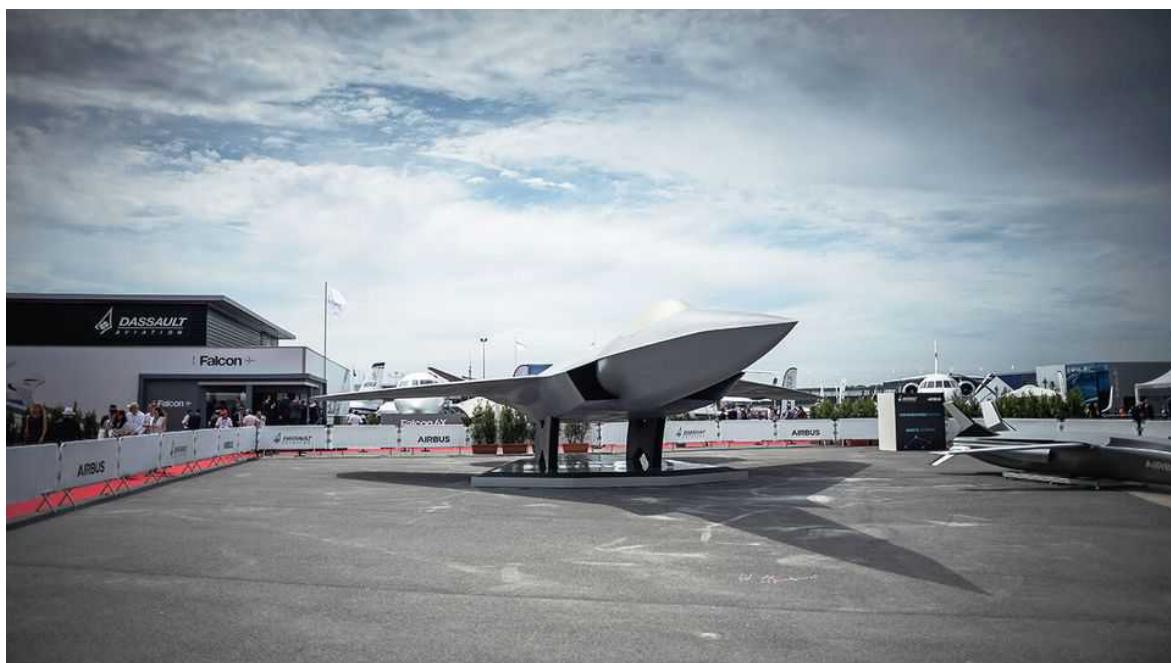
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Europe | Defence drift

Europe's biggest military project could collapse

Industrial bickering is putting the Future Combat Air System at risk

October 2nd 2025



WILL IT EVER get off the ground? It was never going to be easy for France and Germany, two big countries with wildly differing political and strategic cultures, to collaborate on one of the most complex weapons projects in European history. The Future Combat Air System (fcas)—comprising a “sixth-generation” fighter jet, a swarm of autonomous drones and a communications “combat cloud”—has repeatedly stumbled since its conception in 2017. But now, as a deadline looms to move fcas to its second phase, in which a prototype of the New Generation Fighter (ngf) jet must be built, many fear it may fall apart entirely. “We are not making any progress with this project,” sighed Friedrich Merz, Germany’s chancellor, recently. “Things cannot continue as they are.”

The case for fcas, which is supposed to come on stream by 2040, has only grown since it was dreamed up by Emmanuel Macron and Angela Merkel. Modern fighter jets are too expensive and complex for any European country to build alone. Vladimir Putin's war on Ukraine, and the fraying of America's security guarantee, have strengthened the case for bolstering Europe's defence sovereignty. The sheer scale of fcas should also foster defence and technological innovation, and create a lot of jobs, across Europe.

But industrial bickering is putting it all at risk. Dassault, the French aerospace company leading the construction of the ngf, regards the project's governance structure as hopelessly bureaucratic. "I will not accept three people sitting around a table deciding on all the technical aspects required to fly a high-performance aircraft," grumbled Eric Trappier, Dassault's outspoken ceo, last week. "Give us the ability to manage this programme." But Dassault is outnumbered by Airbus, which represents both Germany and Spain, the project's third partner, and does not want to find itself in a subordinate role.

The French government fears failing to change the rules would endanger the deadline. It needs a new jet by 2040 to replace the Rafale fighters that carry part of its nuclear deterrent. Germany's participation in nato "nuclear sharing" means it also needs nuclear-capable jets. But the Luftwaffe's growing fleet of American f-35s makes the deadline less urgent. Moreover, the Germans and Spanish note that the distribution of work was agreed years ago.

Patience is fraying on all sides. "Dassault does not treat fcas as a strategic necessity but as an industrial trophy," says Volker Mayer-Lay, an mp from Mr Merz's Christian Democrats who sits on the Bundestag's defence committee. He wants Germany to walk away if Mr Trappier does not give ground. German officials think their French counterparts have lost their grip on industry. Some in France suspect that German firms just want to acquire their know-how. A Franco-German cabinet meeting in August was supposed to put fcas back on track, but the mood has only deteriorated since. "My impression is that everyone is walking away from this project," says Christian Mölling, an adviser to the European Policy Centre think-tank.

Contingency plans are taking flight. On the German side, one alternative to fcas would be simply to buy more f-35s, pair them with drones, and hope AI and tech will eventually solve the problem. Yet that would hardly reduce dependence on America. Another would be to join the Global Combat Air Programme (gcap), a British-Italian-Japanese project. But since gcap is well advanced, the Germans would be forced into a junior role.

As for France, Mr Trappier says he can go it alone if necessary. No one doubts Dassault's technical chops. But a cash-strapped French government is hardly in a position to finance a system as elaborate as fcas. More broadly, a collapse of the project would be a devastating blow both to Franco-German relations and to the European "strategic autonomy" Mr Macron has long sought to foster. "It's still in each country's interests to produce this," says Emil Archambault, a defence expert at the German Council on Foreign Relations.

So the partners may be stuck with each other. Unhelpfully, France has no government. Once it gets one, the three countries' defence ministers will meet to try to chart a way ahead. Mr Merz has promised a resolution by the end of the year. Officials still speak the language of compromise; some are thinking about stripping back some of the project's more complex elements. But technical solutions can go only so far. In the end it will probably fall to Messrs Merz and Macron to find a way through—or declare fcas dead. ■

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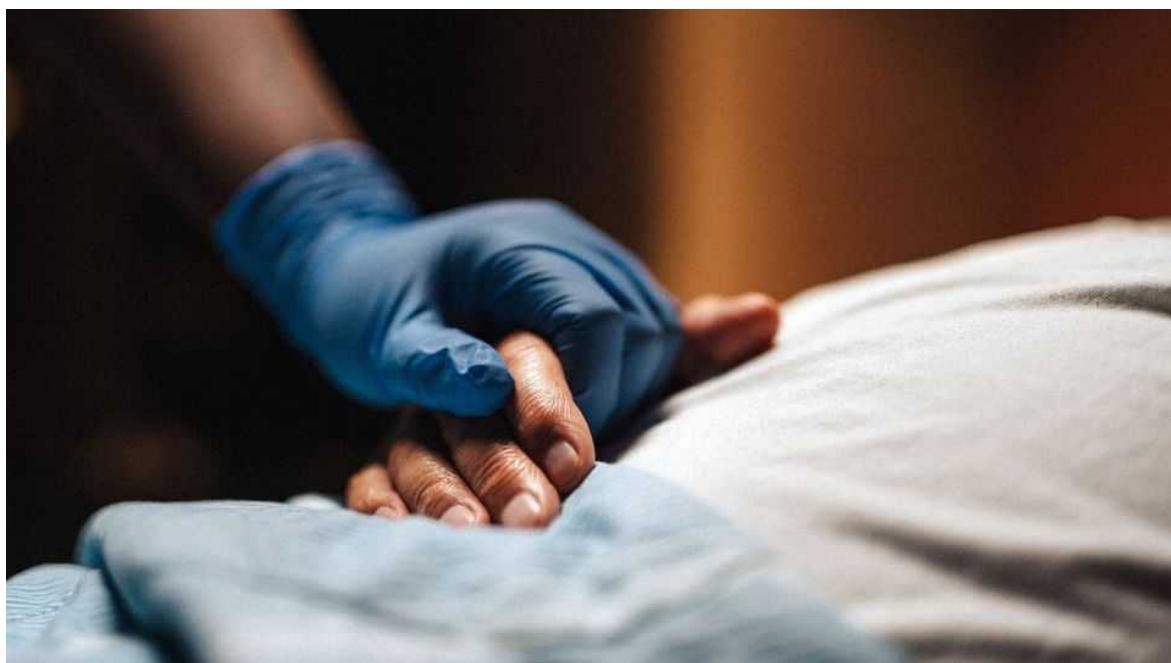
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[Europe](#) | See Florence and die

Italy's regions are creating a right to die

They are acting as parliament has failed to do so

October 2nd 2025



ITALY'S REGIONS are fomenting a quiet rebellion on the contentious issue of the right to die. In September Sardinia became the second of them, after Tuscany, to approve a new regional law regulating medically assisted suicide. Umbria is expected to follow soon. The moves come after a ruling in 2019 by Italy's constitutional court that in effect legalised doctor-assisted suicide under certain conditions, but urged parliament to legislate on the issue. The hard-right national government is attempting to reassert control of the issue by introducing a bill, currently being debated in the Senate. A total of 11 people have been helped to commit suicide in Italy since the ruling, and polls suggest Italians generally support reform.

The ruling followed the death of Fabiano Antoniani, a music producer who was left tetraplegic and blind by a traffic accident. When Marco Cappato, a former MEP and right-to-die activist who accompanied him to Dignitas in Switzerland, was prosecuted for aiding suicide, the court ruled that the basis for charging him had been unconstitutional. It provided an exception for assisting those in unbearable and irreversible suffering, so long as they were fully capable of making decisions.

Despite that ruling, health authorities, particularly in right-controlled regions, have simply ignored assisted-dying requests in what Mr Cappato describes as “practical sabotage”. The approval of a law in Tuscany in February reignited the debate, by imposing a 30-day time-limit for health authorities to make a decision.

Catholics have pushed back. The Italian bishops’ association says such moves are “in radical contrast with the value of the human person”. And right-to-die campaigners say the government’s proposed law would unduly restrict access, as it would apply only to those on life-support machines and exclude any use of the public health system, making assisted dying available only to those who can afford private care.

The debate is a good example of how recent governments have often failed to tackle ethical issues, leaving civil society to find another route, as also on gay rights. It is precisely this outcome that Giorgia Meloni’s government is seeking to avoid. But despite a big majority, success for the bill is far from assured. Important figures on the right such as Marina Berlusconi, the daughter of the late Silvio, who bankrolls Forza Italia, have expressed sympathy for the right-to-die cause. With a free vote and a secret ballot the result is uncertain.■

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Europe | Bad news for Putin

Moldova defies Russia by re-electing its pro-European government

Russian election subversion fails to beat President Maia Sandu's party

October 2nd 2025



THE KREMLIN spent tens of millions of dollars trying to subvert the elections held on September 28th in Moldova, a former Soviet republic of 2.4m people squeezed between Ukraine and Romania. Russia-friendly opposition parties promised cheap Russian gas and stoked fears that NATO would drag the country into a war with the country that long ruled it, or that the European Union would force it to recognise same-sex marriages. But in the end, the fear of being subjugated to Russia and of losing European support won Moldova's ruling Party of Action and Solidarity (PAS), led by President [Maia Sandu](#), a slim majority in parliament.

PAS, which promises to take Moldova into the EU as soon as 2028 (though that will be up to the bloc's members), won 50.2% of the votes. It was aided by voters in the diaspora, most of them working in EU countries. The Patriotic Bloc, a Russia-friendly coalition of left-wing parties, got 24.2%. (Three smaller opposition parties also made it over the 5% threshold.) The result gives PAS enough seats to form a new government, but the country remains polarised and economically weak.

The result was probably less a sign of approval for the ruling party's policies than of fear of losing the country's independence to Russia. Moldova is one of the poorest countries in Europe. Its economy has been stagnant since it emerged from covid-19. Inflation is running at over 7% year on year and the annual trade deficit amounts to \$4bn, or 20% of GDP. But it was geopolitics, rather than the economy, that dominated the campaign.



Moldova became a [vital frontier](#) in the contest between Russia and Europe after Vladimir Putin's full-scale invasion of Ukraine in February 2022. In June of that year the EU granted both Moldova and Ukraine candidate status, and started accession negotiations two years later.

The war in Ukraine also made Moldova much more important to Russia. According to Moldova's government, the Kremlin spent \$200m—the

equivalent of 1% of Moldova's annual GDP—on disinformation and bribing voters. On election day, bomb scares were reported at polling stations for expatriates in Italy, Romania, Spain and America. One of Russia's banks is said by the government to have been opening accounts and transferring money to Moldovans in pro-Russian parts of the country.

But the charges go both ways. The opposition accuses the government of fearmongering and undermining the democratic process. The accusations are not baseless. The government shut down opposition television channels without court authorisation. It portrayed its political opponents as traitors and Russian stooges, and withheld economic statistics during the campaign. Residents of Transnistria, a breakaway pro-Russian enclave that hosts no polling stations for Moldovan elections, normally vote in neighbouring regions. But Moldovan authorities slashed the number of voting locations for Transnistrians by more than half. On election day they closed several bridges connecting Transnistria to Moldova proper, causing traffic queues that hampered them. ■

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Europe | Cracking stuff

The chilling exception to Trumpian protectionism

Finland has something special that America wants

October 2nd 2025



IN A BOXY building near the docks of Helsinki, Finnish engineers are testing icebreaker designs. At the rim of a giant ice tank your correspondent shivers. A siren blares. A model ship, three metres long, surges forwards, splitting a sheet of ice with its orange bow.

“Ice is a kind of mystery,” says Jari Hurtia of Aker Arctic, Finland’s leading designer of icebreakers. Yet the Finns have just about solved it. The country’s firms have designed four-fifths and built more than half of the world’s icebreakers. [As competition over the Arctic grows](#), America’s president is taking notice. In June Donald Trump said he was negotiating with Finland to buy 15 of the vessels. He has previously mused about acquiring 40 “big ones”. To counter Russia and China in the high north,

America must expand its icebreaker fleet. To do it quickly, it will need Finland's help.



Necessity bred Finnish expertise. As the only country whose ports can all freeze in winter, Finland needs icebreakers to keep the Baltic Sea open. Since building Sisu, its first diesel-electric icebreaker, in the 1930s, it has developed a domestic supply-chain stretching from design firms to shipyards. Throughout its period of [non-alignment during the cold war](#), Finland honed its industry building icebreakers for Russia. That trade ended in 2022, after the Kremlin's full-scale invasion of Ukraine. Finland joined NATO the following year. Now its shipyards want Western buyers.

The country's industry is tight-knit. That has helped it carve out a niche. Icebreakers need thick hulls, powerful engines and complicated vibration-control and ice-proofing systems to survive extreme conditions. Most are made to order, meaning they are ill-suited to being built in the large production runs common in the giant shipyards of East Asia. Baltika, a rescue ship completed for Russia in 2014, has an asymmetrical hull that lets it sail sideways, carving a 50-metre path through the ice. Other designs serve as bulk carriers, oil tankers or support ships.

The contrast with America is stark. Its coastguard, part of the armed forces, says it needs around ten polar icebreakers. It has three. The last that America's government had built for the coastguard, Healy, was finished in 1997. A plan to build new ones is delayed and its budget has ballooned. Its first ship, originally due in 2024, will not arrive before 2029 and will cost \$1.9bn. Polaris, Finland's newest icebreaker, was built in three years for €125m (\$147m). It is a smaller ship than America wants. Still, it is proof of Finland's ability to build icebreakers quickly, at low cost.



Talk of America's "icebreaker gap" with Russia—which has around 50 polar icebreakers, including nuclear-powered behemoths—is overdone. Russia's long northern coast and over 2m Arctic residents mean it will always need more than America. The real worry is the gap between the capabilities of America's coastguard and the role it must play in Arctic security. Russia and China are vying for the Arctic, and northern shipping routes are growing busier. "America managed to get by without enough icebreakers because there were so few ships going through the Bering Strait," says Peter Rybski, a former naval attaché at America's embassy in Helsinki. "But that is changing fast." In August two Chinese icebreakers sailed over an area of American-claimed seabed off Alaska. The coastguard sent Healy to monitor them. Such provocations could become more common.

To plug the gap, America is looking to Finland. Mr Trump first floated the idea of buying its ships in his first term. In 2024 the Biden administration signed an agreement with Canada and Finland, named the ICE Pact, to expand capacity. In August the Helsinki shipyard began work on the first ship under the scheme, an icebreaker for Canada named Polar Max. Finnish shipbuilders have drawn up designs for America's coastguard and are eager for the Trump administration to commission them. Finland's government is hopeful, too. "We have a lot of capacity to deliver these vessels," says Pasi Rajala, Finland's deputy foreign minister. "It is in our interest that our allies have Arctic capabilities."

Mr Rybski thinks Finnish shipyards could deliver for America this decade. But obstacles loom. One is opposition from American shipyards, which look to the president as their defender. Procurement laws that require military vessels to be built in America are another, though these can be waived for national-security reasons. That Mr Trump seems willing to look past his protectionist instincts suggests he has registered the urgency of expanding the coastguard's Arctic fleet. ■

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How Europe crushes innovation

Labour rules devised in the 20th century are hobbling Europe in the 21st

October 2nd 2025



There are two ways for Western companies to sack lots of people. The American one involves the boss inviting hundreds of unsuspecting employees on a Zoom call, offering them a few months' wages as severance and insincerely wishing them luck in their future endeavours (oh, and to have their desk cleared by lunchtime). The European method is more circuitous. Companies wanting to enact mass lay-offs typically start with consultations with unions, representatives of which sit on companies' boards in Germany. A plan social is drafted. Strikes inevitably ensue. Politicians get involved, and badger the employer into firing fewer people than it had originally planned, or to pay for its soon-to-be-ex staff to be retrained. The full cost of downsizing is only known once labour courts are called to rule

on the matter, years later. Meanwhile the company in question often cannot hire more employees lest it be made to hire those who were just let go.

The European system may feel kinder. In fact, the cumbersome process for letting go workers comes with hidden costs. It is not just that the expense and hassle of occasionally firing employees weighs on firms' long-term profitability. Rather, the sheer difficulty of shedding staff en masse—a reality of corporate life—steers Europe's biggest companies away from making risky bets in innovative fields. In particular, investments in disruptive breakthroughs (think of the kinds of whizzy products that mostly come out of Silicon Valley, from artificial-intelligence models to driverless cars) require the ability for big companies to hire lots of staff, then later fire most of them if the projects don't pan out. High restructuring costs in Europe make such investments unviable—with a catastrophic knock-on impact on the continent's economy.

“When firing is costly, as it is in most of Europe, employers are reluctant to invest in risky ventures,” says Olivier Coste, a former EU official turned tech entrepreneur. Alongside Yann Coatanlem, another entrepreneur and economist, they have tracked the (often opaque) costs of corporate restructurings. An American firm shedding workers will incur costs equivalent to paying those sacked for seven months and be done with it. In Germany costs amount to 31 months of wages for each employee let go; in France 38 months. Beyond severance pay and sops to keep unions happy, the biggest expense is firms keeping unproductive workers on their books they would rather be rid of. New investments are delayed for years as dismissed employees are gradually replaced. American firms quickly pivot to new moon-shot opportunities; Europeans ones are stuck in the same old mire as they haggle with unions, due often to laws devised nearly a century ago.

Large restructuring costs skew the kinds of investments that executives in America and Europe might make. Take a large company financing ten risky projects. Even at well-run firms, typically eight of them will fail, Mr Coste says, resulting in large redundancies (Apple tried for years to develop a self-driving car, for example, but fired 600 employees when it gave up last year). The remaining two projects will generate profits worth many times the invested sums. When the cost of failure is low, as in America, that is a handsome bet for any firm. If sacking workers is expensive, as in Europe, it

is simply not worth it. The effect can be seen on the continent's corporate landscape. Many of Europe's blue-chip firms sell products that are essentially improved versions of what they were selling in the 20th century, whether that be turbines, shampoos, vaccines or jetliners. In contrast America's star firms peddle AI chatbots, cloud computers and reusable rockets.

For decades Europe did fine with its incremental-but-likely-to-pay-off innovation model. Century-old firms show there is still money to be made in developing a slightly better tyre or a faster train. But in recent years the rewards flowing to companies making bold bets have ballooned. Tech firms that pursued disruptive innovation have turned into trillion-dollar behemoths. None of them is in Europe. Nvidia, an American chipmaker, is worth more than the European Union's 20 biggest listed firms combined. Some of that may be a bubble whose popping may splatter American business. But lacking companies in such superstar sectors is one reason why output per hour worked by Europeans has slumped in comparison with America in recent decades.

European businesses face a multitude of problems. Smothering regulations, expensive energy, high taxes and a fragmented single market are all known hindrances. Yet few think labour-market legislation is much of an issue. For why would successful companies, if they could be fostered in Europe, ever need to downsize? And yet they do. Microsoft, Google and Meta have all sacked over 10,000 staff in one fell swoop in recent years, despite doing roaring business. Satya Nadella, the boss of Microsoft, said firing people even as his company was thriving was the "enigma of success". Try telling European politicians that. When Bosch and Volkswagen, two German industrial titans, recently announced their own lay-offs, the timelines stretched to 2030.

Europeans are attached to their cuddlier form of capitalism. Being somewhat poorer than America but with fewer working hours and more job security is part of the continental social compact. But tweaks to European employment rules could foster innovation while preserving valued rights. Messrs Coste and Coatanlem suggest Europe's best-paid workers—often tech types who need little social protection anyway—should be as easy to fire as in America. Scandinavian countries have made it easier for firms to sack

workers while still ensuring generous unemployment benefits. The trick is to balance the need for social welfare with the existential imperative for innovation. Job security was once Europe's comfort blanket. It now feels more like a straitjacket. ■

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Britain

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Britain | Starmer's Macron strategy

Sir Keir Starmer declares a battle for the soul of Britain

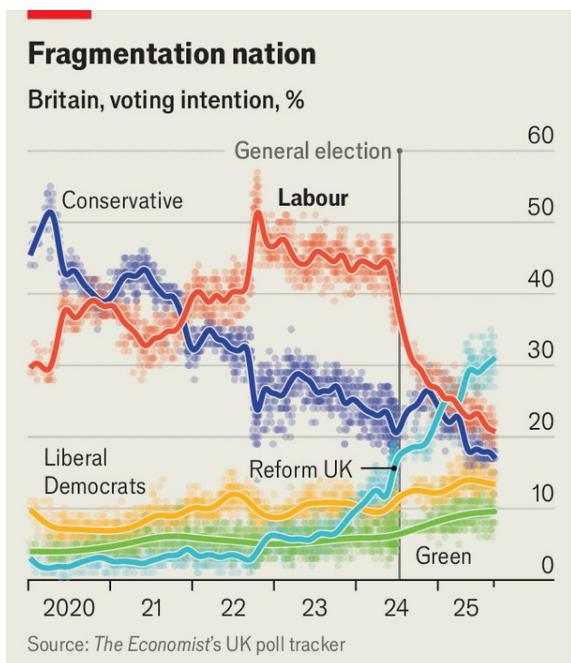
The Labour Party takes aim at Nigel Farage and Reform UK

October 2nd 2025



BRITAIN'S NEXT general election may have something of a French feel to it. The Labour Party, Sir Keir Starmer told its conference in Liverpool on September 30th, was locked in a “fight for the soul of the country”. In the summer, thugs had twisted the Union flag into a symbol of intimidation, he said. Nigel Farage, the leader of Reform UK, a populist right-wing party, has promised to end “indefinite leave to remain” for immigrants with retroactive effect; Sir Keir termed it a racist scheme that would result in people’s neighbours being deported. It would take patriots of left and right, even those who did not share Labour’s worldview, to rally to the defence of their beautiful, tolerant, diverse country, he said. “In the end, we really are all in it together,” the Labour leader declared.

It was, by the prime minister's pedestrian standards, rousing. It was also an act of political artifice. Sir Keir wants Britons to confront an urgent, binary choice: between him or Mr Farage. Voters don't see it that way. The electorate has fragmented: support is split between more competitive parties than ever in the modern era. And although Reform now leads in the polls, at 31%, according to our tracker (see chart), there is a long way to go: the next general election need not be held until the summer of 2029.



Still, to have a hope of defeating Mr Farage, Sir Keir calculates that he must build him up. In Liverpool, some Labour-watchers dubbed it the “Macron strategy”. In 2017 and again in 2022, the centrist Emmanuel Macron beat Marine Le Pen, the candidate of the hard right, to the French presidency by drawing in the votes of those on the left and centre-right who disliked him but found her intolerable.

Mr Macron characterised the contest in 2022 as a referendum on the character of France and a fight between progressive liberalism and racist extremism. He was assisted by France’s two-round voting system, which mechanistically forces a choice between two candidates in the second-round run-off. Sir Keir is attempting to conjure up something similar through the force of argument.

His party's conference revealed a head-spinning change of strategy. A month ago Sir Keir would have winced at lofty soul-of-the-nation talk, and referred to Mr Farage's plans merely as "unworkable". He won in 2024 by targeting, in joyless and austere terms, a tranche of Brexit-leaning working-class swing voters dubbed "hero voters". The assumption was that the progressive urbanites who make up the party's base would stay loyal no matter how much they were disdained.

Yet that strategy has collapsed: since the election, Labour has bled support in greater numbers to the Liberal Democrats and the Greens on the left than to Reform. Advisers who once preached an ultra-targeted strategy now talk of mobilising voters of all stripes to make Labour's coalition as broad as possible.

"This week has definitely been a shift," said Rachel Reeves, the chancellor, who had discussed Labour's predicament over the summer with the prime minister. "I think our people want to hear us call it out and take [Mr Farage] on."

Sir Keir feels "liberated" by the fight with Reform, says Tom Baldwin, his biographer. "The handbrake has been taken off." The contest, says Parth Patel of the Institute for Public Policy Research, a left-leaning think-tank, is now between two ideas of the British nation: one civic, which newcomers can join if they contribute, and a narrower project built along ethnic lines.

A Macron strategy may bolster Labour's otherwise grim prospects, says Luke Tryl of More in Common, a pollster. Current polling would see Labour cut from its tally of 411 seats in 2024 to just 90, according to the pollster's modelling, while Reform would surge from five MPs to a governing majority with 373 seats. However, when told it is a close contest between Labour and Reform in local races, left-wing voters swing behind Sir Keir—giving Labour a notional tally of 196 seats.

Mr Farage has probably overreached. Whereas 44% of Britons support ending indefinite leave to remain, only 6% would support the deportation of someone who had spent a decade in Britain. Voters like Farageism more in theory than in practice.

But that may not be enough to save Labour, for three main reasons. First, most Labour MPs think that to halt the populist right they must lavish money on public services. That looks unlikely. Rising borrowing costs, an unreformed welfare system and a downgrade in Britain's long-term growth prospects mean that Ms Reeves will need to cut spending or raise taxes by around 1% of gdp in the budget on November 26th to stay within her self-imposed fiscal rules. The gulf between rhetoric and reality is brutal: in Liverpool, Ms Reeves promised "nothing less than the abolition of long-term youth unemployment" via a work scheme that must be funded from existing budgets.

Second, appeals to values have limits. Matthew Doyle, who used to advise Sir Keir, thinks his former boss got the balance right but notes a warning from America's presidential election. Kamala Harris urged Americans to save democracy; the public cared most about grocery prices and immigration. "Voters pick the issues," he says. "You can add, but you can never replace."

The third, and perhaps biggest, problem is Sir Keir himself. Mr Macron's movement redrew French politics, consolidated the centre and saw off Ms Le Pen twice, even if [his popularity has waned](#). Sir Keir is no Macron. That it has taken him weeks to find the words to respond to the summer's disorder is proof of the problem.

The prime minister now has the lowest satisfaction ratings of any leader since 1977, according to Ipsos, a pollster. And his speech to the conference delighted many MPs but alarmed others. It sounded, said some who fear losing their seats to Reform, rather too much as if Sir Keir was calling their constituents racist, and a sign that the party was retreating once more to its progressive comfort zone. Perhaps Sir Keir's Macron gambit may prove to be a masterstroke, by a prime minister with a record of ruthless self-reinventions. More likely, it will resemble a spasm by a party in crisis, unsure of what best to say or who its supporters are, and grasping for a strategy to rescue its faltering fortunes. ■

Correction (October 1st 2025): an earlier version of this article incorrectly stated the level by which Rachel Reeves would need to cut spending or raise taxes to stay within her fiscal rules. Sorry.

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Britain | Peak car

British men are driving less, and a culture is vanishing

Farewell to the road warriors

October 2nd 2025



Vic Wilcox has lazy colleagues, a crabby father and an unromantic, arm's-length marriage. On the bright side, he has a Jaguar. The protagonist of David Lodge's 1988 novel "Nice Work" invariably drives to his job as head of an engineering firm in the West Midlands. He thinks nothing of driving hundreds of miles for a meeting. He is happiest when behind the wheel.

The novel is a dispatch from a vanishing world. The National Travel Survey, which tracks journeys in England, shows that people are travelling less far than they did two decades ago (see chart). That reverses a long trend. David Metz of University College London points out that travel distances grew

strongly in the late 20th century. He thinks the growth began two centuries ago, with the introduction of passenger-railway services.



Wilcox and his ilk are driving the change. The average man travelled 8,245 miles in 2002 and 6,549 miles in 2024—a drop of 21%. Almost the entire fall was caused by a decline in driving. Women travelled 5,633 miles in 2024, 9% fewer than in 2002. Men and women alike are commuting less far and travelling less far for shopping than they used to. But few things have fallen as much as men travelling for work. That is down by 45%.

“I used to do 30,000 or 35,000 miles a year,” says Cliff Jackson of the Professional Sales Association, who has spent much of his life selling engineering products. In the 1980s and 1990s he and other salesmen slogged up and down Britain’s motorways, meeting clients and occasionally ringing the office from pay phones. “You were a free bird,” he says, a little ruefully.

That “road-warrior” lifestyle, as Clive Wratten of the Business Travel Association calls it, has disappeared for several reasons. The tax authorities cracked down on company cars. The growth of the internet and video-conferencing has made routine sales trips unnecessary. Companies and public-sector organisations have nudged workers to use public transport.



The consequences can be seen on the roads. Data from the Department for Transport show that in 2024 Britain's motorways contained fewer cars on Mondays, Tuesdays, Wednesdays or Thursdays than they did on Saturdays or Sundays (Friday was the busiest day). Or look at a suburban street, where many cars seldom move. The rac Foundation, a research group, reports that the average new car is driven 8,460 miles a year, down from 9,648 in 2015.

An entire road-based culture has all but disappeared. It is preserved in novels and in a superb BBC documentary, released in 1993 and easily found online. “Over the Moon With the Cavalier” consists of interviews with corporate managers, all men, who talk about their cars while driving. They describe a rigid hierarchy, expressed by the model numbers displayed on the backs of cars. One explains that the letter “i”, which is supposed to stand for “fuel injection”, actually means “important”.

Mr Wratten, who represents people who travel for work, does not mourn the road warriors. He thinks that travel has become more purposeful, and the better for it. Companies have become more concerned about the health and happiness of their employees, and that concern extends to travel. Mr Wratten notes that firms increasingly tolerate or even encourage staff to take their partners on business trips. Vic Wilcox would be horrified. ■

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Britain | Fighting flab

Britain's strict new curbs on junk-food marketing

Will they work?

October 2nd 2025



“Fancy a McMuffin in the morning? McNuggets for lunch? Or a big night in with a Big Mac? Get them delivered right here.” Ads like this, served on social media just when you are getting hungry, have made fast food a click away. Offline, too, temptation and convenience help peddle junk food. New restrictions on food marketing in Britain aim to change that.

From October 1st thousands of [unhealthy foods](#) and drinks can no longer be advertised online and before 9pm on television. (The ban, the most sweeping of its kind in the world, will officially come into force in January, but the food sector has agreed to comply earlier.) Big supermarkets are banned from selling such stuff using volume-based promotions such as “Buy one, get one

free". "If you have two packs of biscuits at home you probably go through them a bit quicker," says Hugo Harper of Nesta, a think-tank.

The restrictions apply to food designated as high in saturated fat, salt and sugar (or HFSS). More than 20% of food-and-drink purchases in British supermarkets are HFSS. Online, 60% of food-and-drink ads have been for HFSS items.

Going after these could, in theory, make a big difference. According to Nesta, obesity in Britain could drop by half if everyone who is overweight cut their daily calories by 8.5% for more than two years. Such sustained calorie reductions are feasible if they involve subtle changes in several things a person eats, says Mr Harper. The idea is to avoid removing the joy from food. Marginal changes in around a quarter of the items in a typical shopping basket could do the trick: slightly smaller packs of desserts, say, and lower-fat versions of products. Some of these tweaks require product reformulations by food companies; others are changes in consumers' choices that can be steered by marketing.

Food companies have already tweaked lots of HFSS products to shield them from the marketing restrictions. It is a "health by stealth" approach, says Lauren Woodley, the chief nutritionist of Nomad Foods, a frozen-food firm. A pepperoni pizza that is not HFSS is still a greasy pepperoni pizza, but the sauce may have less sugar, the cheese a bit less fat and the base some extra fibre (which makes stomachs feel fuller, so people may eat smaller portions).

Since 2022 big supermarkets have been banned from putting HFSS products near entrances, checkouts and aisle-ends. According to data from three big supermarket chains, the share of packaged HFSS items in total products sold fell by about 7%. Whether that moved the needle on health is unclear. KitKats disappeared from checkout lanes but racks of freshly baked doughnuts and flapjacks appeared near entrances (exempt from the ban because they are not pre-packaged).

What might workarounds for online ads look like? Brands can still be advertised, as long as HFSS products are not shown. That opens the door for all sorts of gimmicks. Moreover the process of investigating potential advertising transgressions is long, and typically ends with food companies

simply agreeing to take down an offending ad. Making regulations work, like sticking to a healthy diet, is not easy.■

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Britain | Bogged down

The gold of County Tyrone shows Britain's barriers to development

Despite the central government's wish to get digging, a potentially lucrative gold mine remains stuck

October 2nd 2025



In the walls, floor and ceilings of squelching tunnels deep beneath a hill in County Tyrone lie minerals that may be worth more than \$20bn (£15bn). The hoard is mostly gold and silver but also antimony, bismuth, cobalt, copper and tellurium. Such are the riches that developers claim could be unearthed at Curraghinalt in rural Northern Ireland. Yet the plan to extract them is so bogged down in government bureaucracy that the mine may never produce an ounce of gold.

The British government's critical-minerals strategy recognises that the economy relies on minerals typically mined in far-off lands in often dubious

conditions. China's huge role alarms Western policymakers. Britain's strategy promises support, financial backing and even subsidised electricity to restart domestic production.

The strategy was published three years ago. At the time those behind the Northern Irish mine proposal had been waiting five years for a planning decision. They have now been waiting eight years, and still do not know when an answer will come.



Since starting exploratory work at the site in 2009 Dalradian Gold, an American-owned company, has spent £250m on the project. Its managing director, Brian Kelly, says it expected planning permission to take no more than two years. Instead, environmental opposition, disquiet from the local council and bungling by Northern Ireland's devolved government in Belfast have combined to stall progress. Dalradian's ultimate owner is an American investment fund, Orion Resource Partners. Mr Kelly says Orion has built more than 80 mines in 50 countries but "this is by far and away the worst experience they've had."

The developers underestimated local opposition. A plan to use cyanide to process gold has now been ditched after a ferocious backlash. But many locals remain vehemently opposed to a major industrial operation in what is

an Area of Outstanding Natural Beauty. Foes have set up a camp near the site and posters around the area proclaim the company unwelcome.



Dalradian says the deposits it has identified make it one of the world's highest-grade undeveloped gold reserves. Beside vein V75 far beneath the boggy earth, a geologist's sign fixed to the tunnel wall records that it contains 234 grams of gold per tonne of rock. Mr Kelly says that typically as little as a gram or half a gram a tonne would be worth the effort. At V75, Mr Kelly says, one cubic metre of rock would yield up to \$100,000-worth of gold.

Adrian Boyce, a geochemist at the University of Glasgow, says Curraghinalt is "far and away the biggest" gold deposit ever found in the UK. Gold has quadrupled in value since Dalradian arrived at the site: this week the price reached a new record of more than \$3,800 per troy ounce. The company's gamble has not yet paid off, but the jackpot is even more enticing.

Curraghinalt illustrates how the fragmentation of power in Britain means that what the national government wants can be almost irrelevant to what actually happens. The critical-minerals strategy promises to "reduce barriers to domestic exploration and extraction". But in Northern Ireland it has no power to do so. It has devolved control over mining to the power-sharing

government in Belfast, whose incompetence is surpassed only by its indecisiveness. And that body has to grapple with the local council to which it has in turn devolved many planning powers and over which it has almost no control.

This sharing out of power could in theory be healthy, preventing a single point of failure or one individual who could be bribed. In practice it has created multiple points of failure and become a structural impediment to rapid decision-making.

Devolution is not the only modern shackle on the power of a prime minister, but it is a particularly immovable one. Giving Scotland, Wales and Northern Ireland their own legislatures and governments has cross-party support, and the trend is towards more power shifting to the regions. Curraghinalt's gold may yet be extracted. If so, it will be despite rather than because of how Britain is governed.■

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Britain | Proving identity

Britain is trying to create a digital identity system, again

One more heave

October 2nd 2025



When Sir Keir Starmer announced on September 26th that Britain would introduce a national digital-identity system, he might have expected a lukewarm, even an enthusiastic response. Think-tanks had written reports arguing that Britons were strongly in favour of the idea. And the prime minister invoked the great anxiety of the day. A digital-identity system would prevent illegal working and thereby reduce Britain's appeal to illicit migrants, he said.

Nice try. A few hours after Sir Keir's announcement, YouGov released an opinion poll showing that a slight majority were opposed. The Daily Mail, a popular newspaper, described the policy as East German. A petition to

Parliament entitled “Do not introduce digital id cards” quickly amassed 2.7m signatures. Michelle O’Neill, the first minister of Northern Ireland, called the scheme “ludicrous” and “ill-thought-out”.

Sir Keir has wandered blithely into a treacherous policy area. Many British governments have wanted to introduce a single, universal way of proving identity. They succeeded twice, during the first and second world wars, but the measures did not endure. This is a shame. Britain sorely needs a secure digital-id system, and needs to decide what kind it wants.

The country seems ever more like an outlier. Most European countries issue identity cards. These are linked to digital-id systems that enable residents to do many things securely, including ordering medical prescriptions, enrolling children in school and signing digital documents. Even the privacy-obsessed Swiss narrowly voted for a digital id on September 28th.

“We have to prove who we are all the time,” says Alexander Iosad of the Tony Blair Institute, a pro-id think-tank. But Britons are asked to prove their identities in ways that are both insecure and burdensome. New employees are often asked for passports; people buying booze show driving licences; weightier events such as marriage can require birth certificates.

Sometimes this is mere identity theatre. A government survey of employers in September 2024 showed that 62% think a British driving licence can be used to prove that a person is allowed to work (it cannot). At other times Britain’s sloppy approach to identity weakens people’s defences against the state. The Windrush scandal of 2018 involved officials persecuting long-settled migrants who had the right to live in Britain but could not prove it.

The government says that by the summer of 2029 everyone must use digital id to prove they are allowed to work. It also says that the police will not demand to see digital ids. It has said nothing about what kind of identity system the country should build. Britain has many options, but one big question: how much should the state try to do by itself?

The government has already created applications that look like components of a European-style digital-id system. There is an nhs app and a “government gateway” for tax returns. Many migrants have e-visas. A

system called One Login enables people to do lots of things, from cancelling a stolen passport to getting a permit to dredge for scallops in Wales. Digital driving licences are on their way.

Next to those government initiatives sit many digital-verification-services firms. Some Britons became aware of them over the summer. Thanks to the Online Safety Act, websites containing pornography and other things that children are not supposed to see began asking users to take selfies or supply their credit-card numbers. The asking and the age-checking was often done by verification firms. The government has encouraged the growth of this industry. It will soon allow people to use private verification services to prove they are old enough to buy alcohol, for example.

“The government has got to be careful,” argues Robin Tombs of Yoti, a firm involved in many aspects of identity verification. It could try to dominate the field, by insisting that people use government identity systems for almost all digital interactions. That would have the advantage of consistency but the disadvantage of suppressing competition and innovation.

The state can mess up, as immigrants know. Those with e-visas must prove their right to work and rent property by using government websites to generate codes, which employers and landlords check online. Andreea Dumitrache of the3million, a group that represents eu migrants, says things go wrong at every stage of the process. Her group has argued that migrants should be issued with id cards as a backup. “Our community is used to having ids,” she points out.

Minimising the role of the state might help with another problem. Ms O’Neill’s objection to a British digital-id scheme is partly constitutional. The Good Friday Agreement enables people in Northern Ireland to maintain an Irish identity if they wish. The more an id system resembles a British government identity system, the greater the chance that she, and many people in Northern Ireland, refuse to have anything to do with it.■

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Britain | Veni, video, vici

A \$2bn AI unicorn tests London's nerve

Synthesia is Britain's biggest generative-AI firm. Can the country keep it?

October 2nd 2025



THIS SUMMER Sir Sadiq Khan, London's mayor, opened a new glass-fronted office block in the centre of the capital. Its tenant was Synthesia, a firm that turns written prompts into slick videos with digital avatars. Sir Sadiq joked that his aides would welcome an avatar of him—better dressed and reliably on script. On the subject of Synthesia, however, he was less modest. The firm, he said, was a great “London success story”.

For once the cheerleading was justified. Synthesia is one of the largest British generative-artificial-intelligence (AI) firms by revenue. It has more than 500 staff, claims to sell to four-fifths of America's Fortune-100 companies, and in April crossed \$100m in annual recurring revenue—a benchmark for startups. Valued at over \$2bn, it is one of the few AI unicorns

Britain can claim. Yet it is also a test of Britain's ambition to build tech titans (the government hopes to see a trillion-dollar home-grown tech company). Whether Synthesia stays in London will show how realistic those aims are. The outlook is cloudy.

Britain excels at nurturing young tech firms, helped by English as a global business language and its pull on Silicon Valley's cast-offs. Victor Riparbelli, Synthesia's Danish boss, had wanted to move to California but America denied him a visa. Instead he came to London, and thrived. There he met researchers from University College London who were working on real-time digital avatars. In 2017, together with a few others, they created Synthesia. Early backers included Mark Cuban, an American billionaire and then-owner of a National Basketball Association franchise, but also London-based investors (contrary to what its detractors say, the city is by far Europe's biggest venture-capital hub).

At first Synthesia chased attention. In 2018 it helped David Beckham, better known for his footballing prowess than his linguistic fluency, to speak nine languages for a charity campaign. (The hype around such tech was echoed on September 30th when OpenAI launched Sora 2, which enables users to create impressive videos.) Synthesia's niche is corporate customers. Instead of making employees wade through training packs and PowerPoints, clients can churn out polished video clips in dozens of languages at a fraction of the cost. Users choose from hundreds of avatars modelled on actors; confident David Brent types can record their own.

To stay ahead, Synthesia is improving its avatars' body language. It is also expanding its products. Its platform enables users to script, edit, translate and publish entire videos on-site. Coming next are interactive AI "agents" that can role-play a sales call, train a new hire or give instant feedback. Such enterprise software is not the sort of AI that grabs headlines, but it is the sort that makes money.

Investors value Synthesia at about 20 times sales, a rich multiple—though far lower than the latest startups coming out of the AI boom with equivalent multiples in the hundreds. Trust helps. Unlike rivals chasing clicks with deepfakes, Synthesia restricts political and sexual content and moderates content tightly. Misuse still happens: its software has spread disinformation

as far afield as Burkina Faso and Venezuela. Even so, says Oguz Acar, a marketing professor at King's College London, its focus on "responsible AI" has become central to its brand.

So far, so good for Britain (though the AI boom has not yet translated into plentiful domestic jobs, profits and tax revenues). The troubles come later, when growing firms either choose to list their shares in America, where capital markets are deeper, or sell out to global giants.

Quantexa, a data-analytics firm, is the latest rumoured to be heading for the Big Apple; Synthesia could yet follow. A lack of risk appetite is part of the problem. Mr Riparbelli laments "old money" that prefers "rent-seeking" to innovation. He is scathing about London's stockmarket, which is bleeding companies: "It looks more like a hospice than a stock exchange."

A foreign listing or takeover would not automatically strip Britain of jobs or taxes. DeepMind, the AI arm of Alphabet, Google's parent, is still based in London, where it was founded. But such things can send a strong message about where the momentum for an industry lies. Witness the gloomy reaction in Britain when on September 29th AstraZeneca, the country's largest drugmaker, announced that it would list its shares on New York's stockmarket (while keeping its listing in London). Analysts fretted that Britain was losing its edge in a key industry.

Given that Britain's best hope of tapping into the AI boom is in applied AI—profitable products built on top of large language models—keeping front-runners like Synthesia is crucial. "If we're serious about generating global tech giants, then we need companies like Elevenlabs and Synthesia," says Lewis Maconachy of Index Ventures, a venture-capital firm.

Policymakers know this. That is why Sir Sadiq and the business secretary, Peter Kyle, turned up at Synthesia's summer party. Ministers are easing listing rules and have signed a new Anglo-American tech pact. Yet signals remain mixed. Treasury officials still resist scrapping stamp duty on share trading, for example—a quick revenue raiser but a brake on liquidity. Without bolder reform, what is today's London success story may become a reminder of what Britain let slip.■

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Britain | Bagehot

Labour has decided to stop punching its own voters

Sir Keir Starmer has embraced peace and love of the party's hippy base

October 2nd 2025



Holding a Palestine flag above his head, a bald, bearded protester in a suit began shouting at Rachel Reeves, the chancellor, as she spoke at [Labour's annual conference in Liverpool](#). “After two years of genocide, mass starvation of Palestinians”, he bellowed, before Ms Reeves cut him off.

When something similar happened in 2024 during Sir Keir Starmer’s speech, the heckler was manhandled out of the conference hall while the prime minister berated him as an out-of-touch hippy, divorced from the wants and needs of real Britain. This year, Ms Reeves took a different approach: the chancellor more or less agreed with him. “We understand your cause,” replied Ms Reeves, “and we are recognising a Palestinian state.”

A funny thing has overcome the Labour Party's leadership: it has decided to stop attacking its own supporters. It is a remarkable shift. Since 2020 the leadership has enthusiastically punched anything even vaguely left-wing. Sir Keir sought to exorcise memories of [Jeremy Corbyn](#), his lefty predecessor who crashed at the 2019 general election. Palestine-flag-wavers, Remainders, child-poverty campaigners—anyone with what were once considered bog-standard progressive views was whacked. That policy, dubbed hippy-punching, helped lead the party to an enormous majority at the last general election. But now, after a miserable first year in power, hippy-hugging is in vogue.

When not agreeing with Palestine protesters, Ms Reeves ticked off the left-wing things the government has done in office. She boasted about public spending and state intervention. Steel plants? Quasi-nationalised. A loan for cyber-stricken Jaguar Land Rover? Guaranteed. It was a stark contrast to when the chancellor took office and any largesse was a dirty secret. A £9bn (\$12bn) pay rise for doctors and nurses was described as a black hole left by reckless Tories, rather than a message that Labour would support nhs heroes. Psst. Here is a pay rise. Don't tell anyone.

Hippies who had previously been battered are now held tight. Labour kicked out seven mps after they backed an amendment calling for the government to scrap its two-child benefit cap, which keeps about 300,000 children in poverty. Today all but one are back in the fold and the government is briefing that the cap is to go. The hippies won. Ed Miliband, the lefty environment secretary, called for activists to protest at fracking sites. Hippies are being recruited on the sites where they were once beaten to a pulp.

Labour's fists are aimed elsewhere. Until now, Labour has attempted to accommodate rather than fight Nigel Farage's Reform UK. Critics summed up the strategy: Reform is right—do not vote for it. No more. Sir Keir, apparently improvising, labelled Reform's immigration policy "racist". The R-word is a potent one in British politics. No one likes being called a racist. Even racists. Hippies, however, have always been happy to use it. When the prime minister doubled down on his accidental intervention in his conference speech, the hall of hippies cheered.

Another R-word—“Remainer”—was almost a slur among the Labour Party leadership, even though eight out of ten Labour voters support returning to the European Union. A majority position in Britain was dismissed as a metropolitan affectation. Now the prime minister rages against the “lies on the side of that bus” like any other 60-something radicalised by Britain’s exit from the EU. The small boats crossing the channel? Would not have happened had Britain stayed party to the EU’s deportation agreements. Those are “Farage boats”, says the prime minister, caused by blimmin’ Brexit.

How come Labour’s leaders have embraced peace and love of its hippy base? They have little choice. Labour’s polling ranges from poor to apocalyptic. The party has lost support to its left rather than to its right. Hippies, tired of being punched, left the party. For each departure to Reform, two voters left for the Greens or the Liberal Democrats. Come 2029, Sir Keir is more likely to be writing his political memoirs than Labour’s election manifesto.

Internal politics play a part. If there is a leadership contest, then Labour members—that army of union officials, retired teachers and slightly odd students—will probably pick the next prime minister. And so any ambitious cabinet minister with half a brain spent the conference arguing that Angela Rayner, the recently departed left-wing deputy prime minister, was a good thing while Donald Trump was a bad one.

A number of departures from Downing Street mean that the most enthusiastic hippy-punchers have left government. For these self-styled hard men and women—dubbed “goons” by one of their colleagues—such violence was a virtue. Partly it was politics, partly it was pleasure. In a time of political flux, there will always be debate about who is the true enemy of Labour. Is it Reform? Is it the Conservative Party? For the goons, the answer was easy: Labour members who voted for Mr Miliband in the 2010 leadership contest. The Labour Party is a place where memories are long and perspective is absent.

Sir Keir is a cynical man, not a stupid one. He was happy to be moulded by goons if it resulted in power, which it did. Attacking his own supporters was a strategy that the competitive prime minister was willing to follow to win.

But that same strategy had now put him on the path to defeat, and so he ditched it.

By accident, this cynicism has led him to sincerity. Sir Keir, the politician, is belatedly trying to create a Labour Party that Keir Starmer, a Remain-voting social-democrat human-rights lawyer from north London, would support. He is not so different from the plain old progressives he once beat up. Often, when Sir Keir was hippy-punching, he was punching a mirror. ■

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International

- [The flashing red threat from Russia's dark fleet](#)
- [Can the West survive an age of brinkmanship?](#)

International | Baltic bedlam

The flashing red threat from Russia's dark fleet

NATO navies struggle to contain a new danger on the seas

October 2nd 2025

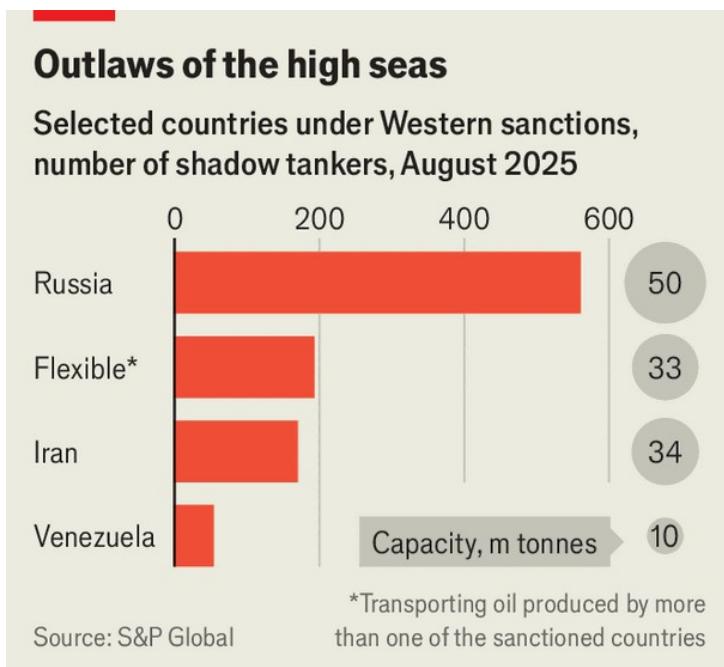


THE GREY-ZONE conflict between the West and Russia is escalating at sea as well as in the air. On September 19th, as Russian MiG-31 jets [violated Estonian airspace](#), your correspondent was with Estonia's navy at its base in Tallinn, the NATO member's capital. Its naval force is on the front lines of a push to confront the world's shadow fleet—ships that conceal themselves or their identities. The number of such vessels has soared from 200 in 2022 to about a thousand today. Some are busting sanctions by smuggling Russian oil. Others are suspected of spying and sabotage across northern Europe.

The list of worrying maritime incidents is piling up. Police are investigating whether Russia-linked shadowy vessels were connected to drone incursions that have shut down several airports in Denmark since September 22nd. On

September 28th Germany deployed a frigate to Copenhagen as part of the NATO response. Earlier that month Germany detained a Russian-crewed vessel in the Kiel Canal on suspicion of launching drones to spy on critical infrastructure. Undersea infrastructure is being attacked, too. A shadow tanker, the Eagle S, was caught cutting cables in the Gulf of Finland over Christmas last year.

Few people understand Russia's shadow fleet as well as Ivo Väirk, the commander of the Estonian navy. It often tracks dozens of shadow vessels passing through the Gulf of Finland on their way to and from Russia every day. But when it comes to halting illicit tankers that do not pose a direct threat to Estonia, "There's not much we can do," commodore Väirk admits.



One sailor describes the Estonian navy's struggle to halt Russian oil tankers using patrol and mine-warfare boats as being "like smaller dogs trying to get to the big dog". Earlier this year the Estonian navy tried to detain the Jaguar, a tanker subject to sanctions and sailing without a national flag, as it was heading towards Russia. The Estonian navy ordered it to halt, but was then forced to break off its pursuit after Russia launched fighter jets into Estonia's airspace to protect the ship. Commodore Väirk says the Kremlin was sending a message with the jets: Russia's shadow fleet is a "critical national interest" to be protected at all costs.

Though much of the focus is on Russia's shadow fleet, North Korea was the "OG of deceptive shipping practices", says Michelle Bockmann of Windward, a maritime-intelligence firm. It pioneered the tactic of "going dark" by turning off automatic identifier signals that broadcast a ship's whereabouts, and transferring shipments between vessels at sea rather than at ports. Iran and Venezuela used similar tactics to evade sanctions. The practice "went on steroids" after Russia's invasion of Ukraine in 2022, says Ms Bockmann. Today shadow vessels make up 19% of the global oil-tanker fleet, according to S&P Global, a data and analysis firm. Much of that growth comes from a pool of nearly 200 "flexible" ships, which service more than one country under sanctions (see chart).

In the Baltic Sea, tankers are the most common shadow ships. In the Taiwan Strait and the South China Sea, China sometimes uses smaller vessels, including fishing boats and tugs. The global shadow fleet is hard to pin down because it is, well, shadowy. Often vessels are not directly controlled by governments, but by networks run by opportunists hoping to exploit weak maritime governance for profit, says Margaux Garcia of C4ADS, a research group in Washington. The networks include owners, usually shell companies in opaque jurisdictions whose beneficiaries are hard to identify, as well as middlemen setting up fake-flag registries and insurance documents. Many are not pro-Russia, pro-China or ideologically tied to any country, says Ms Garcia: "They're all just people looking for financial gain."

Slippery business

Top ten destinations of Russian dark-fleet oil,
2024, million barrels per day



Source: Windward

It has become easier to mask ships' identities with a proliferation of flags of convenience and registrations in small, poor countries. The Gambia's fleet has more than doubled since mid-2024, from 43 to 99 ships, and has grown ten times in tonnage terms, according to Windward. More vessels are flag-hopping, or sailing under false flags or no flags at all. Flag-hopping hit a record pace in 2025: vessels placed on a sanctions list are getting new flags in an average of only 45 days, down from 120 days in 2023, according to Lloyd's List, a shipping journal. "Ships...are moving between five separate registries in a month, and three of those don't exist," says Richard Meade, the editor-in-chief. "The speed at which this is changing means nobody has really got a proper source of truth." Windward reckons that more than half (measured by tonnage) of ships that have been placed under sanctions worldwide are sailing using false or unknown flags. A rock in the Pacific called Matthew Island has a fake registry. "They're operating completely outside the international rules-based order, just like an F-You" to the world," says Ms Bockmann.

The legal ambiguity makes enforcement harder. Since the Eagle S cut cables in the Gulf of Finland, Finnish prosecutors have struggled to prove that it was not by accident, or that the ship, which belongs to a company registered in the United Arab Emirates and sails under a Cook Islands flag, has a connection to Russia. Taiwan has similarly struggled: one of the ships

caught cutting its cables in January, for example, had been alternating between two flags and transmitting three different digital identities, none linked to China.

One shadowy tanker, the Kiwala, encapsulates how slippery the identities of ships in the dark fleet are, and how they sometimes blur the lines between carrying illicit oil and taking part in more aggressive grey-zone activities. In April the Estonians detained this ship on suspicion of sailing under a fake Djibouti flag, among other infringements of international maritime rules. They had to release it several weeks later, once it was admitted to Djibouti's ship registry and had resolved its safety violations.

It was intercepted again on September 28th, this time by France, just days after Danish security services began investigating it in relation to the drone incursions that closed several airports. Since it was previously detained it has changed its name to Boracay, just one of the five names it has used since entering the dark fleet in 2022, during which time it has also flown seven flags and had four registered owners, according to Windward.

In an effort to stop this sort of skulduggery, Western governments are putting pressure on countries with large registries. Panama recently announced it would not allow any vessels over 15 years old to register under its flag. RUSI, a think-tank in London, has suggested that the Financial Action Task Force, a global financial-crime watchdog, should take up inspection of flag registries to prompt better behaviour.

Reflecting the scale and difficulty of the challenge, NATO is stepping up. This year it launched a new mission, Baltic Sentry, to protect cables and pipelines. On a grey September morning in the Öresund Strait between Denmark and Sweden, the Virsaitis, a Latvian naval ship, was called to check on a Russian fishing boat. Officers asked everyone on board to turn off their mobile phones for protection from possible hacking. The vessel had stopped in a busy shipping lane near an undersea gas pipeline, claiming to have suffered a power failure. That made it a “vessel of interest”, explained a NATO official.

Two NATO naval groups, each with 7-8 ships from different countries, take turns tracking such vessels, “like a pickup basketball game”, he said, in co-

ordination with intelligence centres in their countries and at NATO's maritime headquarters near London. One of the ships keeping an eye below the surface is a Finnish minehunting boat, whose officers show how they use undersea drones, sonar systems and divers to monitor cables and pipelines.

Estonia's navy pioneered what Marek Kohv of the International Centre for Defence and Security, a think-tank in Estonia, calls "legal harassment": hailing suspicious vessels by radio and demanding to check their insurance and other paperwork to make sure they are adhering to international safety standards. Britain challenges more than 40 ships a month. One of the aims is to deter potential saboteurs by asking ships to report who they are and what they're doing. But not all are co-operative, especially those going to and from Russia. "They'll just say: No," observes Elgars Romanowski, an officer on board *Virsaitis*.

There have been no incidents of damage to undersea infrastructure since Baltic Sentry began, suggesting that the new tactics to prevent sabotage are working. Estonia has also passed a law authorising the navy to attack civilian vessels if they are damaging its critical infrastructure. But Western navies, which uphold the international principle of "innocent passage", have only limited powers to stop shadow-fleet ships in international waters if they do not pose a direct threat.

A long battle lies ahead. Shadow fleets surged after the war in Ukraine began, but they are likely to outlive it, having exposed the weakness of maritime governance. They are a giant floating platform for criminals to make profits—and for hostile regimes to conduct grey-zone espionage and intimidation tactics that constantly test Western capabilities and resolve. As Mr Meade puts it: "I don't think the genie is going back into the bottle." ■

Can the West survive an age of brinkmanship?

It is time to relearn the cold-war arts of escalation management

October 2nd 2025



DURING THE cold war, risk management was a life-or-death exercise for political and military leaders. To assist them, front-line troops in Europe and Asia were tasked with monitoring, in real time, how frightened the West should be of its adversaries.

American army units in West Germany maintained “normalisation tables” designed to spot the slightest uptick in threat levels. Such tables might record the usual size of Soviet patrols in that sector, or the day of the week on which the enemy tested local air defences. Any change to routine was reported. [Cold-war](#) strategists argued that the superpowers stood on “escalation ladders”, each rung of which represented a new level of violence and danger. Every time that one side moved up a rung, or conversely,

refrained from climbing further, it sent a signal to the enemy. Scholars such as Thomas Schelling described how powers might allow a crisis to escalate until fear led one or both to climb down.

The cold war was terrifying. But managing risk today is arguably more complex. In September, when [Russian drones](#) flew into Polish and Romanian airspace, and Russian fighter jets trespassed over Estonian territory, the military response from NATO was unified. Warplanes from several countries worked together to shoot drones down and to shoo piloted intruders away. Alas, the political response has proved messier. In Poland, Estonia and some other countries, leaders accuse Russia of deliberate provocations, designed to test both NATO unity and European air defences. In contrast, if public comments are any guide, President Donald Trump seems readier to accept Russian claims that its drones and planes entered NATO skies by mistake.

Asked whether Russia is challenging NATO's sovereignty, a Western diplomat replies: "It's murky." His government ascribes recent border-crossing incursions to a mix of Russian recklessness and "don't give a fuck" incompetence. One thing is clear, the diplomat suggests: Russia is skilled at giving the West the impression that its "appetite for escalation is higher than ours".

A lack of clarity about Russia's intentions has not stopped Western governments from hardening their defences. Some are reviewing rules of engagement for responding to airborne incursions and are debating how to respond to far more ambiguous "grey zone" tactics. These include cyber-intrusions and acts of sabotage—ranging from arson attacks on transport systems, shops and warehouses, to the cutting of submarine cables by Russian ships. In capitals across the West, grizzled senior officials are teaching younger colleagues that when a country needs to deter an adversary, making credible threats may be the prudent course. Put another way, cold-war history teaches that escalation is not always a sign that something is going wrong.

Sir Lawrence Freedman, a historian of war at King's College, London, warns governments against being unduly intimidated by sabre-rattling, even of the nuclear sort, from President Vladimir Putin and his inner circle.

Because Mr Putin's invasion of Ukraine in 2022 was a reckless gamble, Western governments tend to assume that the Russian leader has a high tolerance for risk, says Sir Lawrence. But when Mr Putin attacked Ukraine: "He didn't know he was taking such a big risk," he notes. Russia's leader shows no sign of wanting a war with NATO, suggests the professor.

In this era of hybrid warfare, one problem is finding credible ways to deter enemies without matching Russia's contempt for international law. Cold-war American and Soviet escalation ladders reflected broadly shared codes of warfare. Both sides agreed, for instance, that armed attacks on an adversary's continental homeland were far more provocative than raids on a far-flung island territory. But when Mr Putin's Russia acts like a rogue state, the West can hardly respond with tit-for-tat retaliation: NATO members are not about to burn down shopping centres in Moscow.

Yet asymmetry need not be a Russian monopoly. Following the invasion of Ukraine, some allies accused President Joe Biden of pre-emptively climbing down at the first hints of nuclear escalation by Russia. A former Biden administration official insists that his boss did punish and deter Russia with asymmetric acts of escalation. In October 2022 American intelligence reported a "coin flip" chance that Russia might use nuclear arms if its forces faced a major defeat in Ukraine. In response Mr Biden and aides signalled—albeit not explicitly—that if Russia went nuclear, American conventional forces might join the war. In 2024, when Russia used North Korean troops to fight Ukraine's, America let Ukraine fire long-range ATACMS missiles inside Russia, he adds.

Meanwhile, China is testing American allies in Asia, notably Japan and the Philippines, with displays of military might. Every year the People's Liberation Army stages larger exercises to practise the encirclement of Taiwan. China's armed forces are interested in Western approaches to escalation management, says Tong Zhao, an expert on nuclear strategy at the Carnegie Endowment for International Peace, a Washington-based think-tank. In Chinese, leaders talk of mastering *zhanzheng kongzhi* or "war control". Still, Mr Zhao warns against "overblown" fears that China would use Russian aggression in Europe as a cover for opportunistic attacks in Asia. If China makes a move on Taiwan or in the South China Sea, it will do

so on its own initiative, he says, adding that China is not “heavily influenced by what Russia is doing”.

China is not just stronger than Russia, but more patient and disciplined, too. Schelling once defined strategy in an age of brinkmanship as “the art of coercion, of intimidation and deterrence”. Though written decades ago, his words capture perfectly modern China’s approach to economic and national security. Risk management is getting harder. Risk avoidance is not an option.

■

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Business | Strong medicine

Donald Trump is waging war on sky-high drug prices. Can he win?

Big pharma faces a reckoning in America

October 2nd 2015



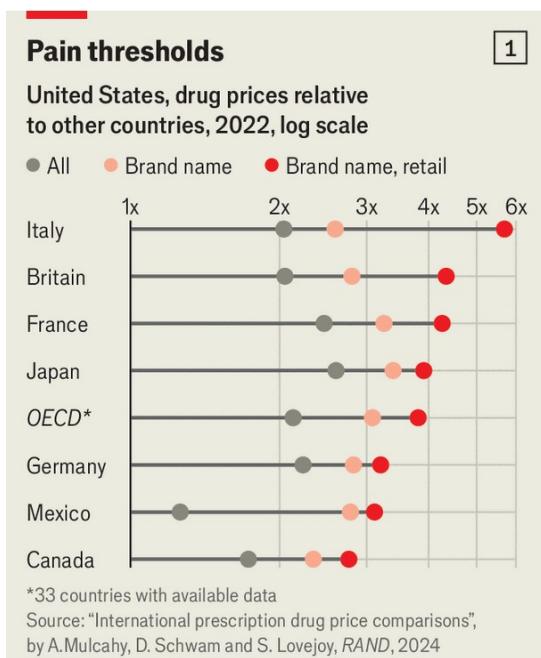
BIG PHARMA has a big headache: Donald Trump. Lately drugmakers have had to put up with presidential pronouncements on everything from vaccines to paracetamol. The pain is not going away. Intent on lowering “abusive” prices, Mr Trump gave leading firms until September 29th to peg their prices to the lowest charged in other rich countries—a rule he calls “most favoured nation” (MFN) pricing—or face “every tool in our arsenal”.

On October 1st he unveiled “TrumpRx”, a government website offering patients steeply discounted medicines. Pfizer, a pharmaceuticals giant, has signed up, earning a boost to its share price and pulling other drugmakers’ stocks up with it. Pfizer will also supply its drugs to Medicaid, America’s

health programme for the poor, at MFN prices, though the terms remain confidential and Medicaid accounts for less than 5% of Pfizer's American sales.

At the same time, the president wants to encourage homegrown manufacturing. From October 1st imported branded drugs face a 100% tariff, unless their makers are building factories in America. His administration is also pondering additional duties under a law allowing imports to be restricted on national-security grounds.

As is often the case, the Trumpian diagnosis contains a kernel of truth. Drug prices are indeed higher in America than elsewhere in the rich world. But the president's two-point prescription upends a model that has long underpinned the global pharma industry. It could have unintended effects, leaving Americans with fewer medicines but not cheaper ones, while in other countries drugs could be fewer and dearer. David Ricks of Eli Lilly, the world's most valuable drugmaker, has warned that MFN pricing risks "the worst of two worlds", importing Europe's sluggish innovation while keeping American prices high.



Drug prices have long exercised American politicians of both parties. A study by the RAND Corporation, a think-tank, puts them at more than three

times the average in other rich countries (see chart 1). America coughs up around 70% of global pharmaceuticals profits from about half of global sales.

This is partly because of how the market is organised. The supply side is globalised. Most active ingredients are made in low-cost hubs such as India; much of the research and development goes on in America, Europe and increasingly China.

On the demand side, however, prices are set locally. In Europe and many other rich countries, drugmakers must negotiate directly with governments, which have hefty bargaining power and often link payments to cost-effectiveness. In America, prices emerge from a complex web of contracts connecting manufacturers to health insurers, employers and pharmacy-benefit managers (PBMs), which negotiate between insurers, pharmacies and others.

Although public insurance schemes cover about half the population, they negotiate few prices. Joe Biden's Inflation Reduction Act (IRA) authorised Medicare to haggle directly with manufacturers. But only ten drugs will be covered in 2026 and 20 by 2029. One pharma boss says companies "take what they can get in Europe", because returns are greater in America.

Patents help keep those American returns high. About 90% of the \$490bn spent in America on prescription medicines last year went on branded drugs (mainly patented ones with no cheaper generic equivalents). Yet branded drugs made up only 7% of prescriptions.

The international price gap fuels charges that foreigners are freeloading on American innovation. But [whether Americans pay too much or others too little is disputable](#). A complicating factor is that new drugs tend to be launched first in America. Patients there get them sooner.

Mr Trump, however, is in no doubt: Americans are being ripped off, and he wants it to stop. But his MFN plan is characteristically sketchy. He has told drugmakers it should apply to both government schemes and private insurers, but has not explained how the MFN price will be set.

One possible starting-point is a pilot programme covering only the government schemes. Another option is legislation. Josh Hawley, a Republican senator, and Bernie Sanders, a left-wing Democrat, have both backed codifying MFN pricing. For now, though, passage looks unlikely.

A third possibility is to fold MFN into the IRA negotiations. There are hints, too, that the Food and Drug Administration, the regulator that authorises medicines and which has traditionally stayed out of pricing, could be drawn in. Marty Makary, its commissioner, has suggested the agency might expedite reviews for drugs from firms that pledge to “equalise” prices between America and other countries. Most of these courses would prompt legal scrutiny; when Mr Trump proposed a narrow version of MFN in 2020, he was thwarted by lawsuits from the industry.

The administration’s ambition has rattled drugmakers. Firms that rely most on Medicare and Medicaid—Amgen, Bristol Myers Squibb, Gilead and Johnson & Johnson make more than a third of their sales from the schemes—appear most exposed. Jefferies, an investment bank, estimates that an MFN-pricing rule, combined with tariffs, could cut companies’ earnings by about a sixth.

Executives are warning that lower revenues could mean fewer new drugs. This is more than scaremongering. Darius Lakdawalla of the University of Southern California calculates that a 10% drop in expected revenues could in the long run reduce innovation, measured by drug approvals or clinical-trial starts, by as much as 15%.

Firms will scramble to limit the damage. Coincidentally or not, Bristol Myers Squibb will launch a schizophrenia treatment in Britain at the same price as in America. Sir Pascal Soriot, boss of AstraZeneca, a big British firm, has argued that richer European countries should pay more towards innovation “just like they have to contribute more to their own defence”. Eli Lilly’s Mr Ricks has said that European governments “are not signing up to pay more for drugs”. He favours using trade tools to “rebalance that equation”—something the administration has hinted at. But Peter Kolchinsky of RA Capital, an investment firm, warns that if MFN pushes prices outside America beyond what other countries are willing to pay, it will put the profits they do contribute at risk.

As companies try to shore up revenues in America, unintended consequences are likely. They could raise list prices in foreign markets and thus push up the MFN price. They could then offer bigger (and confidential) discounts to foreign buyers, keeping the net price unchanged. They might also alter formulations to make international comparisons harder. Another tactic is to delay launches in cheaper markets to avoid setting a low benchmark.

Such strategies are not hypothetical. In a 2023 paper, Luca Maini of Harvard Medical School and Fabio Pammolli of the Politecnico di Milano found that MFN-like rules in Europe delayed launches in eight low-income countries by up to a year. They concluded that a similar system in America would probably have limited effects on prices there, while poorer countries would face delayed access to new medicines.



Compared with the disruptions to pricing, the impact of tariffs is likely to be small. The duties spare generics, which make up 90% of prescriptions. And they exempt companies that are investing in American plants, which many have promised to do (see chart 2).

None will make medicines soon; building and certifying factories takes two to four years. Making drugs in America may be costlier, and will also rely

on imports of active ingredients, which could be vulnerable to further protectionism. But the promises may inoculate branded-drug firms against the latest tariffs.

Drugmakers say that they are the wrong target for Mr Trump's ire. They have a point. Analysis by The Economist finds they pull in two-fifths of net excess profits in America's health-care sector. The bulk goes to intermediaries, such as insurers and PBMs, and to hospitals. Regulators are probing PBMs' practices. There have been calls to remove incentives for hospitals to prescribe pricier drugs. But drugmakers still get most of the blame for high prices.

Some manufacturers already have their own versions of TrumpRx, bypassing the middlemen. Makers of obesity treatments, such as Eli Lilly and Novo Nordisk, now offer cheaper versions directly at about half-price. Pfizer and Bristol Myers Squibb plan to sell Eliquis, a blockbuster blood-thinner, at more than 40% off. But such arrangements work mainly for self-administered medicines; for complex treatments, middlemen remain entrenched.

What Mr Trump does next on MFN remains unclear. But the uncertainty it has caused is already weighing on investment. One investor says they are in "wait-and-see" mode on funding young biotech firms. Developing a drug takes a decade and costs more than \$2bn; less than a tenth of candidate drugs make it to market. An executive at a big drugmaker warns that "four years of chaos will shred the industry". One of America's most inventive sectors now risks spending those years surviving rather than thriving. ■

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Business | Patient capital

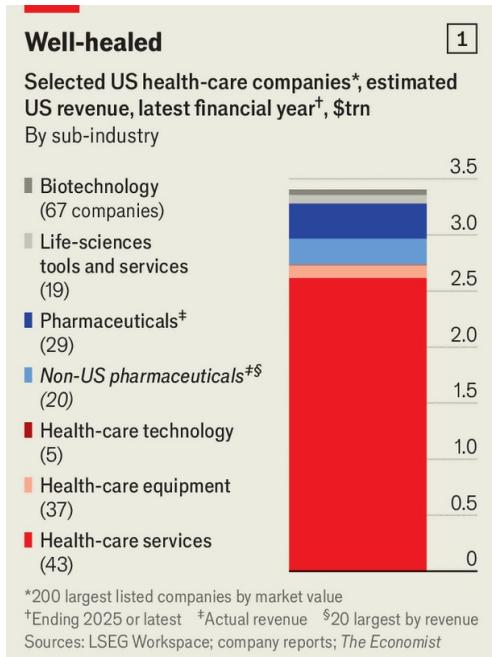
Does big pharma gouge Americans?

In the bloated health-care system, others are the real money-makers

October 2nd 2025



TALK TO AMERICANS about their health-care system and many reach for Xanax. Together they spend around \$5trn a year on keeping themselves in good nick, 40% more than in 2010 after adjusting for inflation. That comes to \$13,400 per anxiety-ridden head, \$6,000 more on average than in other rich countries, without being any healthier for it. Politicians of all stripes have long railed against this injustice—and fingered big pharma as the main culprit. [President Donald Trump is now demanding](#) that drugmakers charge no more for medicines in America than they do in comparably well-off places.



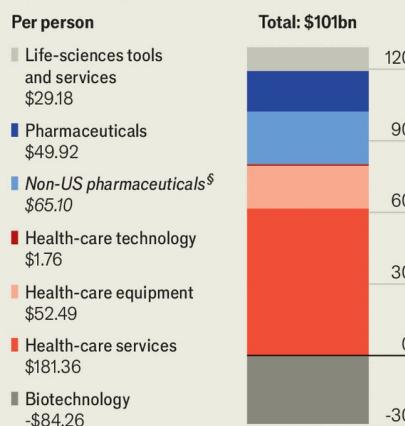
America is a lucrative market for the world's drug giants. Many pharma bosses admit that is where they make most of their profits. But are these profits really responsible for America's ballooning health-care bill? The short answer is no.

To arrive at it, we used data from LSEG to estimate the economic rents captured by different parts of the health-care-industrial complex. We examined the 200 largest American companies in the sector by market value. Since America tends to be the biggest market for foreign drugmakers, we also looked at the 20 largest non-American pharmaceutical firms by revenue (see chart 1).

Making out like a Band-Aid

[2]

Selected US health-care companies*, excess profits exceeding 10% return on capital†, latest financial year‡
By sub-industry



*200 largest listed companies by market value †Excluding goodwill ‡Ending 2025 or latest §20 largest by revenue

Sources: LSEG Workspace; *The Economist*

Excess profits are calculated as those earned above a 10% return on capital (excluding goodwill). This ought to be the maximum possible in any competitive industry. For drugmakers, we treat research and development as an asset that is depreciated over 15 years, which is more or less the lifetime of their patents. We also assume that all their excess profits are generated in America.

Return to spender

[3]

Selected US health-care companies*, latest financial year†, %
By sub-industry



*200 largest listed companies by market value

†Ending 2025 or latest §R&D expenses treated as an asset depreciated over 15 years §20 largest by revenue

Sources: LSEG Workspace; *The Economist*

All told, the health-care industry rakes in excess profits of \$101bn a year (chart 2). That is more than big airlines and the media-cable-telecoms cabal. Of America's much maligned oligopolies only big tech is more grasping. Yet in the context of American health-care overspending, it is a drop in a bucket. And American and foreign drugmakers account for a surprisingly small portion of that drop: \$39bn between them. Throw in biotech companies, which bleed money while they invest heavily in clever treatments, and drug developers' overall excess profits amount to a meagre \$10bn.

The bulk of the rents is captured instead by providers of health-care services such as hospitals and the system's true money-makers: insurers, pharmacy-benefit managers and other middlemen taking advantage of its opacity. They have higher costs of capital than drugmakers, but they also clear our 10% hurdle much more comfortably (chart 3). ■

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Armin Papperger's vaulting ambitions for Rheinmetall

He wants his fast-growing German armemaker to be bigger still

October 2nd 2025



“In future, we will be a relevant player on land, at sea, in the air and in space,” proclaimed Armin Papperger (pictured). Rheinmetall’s chief executive had already led the maker of tanks and ammunition on forays into satellites, drones and parts for fighter jets. Last month Germany’s biggest defence firm said it was adding the four shipyards of Naval Vessels Lürssen (NVL), based in Bremen, for a sum estimated at €1.5bn-2bn (\$1.8bn-2.4bn).

In a country where corporate chiefs tend to be press-shy and cautious, Mr Papperger is a rare limelight-lover. He is “the face and the main salesman of Rheinmetall”, says Stefan Maichl of Landesbank Baden-Württemberg. He is also the only German CEO with the same high security as the chancellor,

after a Russian plot to kill him was uncovered last year by American and German spooks. But he has not scaled down any public commitments, he tells *The Economist*. He does his job just as he has since becoming the boss in 2013.

Under Mr Papperger Rheinmetall has come far, thanks both to his stewardship and the booming demand for military equipment, especially ammunition, since Russia invaded Ukraine. The share price, €37 when he took over, is now pushing €2,000. Relative to earnings, its shares are easily the most expensive in the European defence industry.

Rheinmetall has morphed from a mainly German manufacturer of traditional military kit into what it calls an “integrated international technology group”. Its biggest strengths remain tanks (Lynx, Leopard 2, Puma and Panther) and artillery shells. In Lower Saxony in August it finished what will become Europe’s biggest ammunition factory when it reaches full capacity in 2027. The company is also building ammunition plants in Bulgaria, Latvia, Lithuania, Romania and Ukraine.

This year Rheinmetall has formed partnerships to make satellites with ICEYE, a Finnish firm, and drones with America’s Anduril. It is also producing Skyranger, a mobile anti-drone system that can be installed on top of military vehicles—much more cost-efficient than using warplanes to shoot down cheap drones, Mr Papperger says. (Last month Polish jets downed Russian drones that had breached their country’s airspace.) Rheinmetall will supply Ukraine with Skyranger by the end of the year and is keen to sell it to Poland, too.

Mr Papperger is far from done. He is aiming for annual sales of €40bn-50bn and a 20% profit margin by the end of the decade, up from around €10bn and 15% last year. NVL’s sales are to rise from around €1bn to €5bn. This would catapult Rheinmetall into the global league with America’s top defence firms, Lockheed Martin (annual sales last year: \$71bn) and Northrop Grumman (\$41bn).

Analysts and investors are watching Rheinmetall’s giddy rise with caution as well as awe. On the NVL purchase, Christian Cohrs of Warburg, a bank, wonders why the company is entering a complex line of business

where it has no expertise. Rheinmetall claims that it will find synergies, in particular with its vehicle division in northern Germany, which will share “material and technology expertise” with the shipyards.

Might a ceasefire in Ukraine be bad for business? At every sign of hope, Rheinmetall’s share price takes a knock. But Mr Papperger is certain that “nothing will change”. Europeans have understood that they must be prepared for an aggressor and that America may not come to their rescue, he says. Mr Cohrs thinks much will depend on the nature of a ceasefire. If it is seen as simply a pause in Russian expansionism, European governments will keep rearming at the same speed; if more permanent, they are likely to delay or even cancel orders.

After 12 years in charge, Mr Papperger shows no sign of relinquishing command. He is only 62, and his contract has been extended to the end of 2029. The chief financial, operating and human-resources officers all took up their jobs only this year. It is not clear whether Mr Papperger has a successor in mind yet. But as an eager buyer of Rheinmetall’s shares, he seems content to keep betting on himself. ■

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Business | In the game

With Electronic Arts, Saudi Arabia scores a record buy-out

Play private equity on expert mode

October 2nd 2025



Nobody has yet turned “Wall Street”, a 1987 film starring Michael Douglas as a corporate raider, into a video game. If they do, the final boss may look like Electronic Arts (EA).

On September 29th a consortium led by Saudi Arabia’s sovereign-wealth fund said it would take the game developer private in the biggest leveraged buy-out ever. In some ways, EA is a predictable target. Its titles, including “Battlefield” and “Madden NFL”, generate heaps of cash. The firm is unloved in public markets. But at \$55bn, the deal looks expensive. Using analysts’ forecasts, our beginner-mode five-year buy-out model struggled to eke out a double-digit annualised return.

There are three main characters. Muhammad bin Salman, Saudi Arabia's crown prince, is mad about sport. His fund's properties include Newcastle United, Pokémon Go and a minority stake in Take-Two, another developer. The kingdom even has an e-sports industrial policy. Egon Durban raises money from investors rather than pumping it from the ground. Silver Lake, his private-equity firm, is on a tear. In March it bought Endeavor, which owns the Ultimate Fighting Championship. It will be among American TikTok's new owners. Jared Kushner, who completes the trio, brokered the deal. He is backed by Saudi cash and married to Ivanka Trump.

Some movers and shakers consider bankers non-player characters these days. Not this time. JPMorgan Chase is providing all \$20bn of debt for the deal. So voracious is the market's demand for new debt that the mighty bank must be confident it can offload the pile to investors.

EA's share price, which is within a hair of the offer, implies few obstacles to the deal despite its size. Few expect a rival bid when potential suitors in Silicon Valley are preoccupied with artificial intelligence. Nor do regulatory hurdles loom, even though the deal means foreign control of an information-intensive business. Authority for blocking deals rests with the president. Mr Kushner's father-in-law seems unlikely to pull the plug. ■

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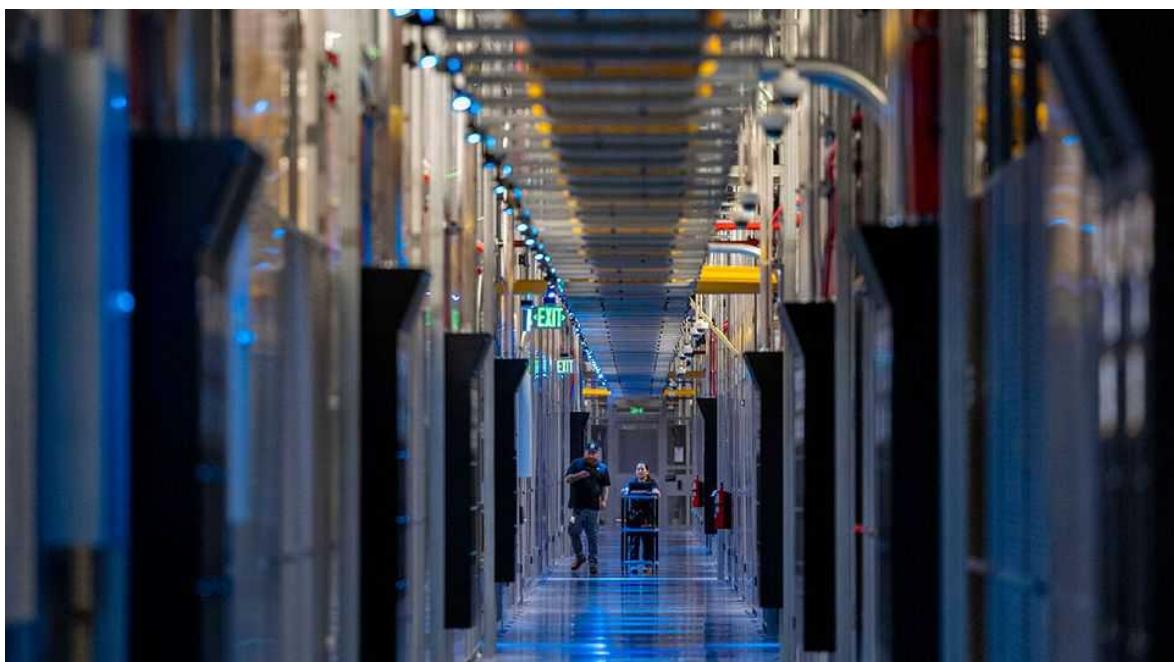
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Business | Build it and AI will come

The murky economics of the data-centre investment boom

How similar is it to the 1990s telecoms bubble?

October 2nd 2025



THIS SPRING McKinsey made what seemed to be an extraordinarily bullish forecast of capital spending on the chips, data centres and energy to produce artificial intelligence (AI): \$5.2trn worldwide in the next five years. Less than six months on, the consultancy is considering upping that estimate. Announcements in America suggest investing in generative-AI infrastructure is reaching fever pitch.

Such expenditure, accentuated by staggering data-centre deals unveiled by firms such as OpenAI, Nvidia and Oracle, is aimed at increasing the computing power its protagonists believe is needed to supply generative AI. But demand—especially the revenue-yielding sort—does not yet match the

hype. Though consumers' use of [chatbots](#) is rising, McKinsey has found that the success rate of AI pilot projects in firms it has canvassed is less than 15%, says Pankaj Sachdeva, a partner at the firm. He predicts an era of "lumpiness" between supply and demand that could last for years.

The strength of demand for generative AI may be the most critical factor determining whether or not this infrastructure boom ends in a bust. But three novel aspects of the data-centre building frenzy add to the uncertainty: the centres' remote locations, the non-public firms financing them and the weak credit quality of some borrowers. This trifecta reminds some sceptics of the last great infrastructure debacle: the telecoms boom of the late 1990s. Yet plenty of others are holding their noses and diving in.

Geography is the most tangible novelty. The new AI data centres are springing up in the middle of nowhere rather than in established clusters close to big sources of demand and interconnection hubs, such as northern Virginia. OpenAI and its partners, Oracle and SoftBank, have begun the first phase of Stargate (pictured below), a \$500bn AI-infrastructure project announced by President Donald Trump in January, in a part of Texas with lots of wind and solar energy—and empty space. North Dakota and New Mexico have similar attractions.



Such fresh locations solve a power problem: many existing clusters lack enough surplus energy for training the latest large language models (LLMs) developed by labs such as OpenAI. But isolation introduces risks for property investors that may not be adequately reflected in the returns, says Gautam Bhandari of I Squared Capital, an infrastructure-focused private-equity firm.

Data centres are usually financed over decades, but those on the cutting edge of AI may become obsolete far quicker, Mr Bhandari says. That is partly due to technology: Nvidia, the dominant maker of AI-related graphics processing units (GPUs), relentlessly improves the efficiency of its chips, which may require regular data-centre upgrades, such as new cooling systems. With land so readily available, a rival data-centre builder with a better, cheaper design can easily set up elsewhere. That raises the likelihood of stranded assets.

The boom's sources of finance are also relatively new. Until recently, big suppliers of capital for data centres in prime locations were stockmarket investors, via real-estate investment trusts (REITs). They were most comfortable when a data centre's power consumption was far less than 100 megawatts. But in the AI era, appetites are measured in gigawatts (GW), and the costs can run to \$50bn per GW.

As demand for capital has rocketed, REITs have been constrained by their own borrowing capacity, says David Guarino of Green Street, a commercial-property research firm. Their place is being taken by private-credit firms (some of which have acquired ex-REITs) and sovereign-wealth funds, as well as banks. These are sophisticated lenders with deep pools of capital, used to the sort of project finance involved in AI infrastructure lending. But their participation shifts risk from equity to debt markets, putting the banking system more squarely in the line of fire if defaults rise.

And the risk of default is raised by the dubious creditworthiness of some firms at the heart of the building boom. This was not a big concern when cash-rich cloud giants, such as Amazon, Microsoft and Google, were recipients of much of the finance. They are “the best tenants in the world”, says Mr Guarino. But more recently, AI labs like OpenAI and “neocloud” firms that rent out GPUs have entered the fray, increasing the quantity—but

decreasing the credit quality—of those involved. The more of them there are, the more they face competition, pressure on returns and uncertainty about their long-term viability.

It is not just lenders who worry about these neophytes. Utilities, conservative by nature, may also think twice about signing long-term energy contracts with them. “You do not know which of these players will be around in five, ten or 15 years’ time,” says Mr Sachdeva. In response, he says, insurance policies, securitisations and the like are being designed to mitigate the risks. Likewise, tech giants such as Nvidia are pitching in with a web of vendor financings and cross-investments that could also reassure counterparties. But if the worst happens, such incestuousness will increase the vulnerability of the AI ecosystem as a whole.

Such interlinkages are adding to concerns that an infrastructure bubble is forming, similar to the laying of fibre-optics and undersea cables in the early days of the internet. Andrew Odlyzko of the University of Minnesota, a historian of infrastructure manias from 19th-century railways onwards, used to downplay the economic impact of an AI bust. He believed that if a few tech giants were forced to write off their investments in data centres, that would only torch a few years’ worth of profits. Now, he says, he is “much more alarmed” because of the number of firms making big investment pledges.

He sees parallels with the late-1990s investment frenzy that culminated in the dotcom crash. Proposed deals such as Nvidia’s potential investment of \$100bn in OpenAI if it buys up to 10GW of GPUs remind him of Nortel’s vendor-financing arrangements with buyers of its equipment during the telecoms bubble. Others, however, play up the differences. Nick Del Deo of MoffettNathanson, an equity-research firm, says that in the telecoms boom cable was laid without customers in place. Today, data centres are built only when counterparties sign contracts for it—though the contracts’ details will be critical in determining whether returns justify the risk.

For now, the potential rewards are so tantalising that money is pouring in, he says. Cheerleaders such as Sam Altman, OpenAI’s boss, argue that the risks of underbuilding are at least as serious as those of overbuilding, because of the long-term economic potential of generative AI. It may be that even if

there is a surplus of capacity in the most advanced data centres, it can be absorbed by running, rather than training, LLMs, Mr Sachdeva says. But that comes back to the question of when demand for generative-AI chatbots and applications catches up with the ambitions of those supplying them. That is the most bewitching uncertainty of all. ■

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How bosses unwittingly exert power

Messages can be received, even if none have actually been sent

October 2nd 2025



J. Edgar Hoover, the first director of the Federal Bureau of Investigation, was a darkly authoritarian figure. During his 48-year reign at the FBI and its forerunner, he exercised personal oversight over decisions large and small, from wiretaps to dress codes. Control bred unthinking obedience. When Hoover once scrawled “Watch the borders” on one of the memoranda that passed across his desk, agents were reportedly dispatched to America’s frontiers with Mexico and Canada. It turned out that he was in fact concerned about the width of the margins on the document.

His underlings’ behaviour may have been rational. Hierarchies generally imply that orders are given and taken. And Hoover was a particular kind of boss: he bore grudges, had a temper and once fired someone for playing with

a yo-yo. It probably made sense for minions to respond to his bidding rather than ask awkward questions like “Which borders?” Executives today tend to practise a different kind of leadership. But even for collaboratively minded managers soaked in the doctrine of psychological safety, this story contains an important lesson.

There is loads of research on authority bias—the tendency for people to suspend their own judgment in the presence of power. Stanley Milgram’s classic experiment, when participants complied with instructions to administer (simulated) electric shocks of increasing severity to others, is the best-known. But an unappreciated aspect of this phenomenon is that power is often exercised unwittingly as well as intentionally.

An ambiguous instruction like Hoover’s can cause chaos, as employees try to interpret what the boss meant. A casual remark by the most well-meaning manager has the potential to send subordinates haring off in unintended directions. A furrowed brow can ruin days. Even in their absence, bosses exercise influence. People spend enormous amounts of time trying to intuit what the higher-ups want. You might call it ouija-board management: messages are being received even if none have actually been sent.

Some bosses and organisations are more aware than others of the impact that a grand title can have. President John F. Kennedy told his advisers during the Cuban missile crisis in 1962 that he would not be part of the team day to day because his presence in the room meant that they were less prepared to challenge each other. When Pixar, an animation studio, road-tests new films internally, it convenes a brains trust of people, most of them very experienced, whose job is to give feedback to the director. The company is explicit that this group has no authority of its own and that it is up to the director whether to take their advice.

Being upfront about power is better than wishing it away. If you are the boss and say things like “You don’t have to listen to me on this,” or “It’s your decision but if I were you,” you may think you are giving people licence to make their own choices. You’re not really. If you don’t care about something, it’s better to say nothing at all than pretend that your opinions do not have extra weight. Starbucks has long had the practice of not capitalising job titles as a way of signalling that all employees are valued. That’s all very

nice. But Brian Niccol, the ceo, is still the one who decides to close stores and lay off workers, as he did in September.

Being clear about why you are trying to do something is a good way for a boss to be there in spirit. Liz Reid, who oversees search at Google, says that without a sense of the reason for a particular strategy, there is more risk that people will just run on rails. “It’s like, ‘Oh, well, Liz said such and such. So now we’re going to go do it ad infinitum.’” Clarity about a goal at least rigs the ouija board in constructive ways. That’s because employees have a decent framework for evaluating new ideas or responding to new information.

Bosses are defined by the power they exercise. That power has great value in co-ordinating teams, resolving conflicts and galvanising efforts. But it is also constantly distorting behaviour. When every word a leader says can ripple through an organisation, remember Hoover and watch the orders. ■

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Business | Fathers and sons

America's newest media moguls: the Ellisons

With Warner Bros and TikTok, the family would be a force in old and new media

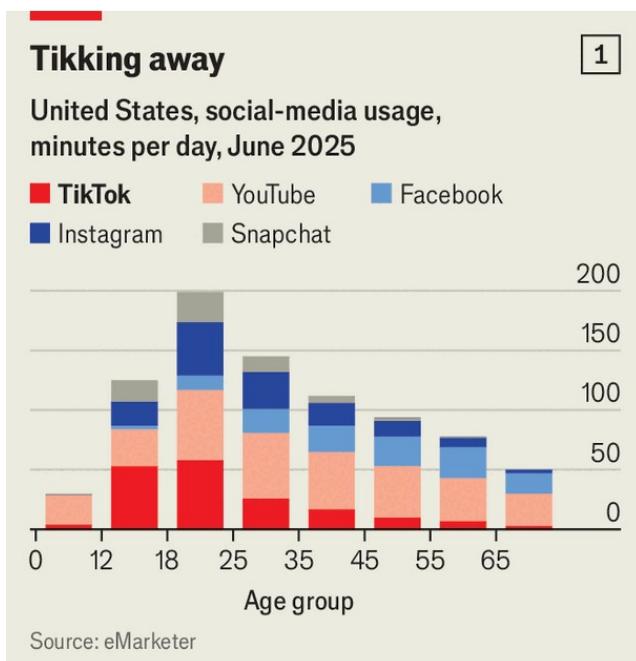
October 2nd 2025



Rising high over Burbank's sprawling film lots, the Warner Bros water tower is an emblem of old Hollywood. Ten miles south, in Culver City, [TikTok](#)'s colourful glass-fronted office symbolises the industry that threatens to take its place. Media's great battle is between professional production studios, such as Warner, and tech platforms like TikTok that serve up algorithmically sorted, user-generated content. Now a pair of deals could bring both companies under the sway of one family.

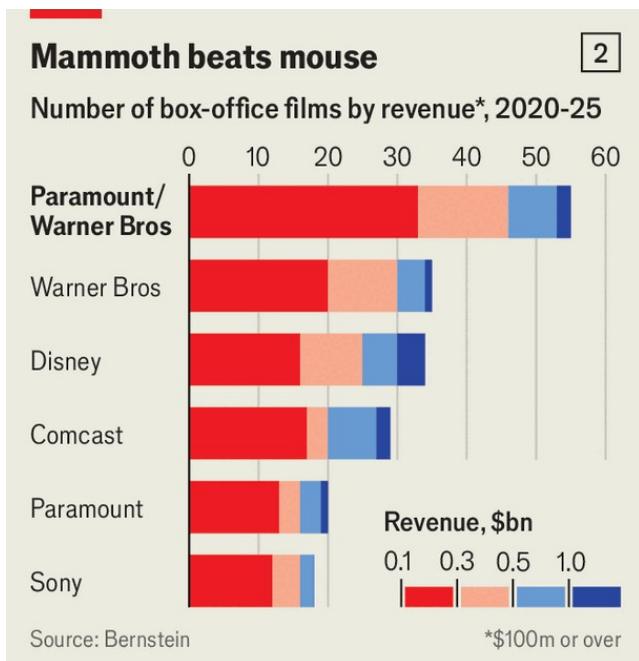
Larry Ellison, the 81-year-old founder of Oracle, a software giant, stumped up most of the cash for his son David to take over Paramount, another grand old Hollywood studio, in August. The family is now said to be bidding for

Warner Bros Discovery, a much larger rival. Meanwhile Oracle is part of a group hoping to [buy the American operations of TikTok from ByteDance](#), its Chinese owner. A sale was approved in principle by President Donald Trump on September 25th.



If the deals go ahead, they will give the Ellisons control of some of America's biggest news and entertainment brands—from “Game of Thrones” and “Friends” to CBS News and CNN—and influence over the social-media app on which American teenagers spend more time than any other (see chart 1). As competition rages between old and new media, the Ellisons could be uniquely placed to bring them together.

Start with the old media. David Ellison, the 42-year-old boss of Skydance Media, a production company he founded 15 years ago with his father’s help, took control of Paramount this summer. That followed a prolonged wrangle with the Federal Communications Commission (FCC), which withheld its agreement until Paramount settled a highly dubious legal complaint from Mr Trump about a CBS News report. The \$8.4bn deal was mainly financed by Larry Ellison, who has become the world’s second-richest man since an artificial-intelligence gold rush doubled Oracle’s share price. He may dip into his fortune again as part of the bid for Warner Bros, whose market value is nearly \$50bn.



Combined, Paramount and Warner would be a Hollywood giant. Their recent box-office output exceeds that of any other studio (see chart 2). The pair would have the largest share of the national television-ad market: 35% to Disney's 27%, calculates Madison & Wall, a consultancy. Their streaming services, Paramount+ and HBO Max, together sell more subscriptions in America than even Netflix.

Warner seems keen to be bought, lacking the scale to threaten the likes of Netflix alone. But putative buyers are scarce. Tech firms like Apple and Amazon are unlikely to want its cable-TV properties. Comcast, a cable giant which owns NBCUniversal, might encounter opposition from Mr Trump, who has a grudge against its MSNBC news service. The Ellisons could face an antitrust probe, as a merger would reduce the number of legacy film studios from five to four. Their friendly relationship with the president may help, as may their appointment of Makan Delrahim, an antitrust enforcer during Mr Trump's first term, as Paramount's chief legal officer. The combative FCC will not be involved, since Warner has no broadcast-TV assets.

The TikTok deal seems far from finished. But Mr Trump has named Oracle as playing "a very big part" among the buyers. Oracle is already closely involved with TikTok, storing its American users' data under a scheme

designed to keep Chinese developers at arm's length. ByteDance will reportedly lease a copy of its algorithm to TikTok's new owners, who will retrain it on American users' data under Oracle's supervision. The parties have until January to finalise details. The Chinese government has been notably less clear than Mr Trump in saying a deal has been done.

What would the Ellisons do with their new media empire? David Ellison said after sealing the Paramount deal that he wanted to blend "the creative heart of Hollywood with the innovative spirit of Silicon Valley". Combining one of the world's most valuable content libraries with one of its sharpest content-recommendation algorithms has obvious potential.

The Ellisons already seem to be examining how they might inject Oracle's technology into Paramount. Safra Catz, Oracle's chief executive until last month, sits on Paramount's board. David Ellison has said he will bring the studio's operations onto a single tech stack; this year Paramount was said to be negotiating a cloud-computing deal with Oracle. Oracle already uses data from its acquisition of Cerner, a health-tech company, to build various health-care apps, points out Bernstein, a broker. With TikTok, it would have access to the best source of data on what young Americans like to watch.

Control over news brands like CBS and CNN, as well as TikTok, where many Americans get their news, would give the Ellisons considerable political power. Larry Ellison is on good terms with Mr Trump and has donated to Republican candidates. But he has previously described himself as a centrist, having backed Bill Clinton in the 1990s and remaining close to Sir Tony Blair, Britain's former prime minister. He is also friendly with Binyamin Netanyahu, Israel's prime minister. Paramount was the only major studio to criticise a recent letter by Hollywood stars calling for a boycott of Israel.

David Ellison has for his part appointed a conservative-leaning "ombudsman" to oversee CBS News's coverage. Mr Trump has claimed he expects to receive \$20m in advertising and public-service announcements from Paramount. Yet the younger Mr Ellison donated nearly \$1m to Joe Biden's presidential campaign in 2020, and recently spent \$1.5bn on renewing "South Park", a Paramount cartoon which relentlessly mocks the size of Mr Trump's penis. Asked in August about the spat between CBS

News and the president, Paramount's new owner said that "we don't intend to politicise the company." That may be harder than he expects. ■

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ByteDance will be better off without TikTok US

There is a lot more to the Chinese tech giant than its American offshoot

October 2nd 2025



ONCE YOU start using TikTok, good luck taking your eyes off it. The same goes for the saga of the Chinese app's American misadventures. Unlike TikTok's irresistible short videos, this has dragged on for years. Now, at last, it is nearing a denouement. In late September the contours began emerging of an arrangement reached between Donald Trump and his Chinese counterpart, Xi Jinping, to hand control of TikTok US to a consortium led by American investors. It was either that or, in keeping with a bipartisan law signed in 2024 by Mr Trump's Democratic predecessor, TikTok would eventually go dark in America.

Though the details remain fuzzy, a 30-second TikTok run-down would go something like this. The new owners (flash faces of Larry Ellison and a few

of Mr Trump's other Silicon Valley chums) got 80% of shares in the American entity. The deal values it at \$14bn. Huh? Analysts thought it was worth at least \$40bn and perhaps as much as \$100bn. Ahhh! Turns out that half the profits would still flow to ByteDance, TikTok's parent company in Beijing, which would retain a 20% interest. But a licence to use the app's eye-adhesive recommendation algorithm is now in American hands, ensuring it cannot be manipulated by the Communist Party. Big thumbs up.

TikTok's American devotees, 117m of whom scroll through it at least once a month, according to eMarketer, a research firm, can relax. The new shareholders can rub their hands at what looks like a bargain even given their diluted economic stake. And Mr Trump can revel in the glory of closer-in-chief.

Yet the biggest winner of all may in fact be ByteDance. That is because letting go of TikTok US removes a distraction from its \$330bn parent's low-key global conquest. One ByteDance investor goes so far as to suggest it could be even more valuable shorn of TikTok US altogether.

Amid all the hoopla it is easy to overlook just how small a part of ByteDance's e-empire America makes up. By all accounts, it is not a particularly profitable one, either, at least for the time being. TikTok has more than 1bn monthly active users outside the United States—all the more impressive when it is outlawed in populous India. Douyin, its elder Chinese sibling, chips in another 800m or so—and is making real money. It was probably responsible for most of the \$33bn in net profit ByteDance reportedly generated last year, on global revenues of \$155bn.

Crucially, ByteDance is no longer just about selling ads alongside catchy clips. This contributed \$49bn to sales in 2024, reckons eMarketer, less than a third of the total. The privately held firm has displaced Baidu, a diminished tech pioneer, as the B in BAT, a popular shorthand for China's digital oligopoly. It is going head to head with the acronym's two listed constituents, Alibaba and Tencent, in everything from entertainment and e-commerce to artificial intelligence (AI) both at home and abroad. In some parts of the world, it is ready to challenge Western big tech, too.

The magic of ByteDance lies in its knack for creating products that successfully cut across existing categories. Are TikTok and Douyin social apps? Sort of, though more in the sense of YouTube than of Facebook or Instagram, which despite TikTok-like tweaks to their algorithms remain partly about forging and nurturing social ties. Are they show business? Sure, but not like Netflix or Disney, with their gargantuan production budgets.

Or maybe e-commerce? That, too, now that you can buy as you binge on the app's mesmerising content. ByteDance is the third-biggest online-shopping platform in China by value of goods changing hands on it, behind only Alibaba and Pinduoduo. This year TikTok Shop entered countries including Brazil, France and Germany. In Britain, where it has been around since 2021, it is the fourth-largest online pedlar of clothes, sashaying past Marks & Spencer and eBay, according to Morgan Stanley. Thanks to a shotgun merger in 2024 with Tokopedia, an Indonesian online emporium, TikTok now controls over a quarter of e-commerce in the ASEAN club of South-East Asian countries.

TikTok and Douyin are also increasingly being used as a novel kind of online search, offering up tips and information that people would once have googled. This poses a challenge not just to Baidu, once hailed as China's Google, but also to the American original. And that is before you get to AI.

ByteDance has been a machine-learning company since its inception in 2012. Like Google with its page-rank algorithm, it created its eerily accurate recommendation engine first and built a business around it later. This is now being augmented by generative AI. Last year ByteDance bought over 200,000 high-end AI chips from Nvidia, more than Amazon, Google, Meta or Tencent. Its large language models rank at or near the top of various cleverness league tables. Its Chinese chatbot, Doubao, had 157m monthly users in August, taking market share from DeepSeek, its more globally recognisable rival. It is China's top AI app; its sister Jimeng, an image-generator, is number four.

ByteDance's category-busting business model was always going to be harder to deploy in America's digital market than in less mature ones. TikTok Shop opened there only in 2023, three years after Douyin introduced its version in China. Given geopolitical sensitivities, layering AI on top of

TikTok US would be yet more forbidding. Better to focus attention and resources on less contentious places. With the American hassle behind it, ByteDance may accelerate the roll-out of new features everywhere else.

So why not dump TikTok US once and for all? To Mr Xi that may have been a concession too far to Mr Trump. For ByteDance, it could have been a cleaner—and more lucrative—outcome. ■

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How the Trump administration learned to love foreign aid

America's international assistance has not been destroyed—it has been transformed

October 2nd 2025



Nobody expected President Donald Trump to save a country from financial crisis. Yet on October 14th he will meet Javier Milei, Argentina's president and an ideological ally, to discuss the details of a rescue package. America has already promised Argentina a swap line worth \$20bn—an amount representing half the South American country's foreign reserves—in order to address investors' fears about the durability of Mr Milei's currency reforms, which had sent the peso tumbling. Treasury officials are also considering a raid on the Exchange Stabilisation Fund, a stash of dollars that was last used to assist a foreign country in 2002.

Eight months into his second term, Mr Trump has overhauled America's financial diplomacy. For decades, policymakers had sought to alleviate poverty and win friends doing so. Cash was doled out via aid agencies, as well as the IMF and World Bank, in which America is the biggest shareholder. Now Mr Trump has shut off half the money America sent abroad, panicked multilateral institutions and is extending the most generous American bail-out in 30 years. When Mr Trump began to wield the axe, officials feared America would give up funding developing countries altogether. Instead, a new approach is emerging.

It represents a revolution. American financial diplomacy is now nakedly self-interested. Money is on offer to ideological allies, leaders who control something Mr Trump wants and countries he hopes to lure away from China. In the long run, more could be spent on these goals than was once spent on poverty alleviation. The problem is that they are in tension.

Officials at the IMF and World Bank were reassured when, in April, Scott Bessent, America's treasury secretary, said that he would not withdraw support so long as both reformed. But they are now worried about what will happen when the White House realises its requests are impractical. Mr Bessent wants the IMF to cut overall lending, which would take decades, and help America reduce the trade surplus of China, another shareholder.

Meanwhile, the Trump administration has rejigged three organisations to pursue its new agenda. In July USAID, America's main aid agency, handed its last funds to the State Department, where a small team led by aid sceptics has been asked to find new uses for the cash. The Millennium Challenge Corporation, an infrastructure lender frozen in April, has reopened, albeit at a quarter of its earlier size, and been put under Chris Landau, the deputy secretary of state. The State Department will control most of the Trump administration's international-affairs budget of \$31bn in 2026, which is half the size of last year's pot.

The third institution is the International Development Finance Corporation (DFC), which lends to foreign firms. Mr Trump set it up in his first term; its loan book is capped at \$60bn, mostly raised from private investors. The White House wants to lift that to \$250bn, which will need congressional approval. Officials at all three say they will scrap most handouts, instead

lending at close to commercial interest rates or making equity investments. Anything that does not turn a profit must serve a narrow set of priorities to avoid being considered a waste of public funds.

On what can money be spent? One use is supporting friendly leaders. America rarely extends bilateral bail-outs, leaving it to the IMF. Now Mr Bessent is not only rescuing Argentina, he has declared unconditional support for Mr Milei. Despite Mr Trump's isolationist tendencies, the bail-out shows he is willing to be generous to allies. America may struggle to recover funds drawn from the facility, as Argentina is burning through foreign reserves to protect the peso. Even after the bail-out, it still probably lacks the dollars to cover next year's imports and loan repayments.

Mr Trump is also willing to pay to hurt rivals. China is the world's biggest bilateral creditor. According to researchers at the College of William and Mary, it has spent \$185bn since 2016 on bail-outs alone, second only to the IMF. That has become a problem during tariff negotiations. American officials had hoped to persuade more trade partners to place duties on China, but it is difficult to do so when countries are indebted to Chinese creditors.

An American bilateral bail-out service might solve part of the problem. America has been asking Mr Milei to shut down an \$18bn swap line with China since April; now it has leverage. Consequently, it has also asked him to stop selling soyabean to China. A Treasury official says that Argentina's may be the first of several bail-outs from America on similar terms, although it is unclear who else might receive them.

Officials could also take on China with the America First Opportunity Fund, a new \$3bn pot controlled by Marco Rubio, the secretary of state. State Department officials say that they are considering financing telecoms deals in South-East Asia, where many networks are run in partnership with Chinese providers. Other money could go on tuna fishing in the South Pacific and, in the form of loans, to Latin American governments that refuse Chinese firms access to critical minerals.

The last diplomatic priority is domestic industrial policy. This may sound odd, but the idea that foreign assistance must solve American problems is now sacrosanct. State Department priorities increasingly resemble a

shopping list: rare resources, sophisticated electronics and defence components. The Trump administration has offered the Zambian government inducements to fast-track mines, has tied military aid to mineral exploitation in Ukraine and is expected to sign a similar deal with the Democratic Republic of Congo next month. The DFC has committed to helping an American firm drilling for copper in the DRC by constructing a railway. And Mr Trump has told the institution to do everything from finding Greenlandic exploration sites to lifting production of brushless motors, a drone component.

This agenda is bold. It is also expensive, and the White House had promised less foreign assistance. Running a lending programme to rival China would alone be ruinous. According to the Council on Foreign Relations, a think-tank, in 2024 the foreign loan books of just two Chinese state banks were worth \$506bn. Even with lawmakers onside, the most Mr Trump will be able to offer is \$300bn. Chinese officials may even welcome the competition: they have grown tired of rescuing troubled economies.

So far Mr Trump has made choices on the fly, ignoring the price tag. Officials working for Mr Trump hope his ambitions will moderate as he realises the scale of finance involved, in which case bail-outs and anti-China handouts might be dropped in favour of mining projects. If not, and plans to enlarge the DFC are approved, the White House would become a bigger donor than under Joe Biden—not something MAGA types would enjoy. ■

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Credit markets look increasingly dangerous

A pair of bankruptcies highlight the risks

October 2nd 2025

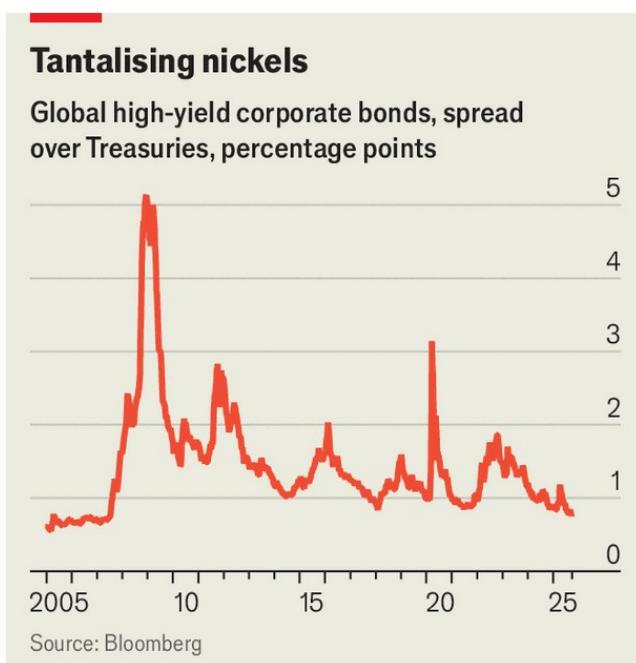


Mention 2007 to a group of professional investors, and watch them bristle. The year was a bad one. It marked the end of the great moderation—a long period of low inflation and steady economic growth that began in the 1980s—and the start of strains in credit markets which became the global financial crisis.

You would not be the only one bringing up the year, though. Gloomier investors now sense pre-crisis complacency in credit markets. Over the past month, the spread between yields on corporate bonds and Treasuries has fallen to its lowest since 2007. Junk bonds offer spreads of just 2.8 percentage points, far below the 4.5-point average of the past two decades. A handful of the highest-rated corporate bonds, issued by firms like

Microsoft, offer yields lower than those issued by the American government. The market is priced for perfection; investors think the risk of disorder is just about as low as it has ever been.

They do so even as high-profile bankruptcies and worries about America's economy cause strains in corners of the credit markets. On September 10th, Tricolor Holdings, a sub-prime automotive lender, filed for bankruptcy. It stands accused of fraud by Fifth Third Bank, one of its creditors. Then on September 28th First Brands, a car-parts-maker, followed suit. The company revealed a web of liabilities worth at least \$10bn; an internal probe is now investigating whether the firm used receivables—money that was due from customers—to borrow from lenders several times over. Jefferies, an investment bank, and Millennium Management, a hedge fund, are among those facing losses.



Just how risky is corporate lending? A boom in alternative markets has made it difficult to answer that question. America's private-credit market, home to roughly \$1.6trn of outstanding loans at the end of 2024, is now about the same size as its junk-bond market. Private credit ballooned as banks withdrew from riskier lending following the financial crisis; new institutions sought high returns in opaque markets, and were willing to put up with the risk doing so entailed. This has led to extraordinarily complex financial

arrangements, many beyond the sight of regulators and even the institutions involved.

Private-credit investors must now hope that recent blow-ups are isolated events, not harbingers of worse to come. They have reason to be pessimistic. Lincoln International, an investment bank, suggests that 11% of private-markets firms are receiving “payments-in-kind”, in which borrowers defer interest payments and offer creditors IOUs instead, up from 7% at the end of 2021. Liability-management exercises—creative restructurings of a struggling firm’s debt—have become more common, keeping official bankruptcy rates lower than would have been the case. Meanwhile, business-development companies, financial vehicles that raise capital to invest in private credit, have fallen out of favour. An index of listed BDCs is now down 7% for the year, including dividends.

There are flashes of weakness in America’s economy, too, especially among poorer consumers, suggesting more firms may come under pressure. The share of automotive debt unpaid for 90 days or more rose to 5% in the second quarter of the year, its highest in five years. Sales of lorries, used by investors to track America’s retail and industrial economies, have dropped from an annual rate of 553,000 in May 2023, their post-pandemic peak, to one of 422,000 in August, the lowest in five years. The unemployment rate has crept up. And this is before the impact of America’s new tariff levels, the highest since the 1930s, has fully fed through.

Fitch, a credit-rating firm, notes that the consequences of a potential slump have not just grown—they are also no longer constrained to giant investment outfits. Private-credit firms have marketed themselves to smaller investors, including retirement accounts. At the same time, banks and insurers have lent more to them. Fitch’s analysts caution that private credit’s connections to the banking system are not yet large enough for it to constitute a risk to the entire financial system, as was the case with credit markets in 2007. But even without a financial crisis, blow-ups can have wide-ranging effects. In 2015 and 2016 a slump in the oil price led to panic over bonds issued by energy companies. That sell-off rippled through other parts of the market, too, with the bonds of less creditworthy companies slumping in price. Something similar could be sparked by worries over low-income consumers.

And even if a credit bust does not arrive, there are other dangers for investors. With spreads so close to their historical lows, there is vanishingly little money to be made in exchange for the risk that investors are taking on. “In equities, everyone is obsessed with the upside. But in fixed income, when spreads are at all-time tights, it’s a matter of when, not if,” says Oksana Aronov of JPMorgan Asset Management. “You don’t want to be picking up the nickels in front of that steamroller.” ■

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The economics of self-driving taxis

Waymo is a case study in automation

October 2nd 2025



AUTONOMOUS TAXIS are taking over San Francisco. Waymo, which launched only in 2023, may now have over a fifth of the city's ride-share market. Wherever you look, one of the company's white Jaguars whooshes past. [Tesla's robotaxis](#) have joined them, though with a supervisor in the driver's seat. Before long Zoox, a firm owned by Amazon, will set its taxis free in the city.

The robotaxi boom raises a question: when tech automates a profession, what happens to human workers? You might think that drivers are doomed. In fact, the rise of autonomy has played out in two different ways. First, it has raised overall taxi demand in San Francisco, limiting job losses. Second, it has catered to a lucrative corner of the market.

Take the size of the market first. According to official data, in 2024 the number of people in San Francisco working for “taxi and limousine service” firms grew by 7% against a year earlier. Total pay in the industry rose by 14%. Figures from the city indicate the number of regular taxi trips is about the same as last year. It can still be hard to find a yellow cab at peak times. “As self-driving cars enter the marketplace, they will actually expand the market,” David Risher, chief executive of Lyft, a human-powered ride-hailing firm, has predicted.

The extra riders come from different places. Waymo claims that people visit San Francisco to take its taxis, which would represent pure additional demand. More probably, residents are using private cars less. When the alternative was a Lyft or an Uber, people may have preferred to drive themselves, since the risk of having to engage in awkward conversation was too great. In a driverless taxi you can sit in silence. Now overall spending on taxis appears to be growing especially quickly compared with in other cities. And since Waymo’s launch the number of private cars, adjusted for population, has fallen.

Autonomous taxis are nonetheless a long way from being a mass-market product. Waymos are comfortable and generally clean. But they are perhaps 20-40% more expensive than a Lyft or an Uber. They are also slow. Unlike human-piloted taxis, autonomous ones rarely break traffic rules; you cannot tell a robot to “step on it!” Human drivers in San Francisco now know that if they bully a robotaxi it will give way, meaning Waymos are often slow to move.

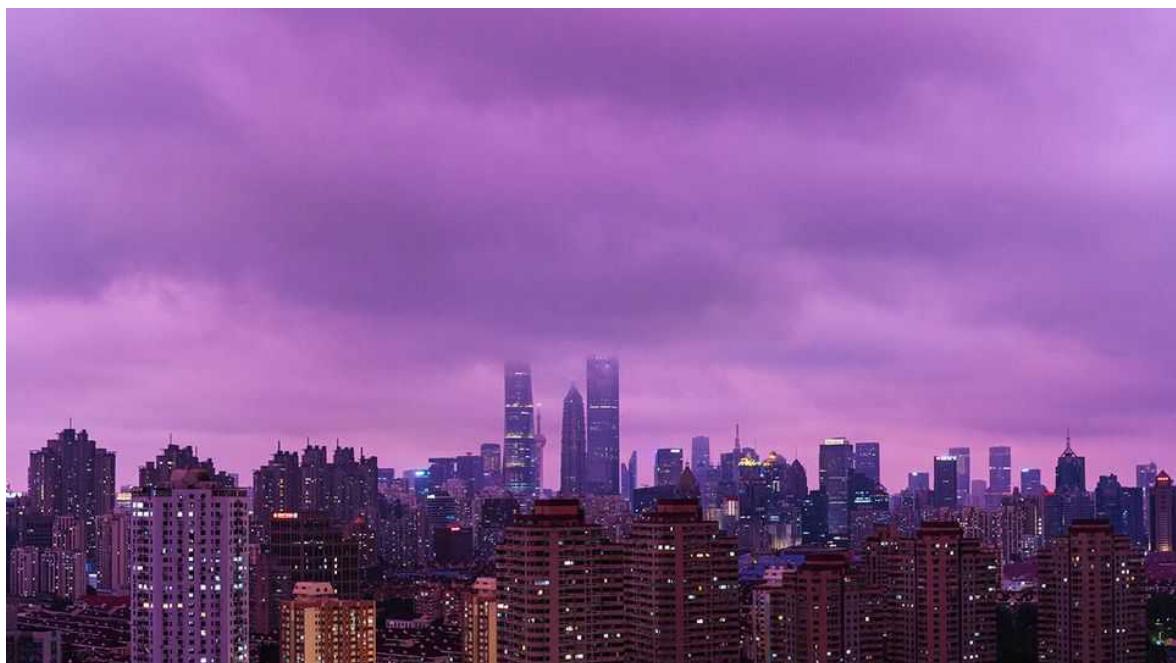
Over time, robotaxi companies may iron out some of these flaws by, for instance, cutting prices. But do not expect autonomous taxis to dominate the market soon, in San Francisco or anywhere else. If you have time, by all means sit in a robotaxi. If you need to get somewhere fast, there is nothing better than a yellow cab.■

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China's stockmarket rally may hurt the economy

The “wealth effect” is not the only way it has an impact

October 2nd 2025



SOME CALL it 9/24 for short. On September 24th last year China's officials decided to [engineer a rally](#) in the stockmarket. The central bank cut interest rates and bank reserve requirements. It also enabled companies to buy back their shares and institutional investors to leverage their balance-sheets more easily. The markets took the hint. Buy “everything”, advised an American hedge-fund manager.

A year later, the Shanghai composite, an index of pretty much everything that can be bought on the Shanghai Stock Exchange, is up by about 40%. The rally drew strength in its early stages from the promise of fiscal stimulus and enthusiasm for [homegrown artificial intelligence](#). More recently it has gained momentum from the government's efforts to discourage price wars,

which, though good for consumers, are bad for the profits on which shareholders have the final claim. Last month the index exceeded 3,800 for the first time in ten years. But the government's ultimate goal was not merely to revive the market. It hoped the market would help revive the economy, too. Unfortunately, the economy has refused to take the hint.



High stock prices can provide a lift to shareholders' paper wealth and morale, which might encourage them to spend—what economists call the “wealth effect”. Rich valuations can also give firms the means and the motivation to expand their businesses. On top of this, a buoyant, bustling stockmarket improves the fortunes of the brokers, dealers and banks that handle share purchases and finance them.

The stockmarket revival does seem to have increased the risk appetite of households. After years of hoarding cash, especially in the covid-19 pandemic, they are now accumulating bank deposits at a less determined pace. Meanwhile, the number of new share-trading accounts opened since 9/24 in Shanghai may exceed 30m by the end of September. Bulls talk of a “tectonic shift” out of deposits into stocks.

Greater faith in the market has not stirred optimism about the economy, however. Consumer confidence, which collapsed during the pandemic,

remains low. Household spending on goods and services has also been disappointing. Retail sales in August grew by only 3.4% year on year, before adjusting for inflation. “Buy everything” has not extended from the financial bourses to the shop shelves.

What about corporate spending? [Hong Kong](#) has enjoyed a listings bonanza this year. But initial public offerings (IPOs) on the mainland have been subdued. In April 2024 regulators raised listings standards after a stockmarket rout earlier in the year, which cost Yi Huiman, head of the securities regulator, his job. Although the tighter standards have helped preserve market momentum by strengthening investors’ rights and limiting the supply of new shares, they have also made the stockmarket harder to tap as a source of capital. Of all the money raised by non-financial companies in the year to August, only 1% was provided by the equity market. China’s regulators are wrapping a safety blanket around retail investors at the cost of putting a wet blanket on business investment. Mr Yi, meanwhile, is now being investigated for “serious violations of discipline”.

China’s stockmarket has rarely been a big source of finance for firms. Yet even if it does not provide the money for investment, the market can provide the motivation. In theory, companies will be keen to expand if markets place a higher value on their assets than the cost of reproducing them. In practice, things are different. Fixed-asset investment fell by over 6% in the year to August. The government’s injunctions against ruinous competition, including reckless expansions of capacity, may have contributed. Although corporate restraint may be good for the profitability and market value of firms, a heedless capex splurge would be better for demand.

The stockmarket is not just a barometer of the economy; it is also part of it. Financial institutions that serve the market, offering margin loans, brokerage accounts and so on, contribute to GDP. Sometimes they make a measurable difference to growth. During the stockmarket bubble of 2015, these activities soared. The turnover of shares rose by more than 900% in the year to the second quarter of 2015. This uptick in financial activity helped the sector grow by 23% in nominal terms in the second quarter of 2015, compared with a year earlier. Ultimately, it accounted for about 16% of the economy’s growth that year.

Recently, however, higher trading volumes have had a more muted impact on GDP: the financial sector has grown by only 4% in nominal terms so far this year, compared with last. One reason is that brokers' fees have dropped, reducing the recorded value of the services they provide. Average commission has fallen from about 0.08% in 2014 to about 0.02% today, according to Lu Ting of Nomura, a bank. The boom in stock trading has also been overshadowed by the weak profits of China's banks, which still dominate the sector.

Other parallels with 2015 make the government nervous. The past year's rally has already lasted longer than the more frenzied bubble of a decade ago. Margin financing—stocks bought with money borrowed from brokers—has exceeded the 2015 record. One broker raised margin requirements last month, limiting the leverage its customers could take on. Regulators have also urged banks to investigate the misuse of other loans for share purchases, according to Bloomberg, a news agency. It reports that social-media platforms have been warned not to give too much publicity to the bull market.

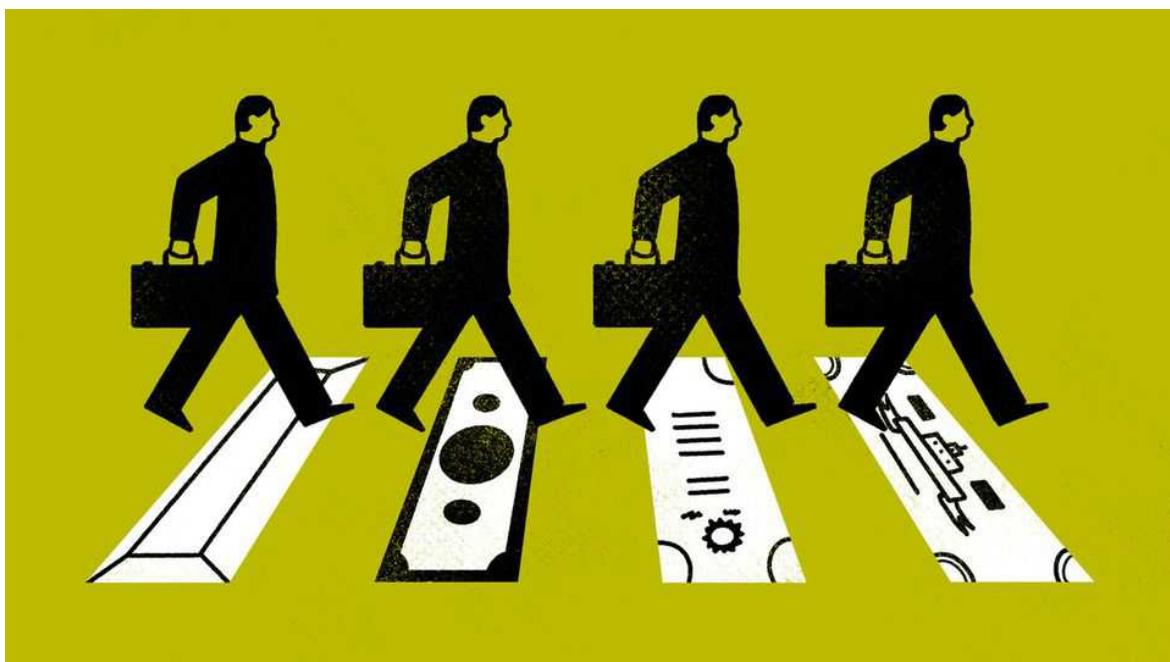
The government is understandably afraid of another bubble. Such fear may delay further cuts in interest rates or reserve requirements by the central bank. But hesitation also poses risks. Deflation remains entrenched: factory-gate prices have been falling year-on-year for 35 months. Consumer-price inflation turned negative in August. The economic slowdown could worsen if exports falter and the property slump persists. The central bank started the stockmarket rebound a year ago in the hope of lifting the economy. It would be ironic if officials' fear of what they have unleashed hurts the economy more than the rally has helped. ■

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The eccentric investment strategy that beats the rest

Introducing the 25/25/25/25 portfolio

October 2nd 2025



One tendency veteran money-managers often share is a high tolerance for cognitive dissonance. This is because without it their job would be a nightmare. Clients know that outsize returns come from taking risks, and want them to do so, but then balk when they lose money. Research is essential for gaining an edge, but a good chunk of even the best analyst's ideas will fail to turn a profit. And of course, the most carefully built portfolio—with each position backed by a solid thesis and weights fine-tuned to the basis point—can be trounced by one that might have been slapped together in five minutes.

Meet the 25/25/25/25 portfolio, which has a slapped-together-in-five-minutes feel to it even if it was not. Also called the “permanent portfolio”, it was devised in the 1980s by Harry Browne, an investment adviser who also ran twice to be America’s president as the Libertarian Party candidate. Each 25 represents the allocation to an asset class: a quarter to stocks, bonds, gold and cash. It is, to put things mildly, an eccentric strategy when viewed through the lens of conventional theory. It is also one of this year’s standout performers.

Since the start of 2025, tracking America’s S&P 500 share index would have returned 14%, compared with 10% for the classic 60/40 split between shares and Treasury bonds. A permanent portfolio constructed with American shares and Treasuries, meanwhile, would have delivered a 16% gain, calculate analysts at Bank of America. Moreover, since the start of the 2020s, the permanent and 60/40 portfolios have generated roughly the same returns, of 9% a year. Broaden the scope to global assets, and the permanent portfolio has returned 8% a year, while the 60/40 has returned 6%.

Browne’s investment strategy is unusual because it ignores some basic principles of asset allocation. One is that a portfolio should have big positions only in investments that generate cashflows, and therefore have an identifiable source of expected returns. Shares do (implicitly, from their underlying earnings) and so do bonds (from their coupons). But gold does not, and historically the returns from cash have barely beaten inflation, which is why conventional portfolios tend not to hold much of either for the long run.

Then there are the weights. Orthodox theory suggests these should be determined by balancing the expected returns from each asset class against its volatility, while accounting for its correlations with the others. The 60/40 strategy is a rule of thumb that comes from such considerations. The 25/25/25/25 strategy does not: it just picks four asset classes and lumps equal parts of your portfolio into each.

Instead, the permanent portfolio is designed so that at least one of its parts ought to prosper whatever the weather. Proponents define four archetypal regimes—expansion, deflation, inflation and recession—which in combination can describe any economic backdrop. In an expansion, goes the

reasoning, share prices should rise as earnings beat expectations. Deflation favours bonds, raising the real value of their fixed cashflows while falling interest rates raise their prices. Gold is the time-honoured inflation hedge, and cash is handy in a recession, both because you will need it if you lose your job and because you can use it to snap up assets at bargain prices.

In years gone by, Browne's hefty allocation to gold put off many. The stereotypical gold bug knew a bit too much about automatic weapons and probably cheered at Browne's libertarian push to abolish income tax and social security. Today, gold is rather more respectable. Its price is over two-and-a-half times what it was in early 2020, and has risen by nearly 50% this year alone. A stash of precious metal suddenly seems prudent rather than archaic.

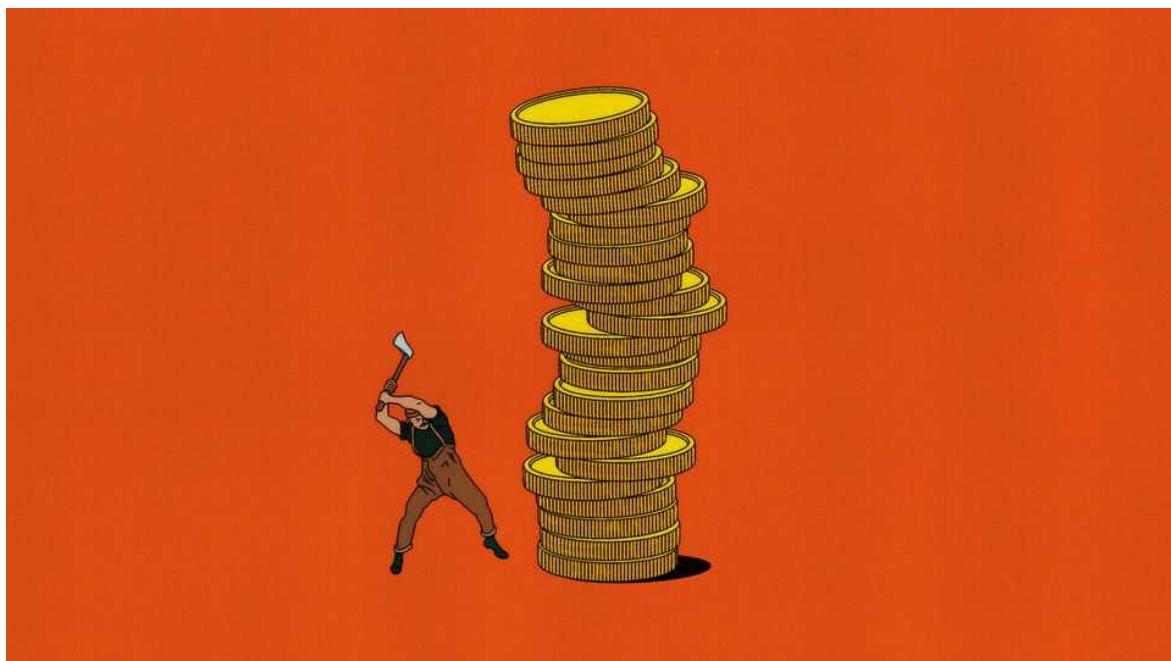
What is more, history suggests that the permanent portfolio offers more than just a series of hedges against various economic hardships. A study in 2014 by Hamish Anderson, Ben Marshall and Jia Miao, all of Massey University in New Zealand, calculated 40 years' worth of monthly returns for 11 permanent portfolios, each using stocks and bonds from a different country. In all cases, they found the losses made by permanent portfolios in the worst 5% of months were less severe than those from 70/30 splits between stocks and bonds. More surprisingly, the 25/25/25/25 strategies' risk-adjusted returns—measured by the “Sharpe ratio” used by fund managers fine-tuning their portfolios—were always better. Sometimes it really does pay not to think too hard. ■

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Don't tax wealth

Even the most sophisticated arguments in favour of doing so make no sense

October 2nd 2025



France is in a giant fiscal hole. This year the government will run a deficit, where its spending exceeds its revenues, of €160bn (\$190bn, or more than 5% of gdp). Investors in its bonds are nervous; politicians need to close the gap. Left-leaning economists, and a growing number of centrist ones, believe that a wealth tax is part of the answer. Gabriel Zucman of the Paris School of Economics, for instance, has [proposed an annual levy](#) of at least 2% on fortunes larger than €100m. Although the arguments of economists today are subtler than those normally used to support levies on wealth, they are just as wrongheaded.

A dozen oecd countries had wealth taxes in 1990, but over time the approach has fallen out of favour. Austria abolished its wealth tax in 1994, Germany in 1997 and Sweden in 2007. Even France followed suit in 2018. Only three rich countries—Norway, Spain and Switzerland—still have a tax on net wealth.

Politicians abandoned such taxes because they did not work. The Mirrlees Review, a mammoth repository of good sense about tax policy published by the Institute for Fiscal Studies, a think-tank, and completed in 2011, found that wealth levies “might raise little revenue, and could operate unfairly and inefficiently”. They face numerous problems. Valuing wealth, and therefore the amount of tax to take, is supremely difficult. In response to new levies, the rich have an annoying habit of moving abroad.

Consequently, wealth taxes do not raise much money. Arguments from some on the right that they lead to economic destruction are overdone. But a large-scale review by the oecd found “limited arguments” for net wealth taxes on top of those on capital gains and inheritance. And politicians have found plenty of other ways to ensure that the richest pay lots of tax. In America effective tax rates now rise from 2% for the bottom quintile of income to 45% for the top 0.01%, according to a recent study by David Splinter of America’s Joint Committee on Taxation. Tax systems in most other rich countries are also highly progressive.

Nonetheless, it is not just in France that wealth taxes are back on the agenda. In Britain and Germany their reintroduction is discussed from time to time. Australians are debating whether to place higher taxes on people with large retirement accounts. In America, President Joe Biden floated the idea of a tax on unrealised capital gains, which would have been a wealth tax of sorts.

Economists are aware of the problems such taxes face. A growing number support their reintroduction regardless. “I don’t like wealth taxation, but... there is a good case for an exemption in today’s France,” wrote Erik Fossing Nielsen, formerly of Goldman Sachs, a bank. Olivier Blanchard, formerly the imf’s chief economist, has endorsed a Zucman-style tax, though at a lower rate. Governments will soon have to take painful decisions to close budget deficits, and the necessary measures will probably include cuts to social services and increases in other sorts of taxes. To avoid a new wave of

support for populism, or so the thinking goes, politicians will have to convince the public that the rich are sharing the load. A Zucman-style tax, which 86% of the French public say they support, might be the perfect way to do just this.

It is a seductive argument. It is also misguided. Some economists object to their colleagues' advocacy of wealth taxes on procedural grounds. "In my view", wrote John Cochrane of Stanford University, "economists should analyse tax policy based on incentives, not moral sentiments, where we have little comparative advantage." Leave politics to the politicians, in other words.

There are more substantive objections. Wealth-tax arguments fail on the grounds of durability, utility and naivety. Begin with durability. Zucman-style taxes may be popular for the moment, yet continued support is far from guaranteed, since the public has peculiar views when it comes to taxation. Americans, for instance, say that they want progressive taxes but, when asked about particular levies, also hate progressive taxes the most. A paper by Ursula Dallinger of the University of Trier suggests that support for wealth taxes can ebb, depending on factors including the state of the economy. Thus France could be left with a tax that is both economically damaging and politically counter-productive.

Second, utility. Even if a wealth tax remained popular after its introduction, would it achieve the goals sought by supporters such as Mr Blanchard? The French public would enjoy poking plutocrats in the eye. But the joy would almost certainly be fleeting. The tax would not raise enough money to offset required cuts elsewhere; any momentary jubilation would surely give way to incandescent rage once the government announced, say, reductions in disability benefits or a modest rise in the retirement age.

Third, naivety. Mr Zucman's newfound supporters underestimate the risks of letting the wealth-tax cat out of the bag. Many wealth-tax advocates almost certainly see a levy of 2% as just the start. While helping Bernie Sanders's presidential campaign in 2019-20, Mr Zucman seemed to favour a tax of 8% on America's biggest fortunes. And observe Thomas Piketty, Mr Zucman's mentor, who has gone in the past decade from advocating mild wealth taxes to ones that would confiscate 90% of the biggest fortunes. Mr Piketty

recently floated the possibility that rich folk who tried to leave France to avoid the tax should be arrested at the airport.

France has other options if it wants to right the fiscal ship, and to do so without savage cuts. Higher rates of vat, as well as taxes on land and other immovable property, would raise plenty of money. A carbon tax would make a difference, too. And at some point the country will have to raise its absurdly low retirement age. None of this would be easy. But implementing a bad policy in order to achieve a good outcome is rarely a wise approach. ■

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Science & technology

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Science & technology | Not hot air

Armed forces are using 18th-century technology to spy on enemies

High-altitude balloons are surprisingly useful in modern conflicts

October 2nd 2025



SOLDIERS ON MANOEUVRES do relish a “sinking exercise”: the blowing up of a clapped-out warship as target practice. And during Valiant Shield 2024, a wargame in the [Pacific](#), many witnessed a first-of-its-kind scuppering. A stratospheric balloon carrying what were described as “electromagnetic spectrum sensors” helped guide the American army’s new Precision Strike Missile into a moving vessel.

This year, meanwhile, has seen that army sign a deal worth \$4.2bn to upgrade its fleet of tethered “aerostat” balloons, employed for surveillance and communication closer to the ground. And other countries are following suit. Poland is buying four American aerostats for inclusion in an early-

warning radar network it is building to detect [Russian missiles and aircraft](#). Israel has deployed aerostats along its border with Lebanon, to warn of incoming rocket fire. Ukraine is using them as signal relays, to enable its drones to fly longer distances under control. After decades in the wilderness, military balloons are taking off again.

Military ballooning flourished soon after ballooning's invention in France, in 1783 (Chinese "sky lanterns", though invented centuries earlier, were never turned into people-carriers). In 1794, for example, the French tethered a hydrogen balloon above a battlefield to spy on Austrian manoeuvres below. Reconnaissance balloons also saw action in the American civil war. In the Franco-Prussian war they carried messages between besieged Paris and the outside world. And they were deployed by both sides in the first world war to snoop on and behind enemy trenches.

By the second world war, however, planes had replaced them and they were relegated, in the form of barrage balloons, to the role of defence against those mechanical interlopers. And in the 1960s satellites rose to prominence for spying and communication. It may thus come as a surprise—in an age where satellite constellations fill the sky and drones are ubiquitous—that armed forces around the world are reviving balloons. But they are.

These devices come in two main forms: aerostats and high-altitude balloons. Aerostats are tethered blimps that operate between three and five kilometres up. Besides acting as signal relays they can lift sensors intended to detect low-flying threats, such as missiles and drones, that can leak through conventional radar coverage. They cost far less than the airborne warning and control aircraft (AWACs) now used for aerial radar surveillance. And they can stand guard for weeks on end.



Deploying them has not been without incident. America's JLENS programme, designed to detect and track potential cruise-missile threats around Washington, involved two aerostats floating 3km up, each equipped with a radar weighing more than three tonnes that was capable of seeing things as far away as 550km. Thick Kevlar tethers kept the blimps in place. At least, they were supposed to. But in 2015 one escaped its tethers and floated for nearly 150km across Maryland and Pennsylvania, terrorising residents. The programme was cancelled soon thereafter.

That incident, though, is now in the past, as this year's upgrade deal shows. For one thing, soldiers are learning a great deal about aerostats from other users. America's Customs and Border Protection agency, for example, has a handful of them festooned along the Mexican border to monitor routes used by drug- and people-traffickers. Another balloon, flying above the coast of Puerto Rico, employs its radar to detect drones and small ships carrying drugs across the Caribbean.

The biggest factor behind the newfound zeal for ballooning, though, is China. In February 2023 an immense Chinese balloon, carrying surveillance equipment in a body the size of a bus, drifted across America for days until it was popped by a fighter jet. China has also floated more than a hundred surveillance balloons over the Taiwan Strait in recent years.

Unlike aerostats, these high-altitude balloons are untethered. They often float in mid-stratosphere, 24-37km up. That is well above the altitude of commercial aircraft, but far closer to the ground than satellites in low-Earth orbit, which are 160-2,000km up. Because short-range communication signals are susceptible to atmospheric absorption, they are more easily monitored from a balloon than from space. The balloons' lower altitude also means they can take higher-quality pictures of the ground than most satellites manage. And rather than whisking past as satellites do, balloons can loiter over an area of interest. Some modern balloons use artificial intelligence to assist this by predicting and riding on appropriate wind currents.

For these reasons, some experts say high-altitude balloons collect higher-quality intelligence than satellites. And they do so at lower cost, being cheap to launch and easy to retrieve. Unlike large, robust aerostats, they are hampered by small payloads (these rarely exceed 30 or 40kg). But advances in miniaturisation have revitalised their usefulness, says Bryan Clark of the Hudson Institute, a think-tank. Small electronic-warfare payloads slung under such a balloon can suck up data originating hundreds of kilometres away. Balloons also emit little heat or sound and use passive sensing equipment, making them fiendishly hard to detect. Unless you are looking for it in the first place, notes Mr Clark, a balloon is likely to sail by unnoticed.

America's armed forces are increasingly testing high-altitude balloons. One idea is to launch swarms of them over battlefields as part of networks that identify targets and guide munitions to them. Some Pentagon officials believe that the hulking AWACs now employed to do that job would be vulnerable in a high-intensity scrap with China. The army is also mulling the use of balloons to ferry and drop armed drones deep behind enemy lines. The money is beginning to flow, too. Tucked away in the One Big Beautiful Bill, a tax and spending measure passed by Congress in July, is \$50m earmarked for experimental "stratospheric balloons".

Limitations remain. Steering balloons at high altitude, where wind speeds tend to be high as well, remains tricky. Power is another constraint. A balloon's electronics usually rely on small solar panels, which limits their level of sophistication. Electronic warfare could also make communication

links susceptible to jamming. And spy balloons shot down over foreign countries tend to spark diplomatic kerfuffles, as America and China can attest. But not as much as shooting down enemy spy planes. The balloon, as it were, is up. ■

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Science & technology | Catfish v bilharzia

Restocking an African lake may ameliorate a debilitating plague

Catfish eat the snails in which the parasite lives

October 2nd 2025



LAKE VICTORIA looks an inviting place for a quick dip. Don't. Its waters are replete with tiny parasitic worms, called schistosomes, that drill through human skin and damage organs ranging from the liver to the brain. The result is bilharzia, an illness that affects about 200m people, particularly in Africa. It kills more than 10,000 of them a year, but that is not its only serious consequence. Many victims are children, and the parasites stunt both their physical growth and their cognitive abilities, damaging their personal prospects and dragging down the economies of what are already poor countries.

Bilharzia is treatable, but treatment does not stop recurrence and is not always easily available. Reducing exposure to the parasites would be ideal. In the case of Lake Victoria, a study in plos Neglected Tropical Diseases by Roland Proud of St Andrews University and his colleagues suggests boosting the lake's badly degraded catfish population might help.

Schistosomes' life-cycle involves two, alternating hosts—mammals (humans included) and aquatic snails. Take out the snails and you break the cycle. But attempts to do this with molluscicides have had limited success. Hence the interest of Dr Proud's colleague, Andrew Brierley, in boosting catfish populations.

The late Dr Brierley (he died in 2024) had noticed that bilharzia goes up when certain pesticides are deployed adjacent to African lakes, and that these pesticides are killing predators, such as catfish, which eat snails. Boosting the predators might thus ameliorate the problem.

Unfortunately, catfish numbers in Lake Victoria have crashed in recent decades. Overfishing and the introduction of Nile perch, a predatory creature that wreaks havoc on native species, are to blame. A lot of boosting would thus be needed.



To this end Dr Brierley and Dr Proud bred 50,000 catfish fingerlings and released them at three sites on the lake's Tanzanian shore, with four, similar sites as controls. Locals were enjoined not to fish for them for three months, after which the researchers surveyed snail populations and collected stool samples from children at local schools to monitor infection rates.

The upshot was that, on average, snail populations declined by 57% in places that had been stocked with catfish, and the number of parasite eggs in the children's faeces dropped by 55%. The control areas, by contrast, showed no decline.

Short-term restocking with catfish thus does seem to work. Whether it would work in the long-term is a different question. But the benefits of reducing bilharzia are such that it might be worth trying. ■

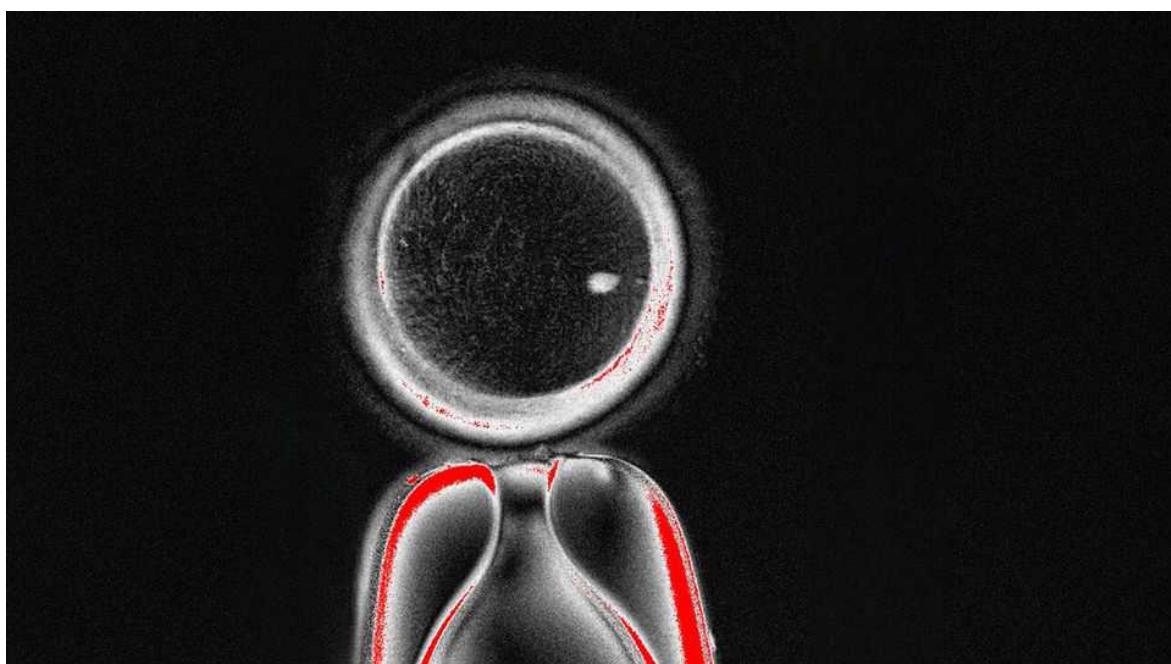
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A new technique can turn a woman's skin cells into eggs

But improved fertility treatment is still far away

October 2nd 2025



MANY COUPLES struggle to conceive. Some are helped by IVF (in-vitro fertilisation). But if the woman has no usable eggs to fertilise, they must either give up or use a donor. Researchers have thus worked for years to create eggs for women who lack them. So far they have succeeded only in mice, but that could be about to change. In a paper just published in *Nature Communications*, a group of scientists report they have—albeit imperfectly—made fertilisable human eggs from skin cells.

Previous efforts focused on in-vitro gametogenesis (IVG). This transforms skin cells into stem cells, which can then turn into other sorts of cells. But transforming stem cells into egg cells is particularly complicated. A team led

by Shoukhrat Mitalipov from the Oregon Health & Science University have therefore revived another approach: the somatic-cell nuclear transfer (SCNT) method used to create Dolly the sheep. But they have added a twist.

First, they obtained egg cells from volunteers and removed those cells' nuclei. They then harvested skin cells from other volunteers, cultured these and let individual cells from the culture fuse with the enucleated eggs.

Had they sought to clone the skin-cell donors—which they did not, not least because it would be illegal in most countries—they could now have nudged the re-nucleated eggs to become embryos. But infertile couples want to have babies together, not clone themselves. That presents a technical hurdle. Most human cells have 46 chromosomes, but eggs and sperm have only 23, so that when they fuse, the resulting embryo will revert to the normal number. However, the skin nuclei that went into the eggs delivered 46 of them, leaving no room for genetic material from a sperm.

Dr Mitalipov's team thus needed to jettison half the implanted chromosomes. They did so by hijacking the process of cell division, which takes place naturally in one of two ways, meiosis and mitosis.

Meiosis, which results in sperm and eggs, sheds half of the chromosomes. This is why those cells have only 23. Mitosis, the route taken in other cells, passes on all 46. It does this by duplicating each chromosome and divvying up the results between the daughter cells. Using the skin cells' nuclei before the chromosome doubling, however, and then making them divide early once inside the eggs, Dr Mitalipov's team managed to initiate a new kind of cell division, which they call mitomeiosis, that forces nuclei which would normally undergo mitosis to shed chromosomes down to the number required for a fertilisable egg. They created 82 SCNT eggs this way, and fertilised these with sperm. Five went on to the stage of embryonic development known as a blastocyst before the experiment was terminated.

It is “a remarkable achievement”, says Evelyn Telfer, a reproductive biologist at Edinburgh University, but there is a long way to go before this kind of process could be used for human reproduction. For one thing, most of the eggs involved did not develop—a problem, because those eggs have to come from donors through a complex and invasive procedure.

A bigger issue, argues Tony Perry of the University of Bath, is that Dr Mitalipov's team had no control over which and, to an extent, how many chromosomes were shed. Embryos must have the correct pairing between chromosomes, as well as the correct number. There must be one pair of chromosome 1, one pair of chromosome 2 and so forth. However, says Dr Mitalipov, "our system kind of makes errors" in that pairing. On average only about half the pairs match up, he says.

That is top of his list to fix. His team is studying exactly what happens during meiosis, so that they can recapitulate it in mitomeiosis. This is one reason why he says offering the new procedure to childless couples is still a far-off vision. Like all reproductive treatments, it will also require years of public discussion to pin down ethical questions, such as who should be eligible and what to do with surplus embryos.

Whether eggs from skin become a reality, and whether stem cells or SCNT proves the more effective approach, remain to be seen. Despite years of research, huge gaps exist in understanding of human reproduction. But there is no lack of enthusiasm. At least one (secretive) startup, called Conception Bio, is pursuing IVG. Hayashi Katsuhiko, a geneticist from the University of Osaka and a pioneer of the stem-cell approach, recently said that researching how to make eggs has started to feel "like being in a race". With two competing methods, it does appear that way, even if the finishing line is not yet in sight. ■

Clarification (October 1st 2025): The last paragraph of this story has been edited to remove an ambiguity.

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A portent of death may have helped create life

Marsh spirits seem to be created by a miniature version of lightning

October 2nd 2025



THEY WERE flickering blue flames hovering in swamps. They were the spirits of those who had died in the murky waters, bent on leading others to the same fate. They were will-o'-the-wisps and they do exist. Yet, spirits they are not. They are actually caused by the sudden ignition of methane bubbling out of swamps. What remains unknown is how ignition occurs.

Explanations have often invoked sparks of static electricity. How static might accumulate in the damp of a marsh, though, has never been adequately explained. Until now. For Richard Zare, of Stanford University, thinks he has solved the mystery. In doing so, moreover, he may also have stumbled across part of the answer to a far bigger mystery: the origin of life on Earth.

Water, en masse, has no electric charge. But droplets of it do. Hydroxonium and hydroxide ions, respectively positive and negative, are created when water molecules break spontaneously in two. They accumulate on droplets' surfaces, but which sort predominates depends on a droplet's size. For tiny ones it is hydroxide, making these negative. For larger ones it is hydroxonium, making those positive. That opens the possibility of sparks flying between big and small droplets.

In 2024 Dr Zare showed that such sparks do indeed fly—generating light in the process. He called this microlightning, because a similar process of charge separation generates the bolts of thunderstorms. He also wondered if the same might apply to bubbles, especially the methane-rich bubbles that emerge from swamps.

As they report in the Proceedings of the National Academy of Sciences, he and a group of colleagues designed a microbubble generator, put it underwater and fed air into it. As the bubbles thus created broke surface, a high-speed camera and a nearby light sensor picked up brief flashes. And when the researchers released methane from the bubble generator, the flashes became more intense. The surface temperature of the water also increased, suggesting the methane was burning.

Mystery solved, then. But Dr Zare wonders whether microlightning might also be relevant to the interpretation of an experiment carried out in 1952 by Stanley Miller and Harold Urey. This pair took water vapour, methane, ammonia and hydrogen—all thought by them to have been present in Earth's pre-biotic atmosphere—and exposed the mix to sparks intended to simulate primordial lightning. The result was a range of organic compounds that looked like a parts list for life's origin.

Views on the composition of Earth's early atmosphere have changed. But Dr Zare has repeated the Miller-Urey experiment using nitrogen, carbon dioxide and methane, to conform with modern thinking, and got similar results. He doubts, though, that thunderstorms would yield a sufficient concentration of organic compounds for them to form the polymers that would be the next step to life. They would be too diluted in the atmosphere. But gas bubbling out of the ground would be a different matter. Microlightning-induced

reactions in these more confined circumstances might yield higher concentrations. A new set of experiments awaits. ■

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Are red-light face masks worth the hype?

Used properly, the right ones can help combat the signs of ageing

October 2nd 2025



HOLED UP AT home when no one else is looking, people indulge in their covert, sometimes embarrassing, self-care routines. One of the newest involves donning a mask that would make the greatest movie villains envious. Strap it around the face, switch it on and ominous coloured light starts to emanate from the eye and mouth holes. All in the name of eternal youth and vitality.

Light-emitting diode (LED) face masks are all the rage. Depending on the colour you choose, manufacturers promise they will rid your face of acne, reverse skin discolouration and even fight off wrinkles. The most popular is the red-light mask, which uses red and near-infrared (NIR) light. These, designers claim, stimulate skin regeneration and reverse the signs of ageing.

Such claims are more than marketing hype. Red light has the longest wavelengths in the visible spectrum, and so can safely penetrate deeper into the skin than light with shorter wavelengths. The light then stimulates colour-sensitive molecules called chromophores in subsurface skin layers. These encourage the growth of cells called fibroblasts, which are among the first to respond to injuries or damage to the skin. They are responsible for the production of two skin proteins, collagen and elastin. High amounts of collagen are important for youthful-looking skin, boosting its elasticity and firmness.

Numerous experiments bear out the positive effects that red and NIR light can have on skin. A study published in 2007 in the *Journal of Photochemistry and Photobiology* asked 76 people aged between 35 and 55 who showed visible signs of ageing to use red light on the right half of their faces, leaving the left as a control. Four weeks later, the authors concluded that the right sides of participants' faces already looked younger. Biopsies taken from some confirmed the presence of increased collagen.

Shoshana Marmon, director of dermatological research at New York Medical College, notes that small studies have indeed shown benefits for acne, skin texture and wrinkles. But those benefits are modest. For best results, she recommends using red-light masks at least three times a week for 8-12 weeks, alongside moisturisers, a broad-spectrum sunscreen and a retinoid (a class of products derived from vitamin A). "You can add the light mask on top of those basics," says Dr Marmon, "but it shouldn't replace them."

Anti-ageing is the tip of the iceberg. Tests conducted in the 1990s by researchers at NASA—first in plants, then on rats and human tissue—found that light from LEDs helped wounds heal faster (as cell growth is slowed in zero gravity, astronauts who were injured in space would have a harder time healing than they do on Earth). Light can also be harnessed to treat a variety of skin ailments from psoriasis and vitiligo, by way of acne scarring and rosacea, to cancer. New research has even demonstrated that light's ability to heal subsurface tissue means it may be useful in treating traumatic brain injuries.

Not every face mask can deliver the full benefits of red-light therapy. Research shows the optimal treatment for minimising wrinkles and rejuvenating skin would use a combination of red light, with a wavelength of at least 633nm, and NIR light of at least 830nm. The built-in bulbs must also produce light of sufficient power density, ideally 10-50 milliwatts per square centimetre—a new definition, perhaps, of youthful glow.

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Culture

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Culture | Feeling vine

Wine from China is finer than Western snobs imagine

Government support and French expertise have made all the difference

October 2nd 2025



IT IS A grape time of year in Ningxia. In August the harvest begins up north, in the shadow of the Helan mountains (pictured). By November more than 40,000 hectares of vineyards—an area roughly four times the size of [Paris](#)—will have been combed over. Growers do not enjoy the fruits of their labour for long. Once the harvest is completed, viticulturists get to digging: they must bury their vines before temperatures plummet to -15°C.

Ningxia, a region in north-western China close to the Gobi desert, endures harsh winters. Nonetheless, it provides fertile ground for winemakers. The capital, Yinchuan, sits at the same latitude as Napa Valley, a centre of wine production in California. Ningxia gets 3,000 hours of fruit-ripening sun each

year—the same as in parts of Spain. The rocky soil drains quickly and allows vines to put down deep roots.

People have been making wine in China at least since the Han dynasty (206BC-220AD) and perhaps even longer, judging from some archaeological evidence. Today wine is a big industry: in 2024 China produced 118,000 kilolitres of wine, roughly equivalent to 160m bottles (or about the amount drunk at the average office Christmas party). Ningxia is where much of the premium stuff is made. Revenues from wineries in Yinchuan reached 36bn yuan (\$5bn) last year, up 20% from 2023.

It is not just the scale that is impressive: Chinese wine tastes better than many Westerners assume. The country's vintners are earning ever more accolades in the world's top competitions. This year they claimed 181 medals at the Decanter World Wine Awards (DWIA)—a competition sometimes referred to as the “Oscars of wine”—up from three in 2007 (see chart). Two wines were proclaimed “best in show”. Judges waxed poetic about the “alluring scents of blackcurrant and wild plum” in a red from Ningxia, with its “seductive plunge of fruit and spice”.



To be sure, China's DWIA medals haul was a fraction of France's or Italy's, and some way off Australia's or Argentina's. But it managed more

than other “old world” countries such as Austria and Germany. Berry Bros & Rudd, [Britain’s](#) oldest wine merchant, has observed that “China has the will and resource to become a very important player”. The country’s “enormous variety of climates and soils” means it can make everything from syrupy dessert wines to dry reds and whites.

Plenty in China are sweet on its wine. Xi Jinping, who obviously has some skin in the game, serves local wine at state dinners. Bruce Li, a sommelier at TRB Hutong, a [Michelin-starred](#) restaurant in Beijing, asserts that “If you compare Chinese wines with French or Italian wines, I think some Chinese wines actually taste better.”

Not everyone will agree. But there are two reasons why China’s wine has become more palatable. One is government support. All Chinese schoolchildren memorise a classical Tang-dynasty poem that begins: “Fine wine glows in a luminous glass.” Mao Zedong felt every person should be able to enjoy wine. In 1956 he asked Changyu, the country’s oldest winery, in Shandong, to expand production. (Though Mao promoted the pleasures of plonk, he preferred Kweichow Moutai, a type of spirit.)

Among the people involved in the industry in Shandong was Chen Jianguo, who in 2002 became Ningxia’s party secretary. The local government then announced an ambitious goal of planting 70,000 hectares of vineyards, with the aim of making Ningxia a major global producer. Officials allocated suitable land for the vines, provided subsidies for those cultivating grapes and set up training programmes. They also attracted foreign investment. [LVMH](#), a French luxury-goods giant, decided it wanted a taste of the action, setting up Chandon China, a sparkling-wine producer in Ningxia, in 2013 as well as Ao Yun, a winery in Yunnan.

The other reason for China’s improved output is that its winemakers have learned from the best. Ningxia is sometimes described as “China’s Bordeaux” and with good reason: its winemakers have modelled themselves on their French peers. In the late 1990s a delegation travelled to France to learn from viticulturists there. Among other things, they were taught the importance of growing only a dozen clusters of high-quality grapes per vine instead of 20 or 30 less-flavourful ones. Firms in Ningxia grow many of the

same grape varieties as those in Bordeaux, apply their methods and strive for a similar taste, ageing the wine in French oak barrels.

Chinese vintners who have trained abroad have put theory into practice at home. Among them is Emma Gao (pictured), who studied oenology at the University of Bordeaux. Along with her father, Gao Lin, she runs Silver Heights, a boutique winery set up in Ningxia in 2007.



Two of its wines—a Pinot Noir and a Cabernet Sauvignon—won prizes at this year’s DWWA. (It was their “Family Reserve Chardonnay” that Chinese officials served to Emmanuel Macron and Angela Merkel.) Silver Heights’s bestseller this year is an orange wine with strong acidity and hints of grapefruit. A floral pétillant naturel, or “pét-nat”, made with rice wine from Ningxia, has also proved popular.

Yet despite all the improvements China’s winemakers have made in recent years, Chinese wines do not rank among the world’s most coveted bottles. In a blind tasting in 2023 Jancis Robinson, a critic, noted that Chinese wines “stand out as being less subtle” than those made in other regions because the vines are less mature.

Some suggest that the country has not come close to realising its potential. Ms Gao hopes “to discover the beauty of our terroir”: as well as mastering

Bordeaux-style wines, she wants to work out which other grapes thrive in China's soils. Silver Heights has expanded beyond the dominant Cabernet Sauvignon, Marselan and Merlot varieties to plant 23 others, including Petite Sirah, Dornfelder Riesling and Spanish Tempranillo. She has been driving all over the country in search of new spots for vineyards: "It may take us hundreds of years to find our niche and direction."

Another obstacle is that [wine culture](#) in China is neither as mainstream nor as passionate as it is in other countries. Beer or baijiu, a liquor, remain the tipples of choice for most. Wine imports, including of the best European stuff, have dropped in recent years because of covid-19, an economic slowdown and crackdowns on alcohol gifting and drinking among officials.

Lots of producers in Ningxia want to step up their exports and target their wares at wine-lovers elsewhere. Devo, a sparkling-wine enterprise in Yinchuan, hopes to sell 50% of its bottles abroad, up from 20% last year. But many European markets are already mature or saturated; America is slapping 30% tariffs on Chinese goods. And in lots of rich countries wine consumption is declining as health-conscious youngsters turn away from booze.

Perhaps the biggest problem for Chinese winemakers is price. Importing specialist high-tech equipment, along with all the burying and digging up of vines in regions such as Ningxia, increases production costs. This means that many Chinese fine wines cost the same, if not more, than their counterparts from the old world, but do not have the same taste or cachet. Wines by Silver Heights cost up to \$250; bottles of Ao Yun fetch more than \$350. You could get your hands on a grand cru for a similar price. Unless that changes, Chinese fine wine is destined to be drunk by few connoisseurs—no matter how seductive its plunges of fruit and spice. ■

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Culture | A wing and a prayer

If you love nature writing, you have Gilbert White to thank

A new book recreates a year in the life of the author of “The Natural History of Selborne”

October 2nd 2025



ON THE EVE of the French revolution in 1789, an English country clergyman quietly prepared for the printing of his book. Like many first-time authors on the eve of publication, he felt not triumph but a kind of terror, “like a school boy who has done some mischief”.

Gilbert White need not have worried: he had produced a book that would become both loved and influential. “The Natural History of Selborne” was admired by Charles Darwin, [William Wordsworth](#) and Virginia Woolf, observes Jenny Uglow, and treasured by soldiers fighting in the trenches in

the first world war as “a vision of the country they had left behind”. It proved an unlikely but perennial bestseller.

It also helped start a “quiet revolution in natural history”. For, as Ms Uglow writes, the book united the gifts of “an acute empirical observer and a consummate stylist” in its meticulous yet enchanting account of the flora and fauna of a village in Hampshire. If White, a “pioneering field naturalist”, cleared a path towards modern ecology, he also anticipated ethology: the systematic study of animal behaviour. White’s work still inspires authors in the blossoming genre of nature writing.

White was a bachelor who never travelled far or rose high; his income was modest. But he was no fussy misanthrope seeking solace in bats, bees and beans. He had a huge, affectionate extended family, many of whom lived nearby. (Living nieces and nephews alone numbered 39 by 1782, and 62 on his death in 1793.) He treated nature as a conversation, not a battlefield. Recording the story of a horse that befriended a hen, he notes “a wonderful spirit of sociality in the brute creation”.

The esteemed biographer of writers including Edward Lear and Elizabeth Gaskell, Ms Uglow has devised a portrait of White as companionable and keenly observant as its subject. Full-dress biographies exist—Richard Mabey, one of White’s finest successors, wrote the best—so Ms Uglow takes a different approach. She focuses on a single year, 1781, and treats each daily entry in White’s journal as a prompt for a short reflection on his life, times, studies and surroundings.



Flanked by exact records of the ever-changing Hampshire weather, these notes fed his “Natural History” but can also read like elusive Japanese poems. On October 20th, for example: “Leaves fall very fast. Endive very fine. Grapes delicate.” With his rich vegetable patches and abundant “fruit wall”, White certainly ate well. That year gave him ten weeks of grapes, peaches, nectarines and “prodigious” apricots. In another season, “Melons come in heaps.”

Indeed, the gardener sometimes trumps the naturalist. On August 8th White recalled that “We have shot 31 black-birds, & saved our gooseberries.” Some topics and characters recur as in a rural soap opera. On September 14th Timothy, White’s tortoise, was “dull & torpid”. No reptile was ever so lovingly scrutinised as Timothy.

From these fine brushstrokes Ms Uglow creates a captivating picture of the man, his milieu and his age. Although not “a scientist in modern terms”, White looked hard and tested received ideas. He made discoveries, too: the large noctule bat; the tiny, shy harvest mouse; the fact that swifts—a special favourite—“mated on the wing”. He stood on the brink of 19th-century breakthroughs in biology and geology, and his own findings hint at “evidence of adaptation and change” in nature.

White was content being a conventional “parson-naturalist” and a cherished uncle, brother and friend. He was no rebel although, in 1789, he did marvel at “the sudden overthrow of the French despotic monarchy”. Nothing would stop him watching birds, brewing beer, growing cabbages or giving the same undogmatic sermons every year. One of them voices his effusive gratitude for this “beautiful, and glorious World”. His readers, and Ms Uglow’s, can still share that delight. ■

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Culture | Paint me a plutocrat

John Singer Sargent, portraitist of the posh, is back in vogue

His paintings offer a glimpse of the Gilded Age

October 2nd 2025

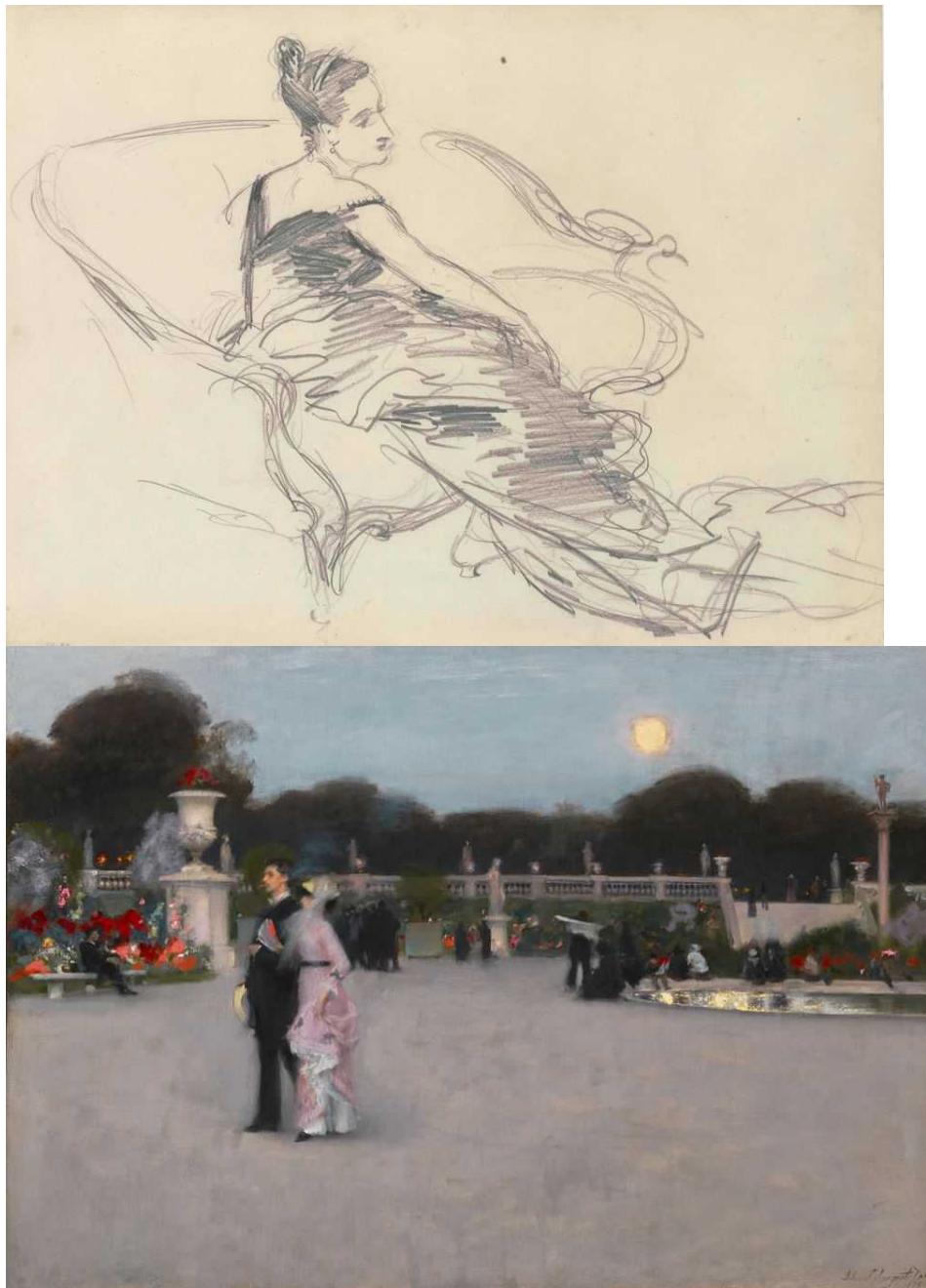


“Detestable! Boring! Curious! Monstrous!” the crowds shouted. “Madame X” (pictured) scandalised visitors to the Paris Salon in 1884, with her heavy make-up and tight black gown whose strap was slipping from her shoulder. To appease the prudes, its young painter, John Singer Sargent, put the dress strap in its proper place, but he cut ties with Paris, leaving for England and, later, America. His paintings, capturing sumptuous fabrics and elegant sitters, evoke the Gilded Age in which he lived.

A hundred years after his death, “Sargentolatry” is thriving. The artist has been celebrated in a recent documentary and a spate of museum shows, including at Tate Britain and Kenwood House in London and an excellent

exhibition at the Musée d'Orsay in Paris. The show, focused on his years in France, was hosted at the Metropolitan Museum of Art earlier this year, where it attracted around 500,000 visitors; it welcomed more per day than the museum's most recent exhibition on [Vincent van Gogh](#), a far more famous name.

Sargent also made an appearance in “The Gilded Age”, a period tv drama: Gladys Russell, a robber baron’s daughter, has her portrait done by him in a formal initiation into Upper East Side womanhood. (Unfortunately, no consultant for the show had taken an art-history course, judging by the result.)



Back in the late 1990s people had “a lot of reservations about Sargent as a high-society portraitist” says Elizabeth Prettejohn, author of the book “Interpreting Sargent” from 1998. Some thought “that it would have been better if he had painted peasants and done something a little bit grittier”. Now “there’s much more willingness” to appreciate his paintings’ “glamour and fashionability” as “something we can all enjoy and have fun with”, she says.

Why is an erstwhile recorder of the rich so popular today? In some ways his paintings offer what social-media posts and television series such as “The Real Housewives” do: both a front-row seat and backstage pass into the luxurious lives of the wealthy. Sargent’s portraits strike a special chord in an era of social media, “where everyone is thinking about how to present themselves to the world and crafting their own image. That is something that Sargent and his patrons understood as well,” says Stephanie Herdrich, a curator of American painting and drawing at the Met. It helps that portraits in general, and Sargent’s in particular, are s suited to social media. His subjects’ confronting gazes, bright colours and handsome clothes are intriguing even in a thumbnail size.

Sargent became the most prolific American painter of the 19th century, with some 900 oil paintings to his name. Born to American parents in Italy, he travelled the world. His work was once of interest mainly to Americans and Britons, but today it, too, is travelling farther afield. The Musée d’Orsay’s exhibition is the first solo show devoted to Sargent in France. And his work is increasingly popular in Asia and among Chinese social-media users, especially his glamorous “Madame X”. No one is calling his art “detestable” or “boring” any more, straps be damned. ■

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Culture | Razzle dazzle 'em

Spend a day in the life of a showgirl

Taylor Swift is not the only person fascinated by performers. Social-media users are, too

October 2nd 2025



Taylor Swift's new album will take fans backstage. "The Life of a Showgirl", released on October 3rd, promises to reveal the "beautiful", "rapturous" and "frightening" life of a female performer. [Ms Swift](#) knows as well as anyone what it is like to take to the stage night after night in heavy make-up and jewel-encrusted leotards. She performed 149 concerts as part of her "Eras" tour in 2023-24. In her downtime she wrote this new record.

Yet the lives of showgirls aren't all that hidden: in fact, they are on display online. A troupe of performers on social media are showing off the glitz and glamour of the profession. Allie Goodbun, a dancer at the Moulin Rouge, a cabaret in Paris, has 17.2m likes on TikTok; her profile is a flurry of

rhinestones, red lipstick and feathers. Shealagh Boyajian, another performer, gives her YouTube followers a glimpse of “A Day in My Life as a [Las Vegas](#) Showgirl”.

Away from the sultry lounges and glittering revues, showgirls show that their lives can be rather ordinary. “To the regular person, my career is such a peculiar thing,” says Ms Boyajian. “I strive to show my viewers that I also live a very normal life.” There are, of course, a few quirks. The life of a showgirl often includes umpteen costume changes, elaborate props and copious amounts of hairspray. Much of the living also happens in the dark. In one video, Ms Goodbun offers her fans insight into “The Dinner of a Showgirl”, which is wolfed down at 2.30am every night.

Showgirls spend hours working on their craft. Some start the day with yoga or stretching to ensure every twirl and high kick looks effortless. Many follow a [strict diet](#) or fitness regime. “People often forget it’s still a job,” says Evana De Lune, an Australian burlesque dancer with some 600,000 followers on TikTok and Instagram. “Performing and producing involves a huge amount of unseen work.”



Posting videos on social media is yet more hard work. But it has become an important part of the business, giving access to audiences far beyond the

music hall. “Your online presence can make or break your career,” says Ms De Lune, who reckons her first big shows sold out thanks to her followers. Internet fame can have downsides, as seasoned performers like Ms Swift know well. Ms De Lune says she has “had to delete thousands of comments, block countless people and deal with ongoing and targeted harassment”.

Trolls aside, the popularity of such videos points to two trends. One is the bizarre virality of “day in the life” videos: people are endlessly interested in where someone buys coffee or what they eat for lunch. The other is an enduring fascination with showgirls. Film-makers including [Paul Verhoeven](#) and Baz Luhrmann have dramatised their lives, imagining performers as both dazzling and desperate. “The Last Showgirl”, released last year, looks at what happens when the music stops.

The industry has lost some of its shine of late. Many famous venues have gone under in recent years. The earnings of dancers vary seasonally. Yet the joy of performing—and, for some, of posting on TikTok—has kept showgirls going. Ms Swift’s album will give them a new soundtrack as well as another chance to twirl in the spotlight. ■

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Culture | An unexpected team-up

With “Kavalier & Clay”, the Met is holding out for superheroes

The opera, adapted from a prizewinning novel, brings stunts and sopranos together

October 2nd 2025



THE ESCAPIST, as his name suggests, is skilled at getting himself in and out of tricky situations. With his muscles rippling in a blue Spandex suit—and his motif, a key, gleaming on his chest—he climbs buildings and crosses oceans. In one bravura sequence, set to thrilling music, he leaps past enemy lines and punches Adolf Hitler, knocking the Führer unconscious. The audience erupts into applause.

This would not be so unusual were they sitting in a multiplex, but the crowd was gathered at the Metropolitan Opera House in New York. The company is opening its 142nd season without star singers, but with The Escapist and

Luna Moth. The characters first appeared 25 years ago in “The Amazing Adventures of Kavalier & Clay”, a Pulitzer-prizewinning novel by Michael Chabon. The Met’s executives are clearly hoping that these fictional superheroes will prove a draw to the legions of fans of the [Marvel](#) and DC franchises.

“Kavalier & Clay” begins in 1939 and tells the story of two cousins. Joe has fled from Nazi-occupied Prague for New York, where he is staying with Sammy. They bond over the creation of a comic book, inspired by Joe’s family’s plight, with a Nazi-bashing protagonist. The novel celebrated the early days of the comic-book industry, with “ink-smirched young men, drinking, smoking, lying around with their naked big toes protruding from the tips of their socks”. Over the years attempts to turn the bestselling book into a film have foundered, despite the superhero genre’s box-office domination.

Mason Bates, an American composer, approached the Met about adapting the book back in 2017 after his first opera, [“The \(R\)evolution of Steve Jobs”](#), was well received. “It’s a sprawling American epic,” he says of the tale, “but at its heart, it’s about two desperate artists trying to save their family and falling in love while it happens. I think that makes it an opera.”

The book, which runs to more than 600 pages, has been efficiently streamlined. (Mr Chabon was not involved in adapting it.) Action abounds in the first half of the opera; there are old-fashioned arias, too, mostly sung by Sun-Ly Pierce, a mezzo-soprano who plays Rosa Saks, a painter entangled with both men. But much of the piece unfolds in a musical-theatre style, steeped in jazzy sounds for the New York scenes and Slavic themes for the passages in Prague. Many of the most ear-grabbing bits are instrumental and electronic rather than vocal. In its best moments Mr Bates’s score calls to mind Leos Janacek’s opera of 1924, “The Cunning Little Vixen”—itself based on a Czech comic strip.

The book’s superheroes appear visually, artfully rendered in digital animations or via acrobatic dancers who tumble on stage or soar through the air on wires in Bartlett Sher’s nimble production. Mr Bates and his librettist, Gene Scheer, wisely never let The Escapist or Luna Moth break into song. Historically, warbling superheroes have not fared well on stage. A Superman

musical flopped on [Broadway](#) in 1966—as did a Spider-Man one in 2011, despite having music by Bono and the Edge of U2.

Was the Met right to put its trust in superheroes? It seems so. The company reports that “Kavalier & Clay” is its top-performing opera at the box office so far this season. Ticket sales for the opening night were the Met’s highest this decade. Mr Chabon, too, is a fan, telling your correspondent that “I feel I need to see it again.”

Whether audiences outside New York will ever see “Kavalier & Clay” is unclear. The Met did not collaborate with another major company on it, so there is no obvious house for another production. What one character says of The Escapist is also true of new operas: “The greatest trick of all is not to vanish...but re-appear.” ■

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Culture | Back Story

Has a bad boy of literature been given his due?

Christopher Marlowe shows the pitfalls of being second-best

October 2nd 2025



From today's salacious perspective, Christopher Marlowe got everything right. Astoundingly, the shoemaker's son made it to Cambridge and was soon a trailblazing playwright. He wrote boldly about same-sex desire and, though free-thinking could be fatal in Elizabethan England, was said to be a vocal atheist. His mysterious life seems to have encompassed a side-hustle as a spy.

Mysterious and—like the lives of many rebels, Romantics and rock stars—short. In 1593, when he was 29, Marlowe was stabbed in the eye in a shady brawl. The killer was pardoned; speculation about the mastermind has since roped in [Walter Raleigh](#) and Queen Elizabeth I.

Daring, scandal and tragedy are a good formula for immortality. Yet Marlowe is little known and less performed. In “Dark Renaissance”, an evocative new biography, Stephen Greenblatt of Harvard aims to resurrect him. He is not alone. The Guardian recently urged readers to “restore Marlowe to his rightful place”. Set in the early 1590s when he was already a hitmaker, “Born with Teeth” (pictured), a rollicking play on in the West End, has him trying to seduce a novice dramatist, [William Shakespeare](#), and recruit him as a spook.

“You’ll never be anything but a minor talent,” the stage Marlowe tells the rival whose glory would blot out his own. The overlap between them helps make Marlowe a test case for the discernment of posterity and the justice of reputation. Are his boosters right?

His was an age of paranoia and spectacular violence; of real and imaginary plots, betrayals and double agents. A lot of people were hanged, drawn and quartered. Men like him needed mighty patrons (but could be crushed if they fell). Evidently Marlowe found them while at Cambridge: a cabal of potentates strongarmed his college into awarding him an MA, since “He had done her Majesty good service...in matters touching the benefit of his country.” Bigwigs seem to have vouched for him again when he was busted in a counterfeiting scam.

Scholarly yet buccaneering, clandestine but reckless—Marlowe the man is contradictory and sketchy. His plays are his real testament, above all “Doctor Faustus”, who barters his soul to Lucifer. Marlowe’s lurid plots were a sensation, as were his themes of power and sex. He made blank verse a go-to medium of English drama, the rhythm pulsing through the lines like a heartbeat. He pioneered the history play and the soliloquy, which laid thoughts and feelings bare. Professor Greenblatt credits him with “the invention of inwardness”.

That makes his neglect seem as harsh as his unavenged killing. Until you consider what came after him—ie, Shakespeare. Marlowe wrote some limpid lines, as when a devil explains hell’s whereabouts to Faustus: “Why this is hell, nor am I out of it.” He also wrote a lot of bombast and magniloquence. [Shakespeare](#) could match that and be breathtakingly poignant. Shylock’s piercing monologue in “The Merchant of Venice”—“If

you prick us, do we not bleed?”—outclasses anything in “The Jew of Malta”, the Marlowe play that preceded it.

Marlowe’s vaunting anti-heroes seem to strain against the marionette’s strings, struggling free of the hoary archetypes of yore. From cameos to protagonists, Shakespeare’s characters live and breathe. (“I was aiming at actual human beings,” he says of his creations in “Born with Teeth”.) Only around a decade separated “Doctor Faustus” from “Hamlet”, but in psychological nuance and acuity the gap feels wider.

It is Marlowe’s misfortune to be bracketed always with the finest writer in English. Still, his relative obscurity holds lessons for what lasts and what doesn’t, and what makes an artist’s name. One is that being best matters much more than being first. Marlowe was England’s first great playwright, but that has counted for little when the next was so much greater. And in art, as in commerce, second-best can be an empty accolade. The laurels available to Elizabethan dramatists have all gone to Shakespeare.

If that seems unfair, the last lesson is reassuring. In “Born with Teeth”, Marlowe calls Shakespeare an “obedient schoolboy”, and his life was indeed tame and bourgeois by comparison. He married early, went into business and bought property; no state secrets, no vicious scraps. It hasn’t mattered. Nor, ultimately, has Marlowe’s flamboyant career and untimely demise. Instead they have been judged on their output and talent. Marlowe’s is a bloodcurdling story, but in the long run, he has got what he deserved. ■

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Economic & financial indicators

- [Economic data, commodities and markets](#)

Economic & financial indicators | Indicators

Economic data, commodities and markets

October 2nd 2025

Economic data 2 of 2

| | Current-account balance % of GDP, 2025* | Budget balance % of GDP, 2025* | Interest rates 10-yr govt' bonds latest, % | change on year ago, bp | Currency units per \$ Sep 30th on year ago |
|----------------|--|-----------------------------------|--|---------------------------|---|
| United States | -4.0 | -5.9 | 4.1 | 38.0 | 712 -14 |
| China | 1.5 | -5.9 | 1.6 ** | 25.0 | 148 -3.1 |
| Japan | 4.3 | -3.4 | 1.7 | 77.0 | n/a |
| Britain | -3.1 | -4.9 | 4.7 | 70.0 | 0.74 n/a |
| Canada | -2.0 | -2.9 | 3.2 | 23.0 | 1.39 -2.9 |
| Euro area | 3.1 | -3.3 | 2.7 | 66.0 | 0.85 4.7 |
| Austria | 2.1 | -4.5 | 3.0 | 50.0 | 0.85 4.7 |
| Belgium | -0.6 | -5.1 | 3.3 | 65.0 | 0.85 4.7 |
| France | -0.3 | -5.7 | 3.5 | 70.0 | 0.85 4.7 |
| Germany | 5.3 | -2.7 | 2.7 | 66.0 | 0.85 4.7 |
| Greece | -5.8 | -0.2 | 3.4 | 36.0 | 0.85 4.7 |
| Italy | 1.3 | -3.3 | 3.5 | 18.0 | 0.85 4.7 |
| Netherlands | 7.8 | -2.4 | 2.9 | 53.0 | 0.85 4.7 |
| Spain | 2.8 | -3.0 | 3.0 | 30.0 | 0.85 4.7 |
| Czech Republic | 1.0 | -2.4 | 4.5 | 84.0 | 20.7 0.4 |
| Denmark | 12.2 | 2.1 | 2.6 | 50.0 | 0.35 5.2 |
| Norway | 12.6 | 9.5 | 4.0 | 73.0 | 0.98 5.5 |
| Poland | 0.1 | -6.7 | 5.5 | 26.0 | 3.63 5.8 |
| Russia | 2.1 | -2.7 | 14.9 | -92.0 | 82.5 12.9 |
| Sweden | 6.5 | -1.3 | 2.6 | 70.0 | 9.41 7.8 |
| Switzerland | 7.4 | 0.5 | 0.2 | -13.0 | 0.80 6.3 |
| Turkey | -1.1 | -3.4 | 29.1 | 197 | 41.6 -17.8 |
| Australia | -2.1 | -1.8 | 4.3 | 40.0 | 1.51 -4.6 |
| Hong Kong | 11.1 | -5.3 | 3.0 | 23.0 | 7.78 -0.1 |
| India | -1.0 | -4.4 | 6.5 | -21.0 | 88.8 -5.6 |
| Indonesia | -1.1 | -3.1 | 6.3 | -14.0 | 16.665 -9.2 |
| Malaysia | 1.9 | -4.0 | 3.5 | -31.0 | 4.21 -1.9 |
| Pakistan | -1.4 | -3.4 | 12.0 *** | -12.0 | 0.261 -2.2 |
| Philippines | 3.0 | -5.4 | 6.0 | 36.0 | 6.82 -3.7 |
| Singapore | 15.0 | 0.2 | 1.9 | 70.0 | 1.29 -0.8 |
| South Korea | 3.8 | -2.4 | 3.0 | -3.0 | 1,403 -6.8 |
| Taiwan | 15.7 | 0.6 | 1.4 | -12.0 | 30.5 3.8 |
| Thailand | 2.0 | -5.8 | 2.1 | -48.0 | 32.4 -0.7 |
| Argentina | -2.4 | -0.1 | na | na | 1,372 -29.3 |
| Brazil | -3.2 | -8.1 | 13.7 | 131 | 5.33 2.2 |
| Chile | -1.7 | -1.9 | 5.6 | 47.0 | 962 -6.6 |
| Colombia | -2.6 | -7.3 | 11.3 | 160 | 2.19 6.6 |
| Mexico | -0.4 | -3.8 | 8.8 | -55.0 | 18.3 6.9 |
| Peru | 2.0 | -2.5 | 5.9 | -39.0 | 3.47 7.2 |
| Egypt | -4.0 | -7.7 | na | na | 47.8 0.9 |
| Israel | 2.5 | -5.2 | 4.1 | -79.0 | 3.50 10.7 |
| Saudi Arabia | -1.8 | -3.3 | na | na | 3.75 n/a |
| South Africa | -1.2 | -4.8 | 9.2 | 21.0 | 17.3 -0.4 |

Source: Haver Analytics *15-year yield **10-year dollar-denominated bonds

Economic data 1 of 2

| | Gross domestic product % change on year ago: latest quarter, 2025* | Consumer prices % change on year ago: latest quarter, 2025* | Unemployment rate % latest quarter, 2025* |
|----------------|--|---|---|
| United States | 2.4 q2 | 3.8 1.7 | 3.0 4.3 Aug |
| China | 5.2 q2 | 4.5 4.9 | -0.4 5.3 Aug** |
| Japan | 1.7 q2 | 2.2 0.9 | -0.7 2.3 Jul |
| Britain | 1.4 q2 | 1.1 1.2 | 3.8 4.7 Aug** |
| Canada | 1.2 q2 | -1.6 0.9 | 1.9 7.1 Aug |
| Euro area | 1.5 q2 | 0.5 1.2 | 2.2 6.2 Jul |
| Austria | 0.3 q2 | -0.5* 0.2 | 3.9 5.5 Jul |
| Belgium | 1.0 q2 | 0.7 1.0 | 2.7 5.8 Jul |
| France | 0.8 q2 | 1.3 0.7 | 1.1 7.6 Jul |
| Germany | 0.2 q2 | -1.1 0.2 | 2.4 3.7 Jul |
| Greece | 1.7 q2 | 2.3 2.2 | 3.1 8.0 Jul |
| Italy | 0.4 q2 | -0.3 0.5 | 1.8 6.0 Jul |
| Netherlands | 1.7 q2 | 0.8 1.1 | 3.0 3.9 Aug |
| Spain | 3.1 q2 | 3.5 2.6 | 2.9 10.4 Sep |
| Czech Republic | 2.3 q2 | 1.8 2.2 | 2.5 12.8 Aug |
| Denmark | 0.9 q2 | 4.2 2.5 | 2.0 2.9 Aug |
| Norway | -2.1 q2 | 3.4 1.1 | 3.5 5.0 Aug** |
| Poland | 3.4 q2 | 3.2 3.3 | 2.9 5.5 Aug* |
| Russia | 1.1 q2 | 1.5 0.9 | 8.1 21. Aug |
| Sweden | 1.6 q2 | 1.9 1.5 | 1.1 8.4 Aug |
| Switzerland | 1.3 q2 | 0.6 1.2 | 0.2 2.9 Aug |
| Turkey | 4.8 q2 | 6.6 3.3 | 33.0 8.5 Aug |
| Australia | 1.8 q2 | 2.4 1.9 | 2.1 4.2 Aug |
| Hong Kong | 3.1 q2 | 1.8 2.7 | 1.1 3.7 Aug** |
| India | 7.8 q2 | 7.4 6.5 | 2.1 6.4 Aug |
| Indonesia | 5.1 q2 | 5.9 4.7 | 2.7 4.8 Feb* |
| Malaysia | 4.4 q2 | 5.8 4.1 | 1.3 3.0 Jul |
| Pakistan | 4.8 q2** | 1.6 3.8 | 5.6 6.2 Sep |
| Philippines | 5.5 q2 | 6.1 5.5 | 1.5 1.5 Q3 |
| Singapore | 4.4 q2 | 5.8 2.9 | 0.5 2.0 Aug |
| South Korea | 0.6 q2 | 2.7 0.8 | 1.7 2.0 Aug |
| Taiwan | 8.0 q2 | 12.8 4.5 | 1.6 3.4 Aug |
| Thailand | 2.8 q2 | 2.4 1.8 | -0.8 0.7 Aug |
| Argentina | 6.3 q2 | -0.2 4.5 | 33.6 7.6 Q2 |
| Brazil | 2.2 q2 | 1.5 2.1 | 5.1 5.6 Aug** |
| Chile | 3.1 q2 | 1.4 2.4 | 4.0 8.6 Aug** |
| Colombia | 2.5 q2 | 2.0 2.3 | 5.1 8.6 Aug |
| Mexico | n/a q2 | 2.6 0.7 | 3.6 2.6 Aug |
| Peru | 2.8 q2 | 1.8 3.1 | 1.4 5.5 Aug |
| Egypt | 5.0 q2 | 13.7 4.1 | 12.0 6.1 Q2 |
| Israel | 2.4 q2 | -4.0 2.7 | 2.9 2.9 Aug |
| Saudi Arabia | 2.0 2024 | 4.4 2.1 | 3.2 3.2 Q2 |
| South Africa | 0.6 q2 | 3.4 1.2 | 3.3 3.2 Q2 |

Source: Haver Analytics *% change on previous quarter; annual rate **The Economist Intelligence Unit estimate/forecast *Not seasonally adjusted

*New series **Year ending June ***Latest 3 months ****3-month moving average Note: Euro-area consumer prices are harmonised

Markets

| | Index In local currency | % change on: Oct 1st one week Dec 31st 2024 |
|--------------------------|----------------------------|--|
| United States S&P 500 | 6,711.2 | 1.1 14.1 |
| United States NAS Comp | 22,755.2 | 1.1 17.8 |
| United States Small Comp | 3,950.5 | 0.8 18.8 |
| China Shenzhen Comp | 2,510.4 | 0.6 26.7 |
| Japan Nikkei 225 | 44,550.9 | -2.4 11.7 |
| Japan Topix | 3,094.7 | -2.4 11.1 |
| Britain FTSE 100 | 9,446.4 | 2.1 15.6 |
| Canada S&P TSX | 30,107.7 | 1.2 21.8 |
| Euro area EURO STOXX 50 | 5,581.2 | 2.1 14.0 |
| France CAC 40 | 7,967.0 | 1.8 7.9 |
| Germany DAX* | 24,113.6 | 1.9 21.1 |
| Italy FTSE/MIB | 43,079.6 | 1.5 26.0 |
| Netherlands AEX | 9,482 | 1.4 7.9 |
| Spain IBEX 35 | 15,538.8 | 2.3 34.0 |
| Poland WIG | 107,121.5 | 0.6 34.6 |
| Russia RTS, 3 terms | 1,023.5 | 0.2 14.6 |
| Switzerland SWI-MSCI | 32,360.1 | 0.2 6.5 |
| Turkey BIST | 11,220.2 | -3.3 14.1 |
| Australia All Ord. | 9,126.6 | 0.9 8.5 |
| Hong Kong Hang Seng | 26,855.6 | 1.3 33.9 |
| India BSE | 80,983.3 | -0.9 3.6 |
| Indonesia IDX | 8,043.8 | -1.0 13.6 |
| Malaysia KLSE | 1,620.9 | 1.3 -1.3 |
| Pakistan KSE | 165,640.3 | 4.7 43.9 |
| Singapore STI | 4,323.1 | 0.8 14.1 |
| South Korea KOSPI | 3,455.8 | -0.5 44.0 |
| Taiwan TWI | 25,982.9 | -0.8 12.8 |
| Thailand SET | 1,275.0 | -0.3 -8.9 |
| Argentina MERV | 1,764,589.9 | -4.3 -36.4 |
| China BVI-SP | 145,200.0 | -0.7 24.0 |
| Mexico IPC | 61,853.6 | -0.1 24.9 |
| Egypt EGX 30 | 36,760.2 | 2.3 23.6 |
| Israel TA-25 | 3,250.0 | 7.2 33.9 |
| Saudi Arabia Tadawul | 11,529.4 | 0.9 4.2 |
| South Africa JSE AS | 108,649.8 | 1.8 29.2 |
| World dev'd MSCI | 4,306.7 | 0.7 16.2 |
| Emerging markets MSCI | 1,346.0 | -0.4 25.2 |

| | US corporate bonds, spread over Treasuries | Dec 31st |
|------------------|--|----------|
| Basis points | latest | |
| Investment grade | 91 | 95 |
| High-yield | 339 | 324 |

Sources: LSEG Workspace; Moscow Exchange; Standard & Poor's Global Fixed Income Research *Total return index

Commodities

The Economist commodity-price index

| 2020=100 | Sep 23rd | Sep 30th* | % change on | |
|------------------------|----------|-----------|-------------|-------|
| | | | month | year |
| Dollar Index | | | | |
| All items | 135.7 | 136.0 | 0.3 | 1.7 |
| Food | 145.2 | 144.8 | -2.6 | 2.8 |
| Industrials | | | | |
| All | 127.9 | 128.8 | 3.1 | 0.7 |
| Non-food agriculturals | 125.7 | 126.2 | 1.3 | -6.6 |
| Metals | 128.4 | 129.5 | 3.6 | 2.7 |
| Sterling Index | | | | |
| All items | 128.9 | 129.8 | -0.2 | 0.4 |
| Euro Index | | | | |
| All items | 131.5 | 132.3 | -0.5 | -4.1 |
| Gold | | | | |
| \$ per oz | 3,779.1 | 3,833.9 | 9.2 | 44.1 |
| Brent | | | | |
| \$ per barrel | 67.7 | 67.1 | -3.0 | -10.1 |

Sources: Bloomberg; CME Group; FT; LSEG Workspace; NZ Wool Services; S&P Global Commodity Insights; Thompson Lloyd & Ewart; USDA; WSJ *Provisional

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Obituary

- [Claudia Cardinale added depth to voluptuousness](#)

Obituary | A film star by accident

Claudia Cardinale added depth to voluptuousness

The Italian-Tunisian actress died on September 23rd, aged 87

October 2nd 2025



It MAY have been the longest opening sequence in cinematic history. A fly buzzed. A windmill creaked. Rusty water dripped from a tank. A few rough characters squinted into the sun. This was Sergio Leone's "Once Upon a Time in the West". A tiny wind blew, and from somewhere, seemingly very far away, came a plaintive phrase on a harmonica. What happened next, after quite a long time, was a man-on-man massacre. But meanwhile, down the railroad line, a woman in a pert straw hat and New Orleans fashions was stepping from a train to take charge. The film score changed then to something fuller and operatic. It came alive.

Claudia Cardinale, dressed as Jill McBain, also heard that music. Leone had insisted that Ennio Morricone's score was played before each scene, to put

his actors in the right mood. Not that, in her case, she needed it. The role of a woman defending her property against murderous bandits suited her fine. At school she had often fought with boys, just to show what girls could do. Being surrounded by men didn't intimidate her in the least. When Leone said that all his characters knew they would not come out alive, he added, "except Claudia". She knew she would.

Yet she was there by accident. At 19 she had been pushed onto a stage and crowned "most beautiful Italian girl in Tunisia", without even meaning to be. The prize was a trip to the Venice Film Festival, where she posed on the Lido in an emerald-green bikini and told the crazed media that no, she didn't want to be an actress. The more she said that, of course, the more they pressed her. Men were always that way. But cinema was a wonderful thing, a dream; perhaps to take small parts was not so bad. It meant she could afford to bring up Patrick, the little boy she had conceived after being raped by a man she knew. It seemed that everything that had happened to her involved the hand of Fate.

In all she made more than 100 films, which meant she lived as many lives and travelled all over the world. That had been exactly the aim of her tomboy self, the girl who had liked to jump onto trains at the very last moment, just as they pulled out. Her most incredible adventure came in the Amazon jungle in 1981 (again dressed too smartly for the place) as the partner of the seriously deranged Klaus Kinski in Werner Herzog's "Fitzcarraldo". While other actors melted down from the heat, Kinski's megalomania and the weirdness of taking a steamship over a mountain, she was mightily enjoying herself. She was not afraid of Kinski nor of the wild animals. She loved the craziness.

Her real lucky-star year, however, was 1963, when she played the female lead in Federico Fellini's "8½" and Luchino Visconti's "The Leopard". Again, it was a mad time, since Fellini wanted her hair short and blonde and Visconti wanted cascading dark tresses; she was dyeing her hair every week. Fellini also liked to work in a raucous circus, while Visconti insisted on silence. Yet in both films she played a woman who was less a sex object than a strong, motivating force. In "The Leopard" she was a debutante loved by two men, uncle and nephew, in an aristocratic Sicilian family in steep decline; in "8½" she was the Ideal Woman who alone could save a film

director from breakdown. It was clear by then that she was not just another gorgeous Italian siren, even if her voluptuous body drove men just as mad. She was more complicated than that.

The complications began with her voice. It was throaty, husky and dark, mostly because she smoked two packs a day, but also because her languages were French, Sicilian dialect and Arabic, from her Tunisian girlhood. (Although she was an Italian citizen, the French liked to claim her, and gave her the Légion d'Honneur.) Her early films were dubbed; even in "The Pink Panther", when she played the sozzled Princess Dala, someone else slurred the words for her. But Fellini in "8½" freed her to use her voice as part of her mysterious beauty.

Such freedom was absolutely essential to her. But it was hard-won. At 19 she was signed up to Franco Cristaldi's studio for seven years. He was 14 years older and so controlled everything: her weight, her hair, her friends. He paid her by the month, not by the film, and treated her like some sort of employee. Cristaldi also told her to conceal both her pregnancy and her baby, so she gave him to her parents to bring up as her younger brother. Eventually she married the man, but not in Italy, so not officially; in 1975 she divorced him, never to marry again. She and her new love, the director Pasquale Squitieri, lived largely apart, he in Rome and she just outside Paris, for the next 40 years. The public imagined she had affairs with most of her leading men, but "No flirting, no flings" was her rule. She was sorry to have turned down Marlon Brando, though. (How could she be so stupid?)

The rift with Cristaldi also marked the end of slavery to studios. In Hollywood, which monopolised stars, Universal wanted her to sign an exclusive contract, but she refused. One contract at a time was quite enough, and she didn't stay long. Squitieri was in any case an independent filmmaker (and a bit of a fascist too; in his "Claretta", she played the mistress of Mussolini). Work wasn't hard to get. And she was happy to do what directors wanted, however bizarre, with one exception: she would not be filmed naked.

That point was important. Behind all those roles, she had to preserve her mystery. It took great inner strength for an actress to become someone else in so many films and yet remain herself. Mystery was more important even

than beauty, so she never did anything to her face, laughingly surrendering to time because she couldn't stop it anyway. If any cinematic moment could approach the real Claudia, it was perhaps the end of "Once Upon a Time in the West", where Jill McBain gave out water to the dust-covered builders of the new railroad. She had come through, determined and independent, in a man's world. And, though dusty now herself, she was just as refreshingly lovely as before. ■

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**RUSSIA
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