The Economist

AI and the death of the web

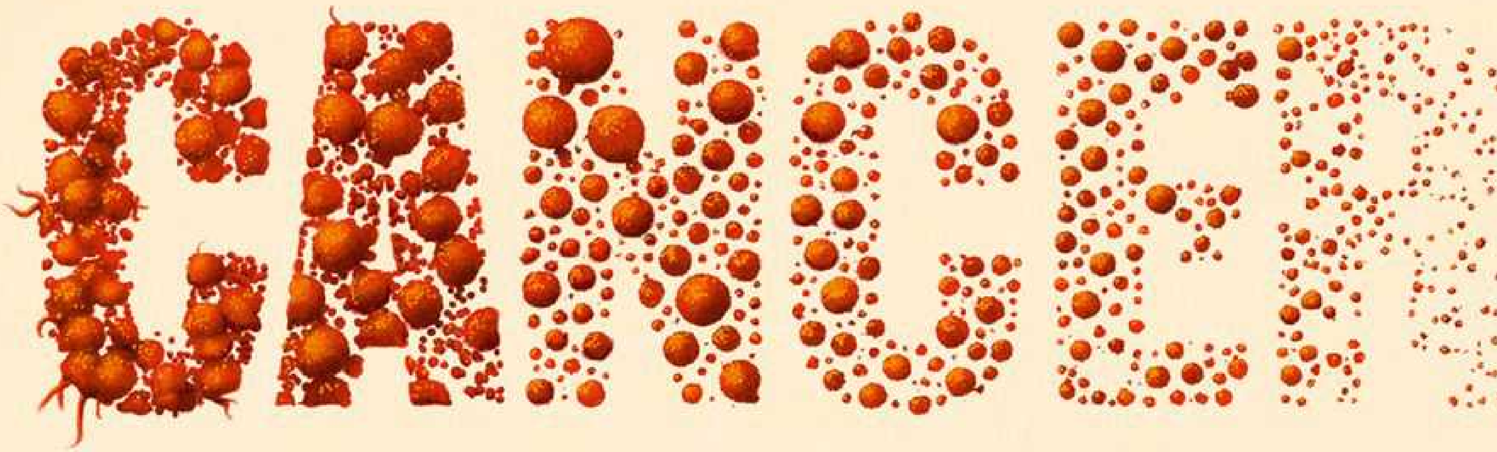
The geopolitics-defying economy

KGB v CIA

The rise and rise of women's sport

JULY 19TH–25TH 2025

Winning the war on



July 19th 2025

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The world this week

Politics

July 17th 2025

Donald Trump announced a deal that will enable NATO countries to buy American Patriot air-defence systems, missiles and ammunition, and send them to Ukraine. The president outlined the plan during a visit to the White House by Mark Rutte, NATO's secretary-general, who said eight countries were already signed up and would ship the weapons quickly. It was unclear how strong the commitments were, given the constraints on government budgets in NATO.

As Ukraine rises in Mr Trump's estimation, so Russia falls. After expressing his frustration with Vladimir Putin, Mr Trump signalled that he would impose 100% tariffs on countries that buy Russian goods if a peace deal isn't reached within 50 days. Many Ukrainians shrugged. They've been promised support before that has never materialised.

The UN's human-rights mission in Ukraine reported that 232 civilians had been killed and 1,343 injured in June, the highest number for any month since the war started in February 2022. Russia launched ten times more missile and drone attacks against Ukraine than in June 2024, it said. July has "brought no respite".

François Bayrou, the French prime minister, outlined a spending freeze, cuts to some benefits and a vaguely defined "solidarity contribution" from the "most affluent" to help get the budget deficit under control. He also wants to scrap two public holidays—Easter Monday and Victory in Europe day—to boost growth. France is "addicted to public spending", said Mr Bayrou, comparing the situation to that faced by Greece in 2008.

Israel carried out waves of air strikes on government forces in Syria and hit the defence ministry in the capital, Damascus, as it promised to protect the Druze people in the south of the country, where dozens of people have been killed amid fighting with government troops. Binyamin Netanyahu, the Israeli prime minister, spoke of a "deep brotherly alliance" with the Druze.

Mr Trump met Qatar's prime minister, Sheikh Mohammed bin Abdulrahman al-Thani, to discuss the progress of talks on an American-backed proposal for a ceasefire between Israel and Hamas in Gaza. Qatar is hosting the talks. In Gaza 20 people were killed in a crush at an aid hub run by the Gaza Humanitarian Foundation. The GHF, backed by the American and Israeli governments, blamed agitators from Hamas for instigating the incident, and said the militants' claims that tear-gas and shots were fired were "blatantly false".

Eight Palestinians, six of them children, were killed in an Israeli missile strike as they collected water. The Israel Defence Forces said it was aiming at nearby militants, but its missile had malfunctioned. It is investigating and "regrets any harm" to civilians.

Andrew Cuomo announced that he would run as an independent in New York's mayoral election. Mr Cuomo, a favourite of establishment Democrats, lost his party's primary to Zohran Mamdani, a democratic socialist, who is now the official Democratic candidate. Mr Cuomo says he will pull out before November if polls show him splitting the opposition vote to Mr Mamdani. Eric Adams, the current Democratic mayor, is also running as an independent.

America's Supreme Court once again sided with Donald Trump, and decided that he could proceed to fire about half the workforce at the Education Department, in effect gutting its capacity to operate. The court has also cleared the way for lay-offs at other federal departments, including at the State Department, where staff working on refugee policy were abruptly terminated.

The Trump administration launched an investigation into Brazil's supposedly "unfair" trading practices. Brazil does not have a trade surplus with America, but Mr Trump has nonetheless threatened 50% tariffs on all its exports, starting on August 1st. He is incensed that Brazilian courts are prosecuting Jair Bolsonaro, a populist former president, for allegedly trying to mount a coup

More than 3,000 people have been killed in Haiti since January 1st, according to the UN's human-rights office, as the gangs that in effect rule the country increase their attacks outside Port-au-Prince, the capital. The expansion of territory controlled by the gangs poses a threat to the wider

Caribbean region from increased trafficking in arms and people, the report said.

In Argentina a row erupted between the president, Javier Milei, and his vice-president, Victoria Villarruel, over pension reform. Mr Milei has said he will veto a recent bill from Congress that increases pensions and disability benefits. But he directed his ire at Ms Villarruel, who, as president of the Senate, allowed the legislation to proceed. After Mr Milei shared social-media posts describing her as "stupid" and a "traitor", Ms Villarruel told her boss to "grow up".

The US Justice Department charged a former Costa Rican minister for security with trafficking cocaine. Celso Gamboa Sanchez is in custody in Costa Rica awaiting extradition. He was also a judge.

Another big diplomatic row loomed between China and Taiwan, after it was confirmed that the Taiwanese president, Lai Ching-te, is to visit Paraguay in August, and will almost certainly have to travel through an airport in the United States. Paraguay is one of only a dozen countries to recognise Taiwan formally. China argues that letting Taiwanese politicians change planes in America is somehow a violation of China's claim to rule Taiwan, a self-governing democratic island.

Details emerged of one of Britain's most serious security lapses. The personal details of 19,000 Afghans who had worked with Britain before the Taliban seized power in 2021 were leaked by accident in early 2022. The incident was not discovered until the names started appearing on Facebook in August 2023. As a result thousands of Afghans were secretly brought to live in Britain. The leak and relocation programme came to light only after a judge lifted a two-year gagging order on the media.

King Charles invited Donald Trump to Britain for his second state visit. He is the only American president to be officially invited twice for a state visit; his first was hosted by Queen Elizabeth II in 2019. Mr Trump and his wife, Melania, will stay at Windsor Castle for three days in September. Perhaps by design, MPs won't be in session, so he will not be able to address Parliament. He wasn't allowed to do so in 2019 either.

Business

July 17th 2025

The European Union said that it would be virtually impossible for its current volume of trade with America to continue if Donald Trump carried out his threat to impose tariffs of 30% on EU goods on August 1st. The EU is considering tit-for-tat duties on American products, such as aircraft, bourbon and cars. The president also announced that he would impose a 30% tariff on Mexican imports. A duty of 17% was immediately levied on Mexican tomatoes, to protect American farmers. Around 70% of the tomatoes sold in America come from its southern neighbour.

Although Mr Trump’s promised trade deals have been few and far between he did strike one with Indonesia this week, which lowers its reciprocal tariff rate from 32% to 19%.

America's revenue from customs duties hit a new monthly high of $27bn in June, bringing the total over the second quarter to a record $64bn. The extra revenue helped the government register a surprise budget surplus in the month. Meanwhile, Chinese exports picked up again in June after America and China agreed to lower tariffs. China's exports to America grew by 32.4% compared with May. The port of Los Angeles, the main hub for Chinese exports to the US, had its busiest-ever June. Exporters are rushing to beat a new tariff deadline in August.

Boosted by the rush to ship goods abroad, China's GDP was 5.2% bigger in the second quarter compared with the same three months last year, a slightly better growth rate than economists had expected. The figure masks a sluggish domestic economy.

Nvidia announced that it would resume sales of its H20 artificial-intelligence chips to China, after receiving assurances from the Trump administration that licences would be granted. Jensen Huang, the company's chief executive, had lobbied hard to urge Mr Trump to lift restrictions on selling the chips. Nvidia's share price jumped, as did that of Advanced Micro Devices, which can resume shipments of its MI308 chips to China.

Not all the stars of the AI boom are shining. ASML, the dominant supplier of high-end lithography machines in chipmaking, saw its stock slide when it forecast lower sales this quarter and possibly no growth next year. It blamed increasing "macroeconomic and geopolitical" uncertainty. Still, ASML's revenue rose by 23% in the second quarter, year on year.

The annual rate of consumer-price inflation in America rose in June, to 2.7%. Core inflation, which excludes energy and food prices, crept up to 2.9%. It was unclear how much of the rise in prices was due to tariffs. The price of clothing was up but car prices fell. Fuel and food prices drove an unexpected rise in Britain's inflation rate, to 3.6%, an 18-month high.

Alimentation Couche-Tard, the Canadian owner of the Circle K chain, dropped its $46bn bid for Seven & i Holdings, the Japanese operator of 7-Eleven convenience stores. It blamed Seven & i's board for a "campaign of obfuscation" over the deal. It would have been the biggest foreign takeover of a Japanese company.

WPP, the world's largest advertising company, appointed Cindy Rose as its new chief executive. Ms Rose is currently an executive at Microsoft. She joins WPP as investors fret that it is too big to adapt to the challenges from AI and digital platforms, which are disrupting the industry. WPP recently issued a profit warning, causing its share price to plunge.

Renault's stock also crashed, by 18%, after it announced a surprise profit warning. The French carmaker has been relatively shielded from the market turmoil caused by tariffs on foreign cars in America, where it has limited exposure.

Britain launched a new £650m ($870m) electric-vehicle scheme to encourage the transition away from petrol cars. A grant of up to £3,750 will be made available for eligible new EVs priced under £37,000. There have been several such schemes to encourage motorists to buy green. Fleet sales have accounted for the bulk of Britain's new EV registrations in recent years.

The European Commission warned the Italian government that it had not provided "sufficient reasoning" in its attempt to block UniCredit's hostile takeover bid for Banco BPM on grounds of national security. The commission has already given the go ahead for the merger of the two Italian banks and could overrule the government.

America's big banks reported solid earnings for the second quarter, helped by strong revenues from trading in equities amid the market volatility over tariffs. Jamie Dimon, the chief executive of JPMorgan Chase, described the American economy as "resilient" and praised "tax reform" and deregulation, a change of tone from his bleak outlook at the end of the first quarter of the year.

Investors were spooked and the dollar fell amid reports that Donald Trump had asked some congressmen if he should fire Jerome Powell as chairman of the Federal Reserve. Earlier the president suggested he could dismiss Mr Powell over a $2.5bn renovation of the central bank's building. "I didn't see him as a guy that needed a palace to live in," said Mr Trump, who has his own monarchical tendencies. King Donald later said it was "highly unlikely" he would sack Mr Powell.

The weekly cartoon

July 17th 2025

Dig deeper into the subject of this week's cartoon

China's savage squabble with EuropeEurope's tricky trade threesomeEurope will have to zip its lip over China's abuses

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

Leaders

Leaders | A slow-burn success

The world is winning the war on cancer

Progress has been remarkable. Death rates are down substantially, and are likely to fall further

July 17th 2025

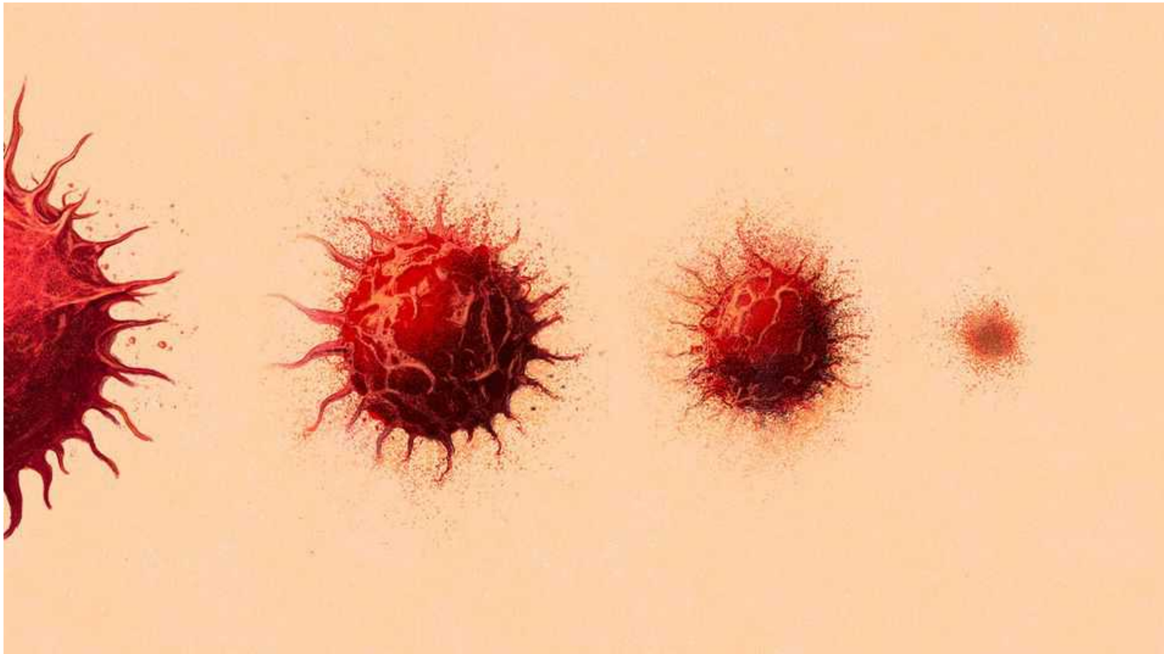
IN 1971 RICHARD NIXON, then America's president, announced a "war on cancer". Just two years earlier the Apollo programme had combined big science and big government to put astronauts on the Moon, so hopes were high. Some optimistic doctors talked of a cure for cancer within a few years.

They were wrong. Today every adult has had cancer, knows someone who has, or both. Half of men and a third of women in rich countries can expect to suffer from it at some point in their lives. In America, where it is the second-most-common cause of death, just behind heart disease, it kills around 600,000 people a year. Worldwide, it is responsible for about one in six of all deaths. If your criterion for success was a cure within a decade—or even two or three or four—then you might conclude that the war on cancer has been lost.

In fact, things are better than many realise. The progress is plain from the data and there is every reason to think it will continue. Cancer is related to age. If you strip out longer lifespans, it becomes clear that in the rich world the early 1990s were an inflection point. Since then, the age-adjusted death rate has been falling, slowly but steadily, year after year. In America the rate is now about a third lower than in the 1990s. The trend is similar in other developed countries.

What some scientists hoped would be a blitzkrieg has turned out to be a steady but successful war of attrition. Some victories have been spectacular. Childhood leukaemia used to be virtually a death sentence; now it has a five-year survival rate above 90%. Yet because cancer is not one illness, but a whole category, much of the progress has come not from big breakthroughs, but thousands of smaller advances in screening, surgery and drugs.

Future gains will come from three main sources. Some will come by applying lessons from the rich world all across the globe. The overlooked success story in the fight against cancer has been prevention—perhaps because cancers that never happen are less visible than those that are cured. For example, smoking rates have plummeted in rich countries. That has probably prevented more than 3m cancer deaths since 1975 in America alone. Because smoking still causes one in five cancer deaths around the world, anti-tobacco drives in poor and middle-income countries, where smoking remains common, stand to do an enormous amount of good.



Another source of progress will be cheaper medicines and extra wealth to pay for them. Cervical cancer is one of the most common cancers in women. Almost all cases are the delayed side-effect of infection with the human papillomavirus (HPV), a bug. In 2008 Britain began offering a newly developed HPV vaccine to teenage girls. A decade and a half later, rates of cervical cancer among women in their 20s are down by 90%, and British health officials talk of virtually eradicating cervical cancer by 2040. The original HPV vaccine was relatively expensive. But a cheaper version developed in India now underpins a mass-vaccination campaign in that country, too.

And the last source of progress will be the clinical application of fresh science. This comes in two steps: identifying who is most at risk of developing a cancer, and then finding ways to stop the disease in its tracks. As we report this week, both hold promise.

Scientists already know of genetic variants that predispose their carriers to certain kinds of cancer, such as a faulty BRCA-1 gene that raises the risk of breast or prostate cancer. However, less than half of all cancer patients have a known risk factor. Similarly, only some pre-cancerous cells turn malignant. For example, bowel cancers tend to emerge from polyps, but only 5-10% of polyps become cancerous.

The aim is to untangle this confusion in order to identify patients very early, when treatment is most effective. That work draws on huge biobanks of tissue samples and on the ability to watch genes switch on and off in living cells—impossible even a decade ago. Armed with new biomarkers in blood or breath and a deeper understanding of how combinations of genes and environmental exposure predispose people to develop cancers, physicians can target those who would benefit from treatment. That is important to prevent people undergoing needless surgery, chemo- and radiation therapy, at vast expense and with severe side-effects.

Having worked out whom to treat, doctors can make use of an expanding arsenal of therapies. Some cheap drugs seem to act as cancer prophylactics. Aspirin, a painkiller, seems to cut the risk of bowel cancer in half when given to those with Lynch syndrome, a genetic disorder that predisposes sufferers to some types of cancer. Metformin, a cheap diabetes drug, cuts the risk of recurrence in women who have been treated for a particular type of breast cancer. GLP-1 receptor agonists such as Ozempic show promise, too.

Alongside the mainstays of surgery, chemotherapy and radiotherapy a new technique is emerging that harnesses the power of the immune system. The idea is to boost the body's own ability to attack cancerous cells. Some vaccines—perhaps genetically tailored to individual patients—can target a cancer that is already established. Others, acting more like broad vaccines used against diseases such as the flu, could target pre-cancerous cells. Vaccines of this sort for breast and colon cancer are in clinical trials.

Good news often goes unreported, especially if it happens gradually. That is the story of the war on cancer. Not everything is perfect: treatments are costly, drug firms worry about being sued for side-effects when treating people for diseases they do not yet have, and the Trump administration is planning steep cuts to the National Cancer Institute—setting back the science and putting off a generation of researchers. But costs will fall, treatments will find their way to market and work goes on in Europe and China, which this year overtook America as the main source of cancer research. That is why the age-adjusted death rate will continue falling, year after year. ■

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Leaders | America and Europe

Trump’s U-turn on Russia is utterly cynical—and welcome

His pivot on supplying arms could help Ukraine defend itself

July 17th 2025

Over the past six months President Donald Trump has been all over the place on Ukraine. He said he could end the war in 24 hours. Then, while negotiating with Russia, he threatened to cut off the supply of weapons to Ukraine. In the past week he has signalled a new enthusiasm for supporting Ukraine. His spectacular pivot involves ambiguity, theatre and cynicism. Yet it creates a pathway for Ukraine and its supporters to stabilise a weakening position. They must take it.

Mr Trump originally called Vladimir Putin a “genius”, while blaming Ukraine for the war and humiliating its president in front of the world’s press. His new position, outlined after a meeting with NATO on July 14th, is rather different (see Europe section). First, Mr Trump says he is "disappointed" with Russia's leader, who has ignored his entreaties for peace, sent more troops into the meat grinder and rained missiles on Ukraine's cities. Second, Mr Trump says he will give Russia 50 days to end the fighting or face economic punishment, with America imposing secondary tariffs on any country that buys Russian exports, mostly its oil. Finally, America will resume weapons deliveries to Ukraine.

What to make of the U-turn? Mr Trump's fickleness looms large: he walked back some of his comments after only a day. "I'm on nobody's side," he said on July 15th. Having appeared to endorse attacks by Ukraine deep inside Russia, he has told Volodymyr Zelensky not to strike Moscow, and says he is not inclined to give Ukraine long-range missiles.

Neither are his threats of "severe" secondary tariffs credible. In theory, he could impose sanctions that reduced Russia's export earnings without greatly affecting the oil price. But if they were strict enough to choke off the Kremlin's energy exports, the oil price would soar, causing an inflation shock that Mr Trump might find intolerable. The big buyers of Russia's oil exports are China (47%) and India (38%). Mr Trump has backed away from an all-out trade war with China and is in negotiations with India. Tellingly, investors do not believe in Mr Trump's brinkmanship. After he threatened to cut off Russia, the oil price fell.

Yet one element of America's new stance is valuable: the flow of weapons. Instead of giving American arms to Ukraine as Joe Biden did, Mr Trump wants European governments to buy and donate them. The logic is grubby. It will be, he says, "good business". Still, by paying for such weapons, Europe could fill military gaps. Not all European leaders are keen, but they could defray the cost by using frozen Russian state assets. Already Germany has indicated it will buy Patriot missile batteries, which can provide air defence for Ukraine.

Since it relies on Mr Trump's word, this new arrangement is unreliable. Production bottlenecks mean that even if America is willing and Europe is prepared to write cheques, some weapons may run short. But they can buy time, allowing Europe to raise production of everything from shells to satellites and Ukraine to develop new ways to prevent Russia pummelling civilians, perhaps through defensive drones that neutralise aerial attacks. If Ukraine can find a way to protect its cities from the air, Mr Putin will be trapped in an exhausting war of attrition. Over the past two years his ground forces have made only meagre advances, at a huge cost.

Ultimately Europe is rich and capable of containing Russia. Mr Trump's dream of a quick peace deal has been exposed as a fantasy. Although his word counts for little, Ukraine and Europe must seize on it to create a mechanism that does not require daily presidential decisions to function. ■

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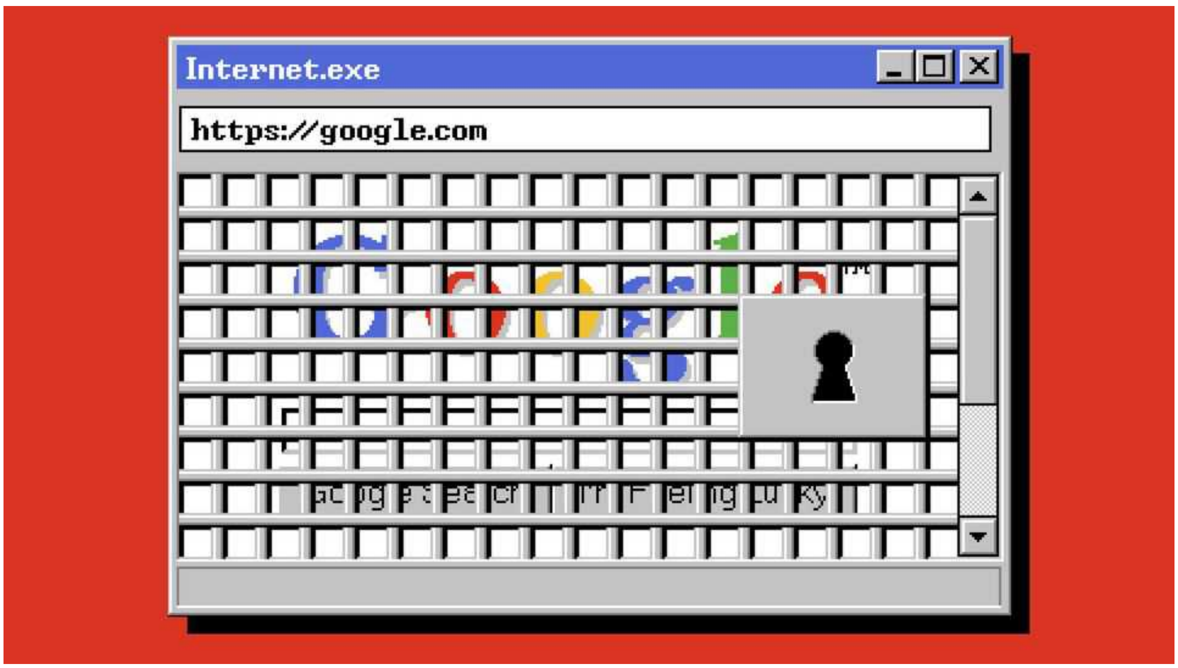
Leaders | A tragedy of the digital commons

To survive the AI age, the web needs a new business model

Artificial intelligence has undermined the internet’s central bargain

July 17th 2025



This week Hollywood released details of a new film about Sam Altman and the rise of OpenAI, whose launch of ChatGPT in late 2022 has brought high drama to the tech world. One of the most important effects of artificial intelligence (AI) so far is surely on how information is spread online. Instead of typing their questions into search engines, people increasingly pose them to chatbots. Google, which a year ago started adding AI-generated summaries to its results, promises that users can “let Google do the Googling for you”.

This revolution promises to bring more knowledge more quickly to more people. Users are right to embrace it. But there is a sting in the tail. As AI-powered search engines remove the need for people to trawl the web looking for sites with answers, they are stopping the flow of traffic to those pages. Those lost visitors mean lost money. The danger is that, as answer-engines take readers away, they are removing the incentive for content to be created. The technology that is opening up the web also threatens to kill it.

Web use is hard to measure, but by one estimate monthly traffic from search engines has fallen by 15% in the past year. Some of the loudest complaints have come from the news media, an industry in which we acknowledge an interest. But the drought is a wider problem. Science and education sites have lost a tenth of their visitors in the past year. Reference sites are down by 15% and health sites by 31%. Some big names are being gutted: Tripadvisor.com, which recommends the best hotels or beaches, is down by a third; WebMD, which offers reassurance (or alarm) to the poorly, has fallen by half.

The cost is clear. Human traffic—monetised with ads—is the economic fuel of much of the internet. A steady flow of traffic is also needed to build online communities. Wikipedia, whose visitor numbers have fallen by 8% in the past year by one measure, warns that AI summaries without attribution could deter people from contributing. Stack Overflow, a coding community whose traffic has more than halved, reports that fewer questions are being asked on its chat boards. Reddit, another giant forum, saw its share price fall by half earlier this year over concerns about bumpy search referrals.

As the old model buckles, the web is changing. It is becoming less open, as formerly ad-funded content is hidden from bots, behind paywalls. Content firms are reaching people through channels other than search, from email newsletters to social media and in-person events. They are pushing into audio and video, which are harder for AI to summarise than text. Big brands are striking content-licensing deals with AI companies. Plenty of other transactions and lawsuits are going on. (The Economist Group has yet to license its work for AI training, but has agreed to let Google use select articles for one of its AI services.) Hundreds of millions of small sites—the internet's collectively invaluable long tail—lack the clout to do this.

No one should expect the web of the future to look just as it does today. AI-powered search will rightly shake up some services: business directories, for instance, face disintermediation as answer-bots field queries such as "emergency plumber" or "houses for sale". But the evaporation of incentives to create content presents a fundamental problem. If human traffic is drying up, the web will need a new currency.

Online innovators are trying out alternatives. Some propose a pay-as-you-crawl system, in which AI bots are charged for reading sites' content. Others are working on systems that analyse chatbots' answers to determine where their information came from, so that sources can be compensated. Tech firms resist such ideas: giants don't want their crawling of the internet to be metered, and startups fear they will be made to pay for training data that pioneers like OpenAI were allowed to grab for nothing. Optimists cite the music industry, where piracy gave way to profitability when streaming platforms invented new ways to charge consumers and compensate artists.

Bringing a new business model to the web is daunting; it may take a shove from regulators to get started. Yet everyone has an interest in making content-creation pay. Publishers may be the ones complaining now, but if the content tap dries up, AI companies will suffer, too. Some are more vulnerable than others. Whereas Meta can draw on data posted to its social networks and Google owns YouTube, the world's biggest video vault, OpenAI relies entirely on others for its content.

If nothing changes, the risk is of a modern-day tragedy of the commons. The shared resource of the open web will be over-exploited, leading to its eventual exhaustion. If that process is not stopped, one of the great common properties of humanity could be gravely diminished. The tragedy of the web would be a tragedy for everyone.■

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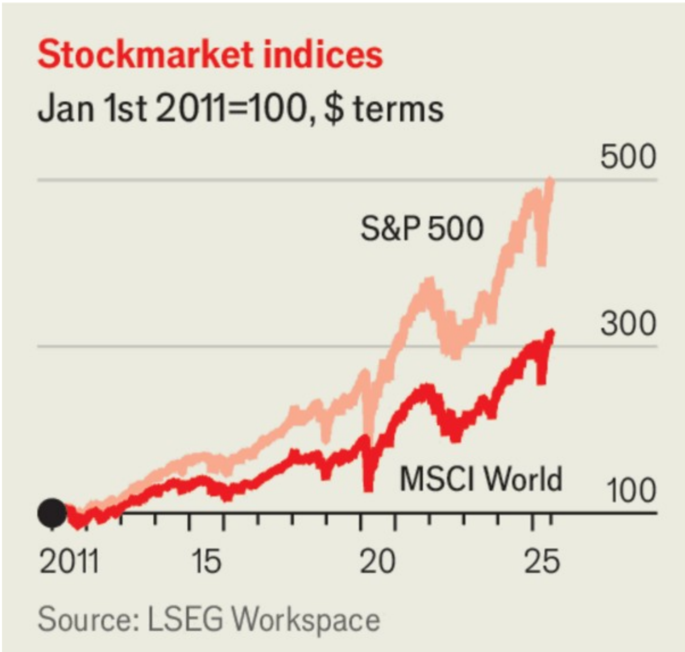
Leaders | Teflon capitalism, tested

Bit by bit, the world economy's resilience is being worn away

Growth has held up astonishingly, given geopolitics. But it can't last for ever

July 17th 2025

As Donald Trump prosecutes his trade war and muses about sacking Jerome Powell, the chairman of the Federal Reserve, analysts are poring over the data—and they are seizing on the smallest dips in stockmarkets and rises in inflation as proof of harm. Take a step back, though, and what is striking is how calm it all is. Over the past decade the global order has been upended by populists, authoritarians and war. Yet, as we explain this week, the economy is powering on, unfazed. Aside from a brief contraction as covid-19 lockdowns went into effect, global gdp has grown at a respectable annual clip of about 3% since 2011. Across the rich world, unemployment is near a record low. Both America's S&P 500 and the global MSCI index of stocks are near record highs.



This resilience, a Teflon-like superpower, is cause for celebration. It means that the twin scourges of recession and unemployment have been kept at bay. The trouble is that threats are now mounting. Because governments do not appreciate the economy's resilience, they are undermining the fundamental sources of its strength.

To see the danger, consider first what has propelled the long expansion. Around the world, economic policy now cushions demand more effectively. After the long agony of the global financial crisis, rich-country governments decided that decisive fiscal stimulus was the best way to avert economic pain, and low interest rates made their interventions affordable.

Meanwhile, policy in the emerging world improved. The number of inflation-targeting central banks rose to 34 in 2022, from five in 2000. More governments let their exchange rates float and issued debt in local currency, sheltering them from the vagaries of American interest rates. That helped stave off debt crises even as rates rose and commodity-price spikes made life harder for importers.

More stable demand has been met by increasingly flexible supply. During the pandemic, early shortages of masks and chips convinced politicians that markets could not be trusted. In fact, supply chains responded quickly: hand sanitiser was churned out by the gallon; shipments of chips spiked in 2021. More recently, a glut of oil—thanks in part to America's shale drillers—meant that even as Israel and then America bombed Iran, the price of crude barely budged.

You should be worried, therefore, that the fundamentals of Teflon capitalism are now looking shaky. The costs of activist policies are mounting. Politicians in the rich world spent more than 10% of GDP shoring up demand during the pandemic; those in Europe allocated, on average, another 3% during the energy crisis. Interest rates on ten-year government debt now average 3.7%, up from 1% during the pandemic.

Yet because voters increasingly expect the state to step in, and fiscal consolidation is hard, debts are ratcheting up. Even as the economy hummed along last year, America ran a deficit of 7% of GDP. Britain's attempt to cut benefits for the disabled ended in tears; French pension reforms seem just as doomed. With every increase in the fiscal burden today, governments' ability to step in next time trouble hits is sorely constrained.

Moreover, the instinct to protect now extends to supply chains. Prices play a crucial role in a market economy, sending signals about what is scarce and what is plentiful. But governments are seeking to override them in the name of sparing voters' wallets and jobs. According to the imf, the rich world had 1,000 industrial-policy measures in place in 2022, up from 100 in 2017. While Mr Trump uses tariffs, the European Commission is relying on subsidies and strictures; it is reportedly mulling a plan for its school-meal scheme to buy food locally.

All this will only make supply chains more brittle. The pandemic revealed that diversified supply was more resilient than local production, which could be taken out by a lockdown or natural disaster. And governments are hardly the best backers of new supply. The biggest triumph of American reshoring, the rise of the shale industry, came about not because of policy, but because entrepreneurs spied an opportunity.

History shows that economies do not stay stable for ever. The longer an expansion, the more politicians, investors and companies take risks, hastening its demise. On July 16th Mr Trump said that he was "highly unlikely" to sack Mr Powell. If he were to change his mind, undermining the central bank's independence, the placidity of the past decade would be put to the test. The economy has surprised so far; it could surprise for a while still. But the Teflon is wearing thin. ■

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Leaders | An Afghan super-malfunction

The British people have been kept in the dark for two years

A data breach, a gag order, a stampede to duck responsibility

July 17th 2025

It is RARELY the sin that lands you in trouble; it is the cover-up. Britain is being reminded of this adage after a judge ruled on July 15th that a two-year gagging order barring all reporting of a serious security-data breach, and its equally serious consequences, was no longer justified. As he lifted the first-ever super-injunction granted to the government, Sir Martin Chamberlain, a High Court judge, said that the evidence for maintaining the order had been "fundamentally undermined" and that there was "no tenable basis" for continuing it.

Ministers from both the Conservative and the Labour parties must now explain why they kept secret for 683 days not just an alarming leak that revealed the identities of thousands of Afghans in danger of Taliban reprisals, but also a policy mop-up that includes a secret scheme to resettle thousands of Afghans in Britain. This week the government said the leak added £850m ($1.1bn) to the cost of resettling Afghans. Confusingly, in court it had cited an overall total in the billions.

The super-injunction kept these facts, including the existence of the order itself, out of the public domain. This was during the long run-up to an election at a time of strained public finances and of growing worries over migration. The bar for such a restriction should have been extremely high. Whether the gagging order ever met that standard is doubtful. The fact that it has endured for so long looks like an abuse of state power.

The desire to stop the dissemination of information that could endanger lives is understandable. In February 2022 a Royal Marine mistakenly leaked the names and contact details of almost 19,000 Afghans, some of whom had helped the British army against the Taliban, and then applied for safe haven in Britain after the Islamist rebels seized control of their country. In autumn 2023, after members of the press got wind of the breach, the government asked a judge to intervene. Ben Wallace, the defence secretary at the time, recalls asking for a four-month injunction in order to bring people to safety.

What happened next does not sound nearly as reasonable. A High Court judge, Sir Robin Knowles, suggested that rather than just issuing an injunction, he would issue a super-injunction. This rare and controversial instrument had only ever been used to protect celebrities and the odd business from embarrassment. Several other mechanisms are available for the state to stop publication of sensitive security information: this was much more extreme than any of them. And, once the super-injunction was in place, it was kept there for 22 months by Tory and Labour governments alike (despite several opportunities to lift or downgrade it).

This is a terrible place to have ended up. A recent report by a retired civil servant suggests that simply being on the leaked list has not turned out to be a death sentence, as the Ministry of Defence (MOD) had feared. Perhaps it never was. In any case, two years is unjustifiably long. Mr Justice Chamberlain ruled a year ago that the injunction should be lifted, as keeping the leak secret could in fact endanger those on the list who were not likely to be given asylum in Britain. The government successfully appealed against that decision.

Complexity is no excuse for secrecy. In fact, difficult ethical choices that involve public money and a controversial policy like immigration are best worked through under public scrutiny. The injunction meant that Parliament, press and the public could not do their jobs. An obfuscation of this magnitude, by several governments and state institutions, will only aggravate public mistrust of politicians and the government, which is already at a record high. Shutting down the basic instruments of democratic scrutiny and accountability sets a terrible precedent.

As to whether the MOD overreacted in 2023 and was too cautious about the risks following the leak, Mr Justice Chamberlain this week said that would "be for others to consider". Today "others" can at last weigh up most of the information they need to reach a judgment. It is likely to be damning. ■

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Letters

Letters | A selection of correspondence

The politicisation of the Federal Reserve

Also this week, prediction markets, the Democrats, Wimbledon, the Shipping Forecast, bed-ins, sex work

July 17th 2025

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I appreciated the column by Richard Clarida, my former colleague, on the politicisation of the Federal Reserve (By Invitation, July 5th). But there is another, subtler threat to the Fed's independence, which is the belief that it can do more than it actually can. When outcomes fall short of expectations, disappointment follows, even when those expectations were never realistic.

Consider the interest-rate-cutting cycle that began in September 2024. Over three months, the Fed lowered the federal-funds rate by 100 basis points. Yet by January 2025, ten-year Treasury yields had risen by the same amount. The Fed does not control the long end of the yield curve; markets do. Confusing the two only sets the stage for misplaced blame, and misguided policy pressure.

Patrick HarkerPresident of the Federal Reserve Bank of Philadelphia, 2015-25Philadelphia

Buttonwood (June 28th) laments that the credibility of prediction markets is undermined by taking bets on things like the probability of Jesus Christ's second coming (now at 2% on Polymarket). This respectable instinct lobotomises the technology's most revolutionary feature. What if markets could price not just inflation but the cultural half-life of a meme? Whether Gen Z will have fewer children than Millennials? When the last person who remembers the smell of old books will die?

The second-coming market isn't frivolous. It is thousands of people revealing their collective beliefs about reality itself, or even better, their willingness to lose a bet to profess that belief. To amputate this whimsical functionality for the sake of Goldman Sachs's comfort would be to mistake the tail for the dog.

Consider the progress of large language models. Early language models were trained on diverse data and tended to say wildly inappropriate things at inopportune moments (at a demo day for a funder my system made predictions about one of the grant managers' sexual proclivities). The prudent path would have been to go with clean datasets and predictable outputs, no messy internet text that might get us into trouble. But also little discovery. The industry's reckless embrace of a chaotic corpus of human expression is precisely what unlocked its capabilities.

The promise of prediction markets isn't to become another Bloomberg terminal. It's to remain unruly enough to surprise us with what aspects of reality can be quantified at all.

Co-written by Claude Sonnet 4 and Ari HoltzmanAssistant professor of computer scienceUniversity of Chicago

India's efforts to clean its air are essential, but if it proceeds without simultaneous cuts to short-lived climate pollutants (SLCPs) it risks trading air pollution for deadly heat. As you noted, removing aerosol emissions from the atmosphere as we clean the air could expose the region to a sharper temperature spike ("If India chokes less, it will fry more", May 31st). But there's a solution hiding in plain sight.

Mitigating SLCPs—methane, black carbon, hydrofluorocarbon refrigerants and tropospheric ozone—is the fastest and most practical way to slow near-term warming. These pollutants heat the planet far more intensely than carbon dioxide (CO2) in the short run. Methane, for instance, is over 80 times more potent than CO2 over 20 years. Unlike CO2, which lingers for centuries, SLCPs wash out in weeks to decades. Cutting them yields quick climate and health wins. If cutting CO2 is a marathon, tackling SLCPs is the sprint we cannot afford to lose.

Policies like the National Clean Air Programme of India, which targets a 40% cut in particulate matter by 2026, must expand to address these pollutants explicitly. The government should consider the integration of climate change and clean-air policy. For instance, black carbon, a component of PM2.5, is also a powerful climate forcer. On the other hand, methane spurs the formation of ground-level ozone. However, even if India achieves a 40% aerosol reduction, climate models indicate that the resulting aerosol unmasking would raise regional temperature. Even a modest increase of 0.2oC is enough to double the probability and intensity of heatwave events like the deadly May 2022 episode, unless the SLCPs are curbed in parallel.

Roughly half of today's warming is driven by SLCPs. Curbing them could avoid up to 0.6°C of warming by 2050. For India, already grappling with intensifying heatwaves, that's not a co-benefit, it's a survival imperative. Unmasking air pollution and mitigating SLCPs must be seen not as separate efforts but as two sides of the same strategy. To clean the air without baking the region, India must do both.

Zerin OshoDirectorIndia Programme

Durwood ZaelkePresidentInstitute for Governance & Sustainable DevelopmentWashington, DC

The Democrats should do better at governing the states and cities they already hold, you argue ("The other half", June 21st).You mentioned the problems in Chicago and its Democratic mayor, Brandon Johnson, but you mostly ignored the state government in Illinois and its current two-term Democratic governor, J.B. Pritzker. He is very likely to win a third term; it is also clear that he has ambitions for the 2028 presidential race.

Mr Pritzker inherited a mess when he came into office that reflected the partisan gridlock his Republican predecessor had presided over (including two years with no budget) and the two decades of a structural deficit that both parties were responsible for. Mr Pritzker and the General Assembly have adopted a balanced budget every year. The state's credit rating was just above junk status when he took office. Since then our credit rating has risen several times.

The pragmatic and popular policies he promoted include a big infrastructure plan that gained bipartisan support and was a model for the later federal plan that Joe Biden passed. He also achieved a long-sought reform of the public-school funding formula, which has increased state aid for poorer rural and urban districts. There are many other examples of effective state government in the Pritzker era.

In sum, this alternative story of a successful Democrat helps balance the record that you put forth in your article.

John JacksonVisiting professorPaul Simon Public Policy InstituteSouthern Illinois UniversityCarbondale, Illinois

"Advantage: NIMBYs" (July 12th) stated that the Wimbledon tennis championships are struggling to grow. This was my view back in 1993 when, as leader of Merton council, I met the chair of the All England Lawn Tennis and Croquet Club (LTC). We both wanted Wimbledon tennis to grow and stay in Wimbledon, and not have to move to be able to expand.

The LTC already used Wimbledon Park Golf Course for temporary buildings during the championships, paying it rent and with no legal challenge from Merton council. The vision was that, when the lease expired, the LTC would be able to move the qualifying rounds from Roehampton to there for the championship's three weeks with permanent grass courts replacing the golf fairways. That was the agreement on sale of the freehold.

The 2023 planning application incorporates this concept, and I support the overall plan based on three-week use and subsequent return to metropolitan open land status. The problem lies with the additional 8,000-seater new Parkland Show Court and its permanence and use for 52 weeks of the year and the hard-core apron around it.

My proposal made to all parties since 2022 is that, if the LTC needs this additional stadium, it be non-permanent but removable after the championship and then brought back each year, as with all the seating around the new grass courts on the site, as set out in the Greater London Authority's decision for the four Parkland outer show courts.

This could be done by replacing the current concrete and steel proposed structure with one of mass timber, like the Abba Voyage theatre currently in Stratford. A side benefit would be that the LTC would have constructed a carbon credit with a negative impact on emissions for London.

The problem is not NIMBYism or sclerotic British planning law in this case. All sides love the Wimbledon championship and want it to grow.

Dr Anthony ColmanMP for Putney, 1997-2005Aylmerton, Norfolk

You described the Shipping Forecast, broadcast by the BBC for 100 years, as “A national treasure” (July 5th), even though it is “increasingly redundant at sea”. Yet the forecast provides a concise, human-readable and in many cases entirely sufficient account of what to expect at sea. It is easy to interpret and to remember, and it can serve as a useful benchmark against which to decipher detailed meteorological GRIB files from computer weather models. After all, most sailors are not meteorologists. Transmitting it on radio long wave means it must be listened to with nothing but a battery-powered radio (in case other equipment fails). Moreover, hearing a calm human voice through the ether is comforting and nice. It’s a shame that German national radio ceased its broadcast of the Shipping Forecast. Robert AueKiel, Germany

You noted the importance of John and Yoko’s bed-in as a statement for the times (“Please, brother, take a chance”, July 5th). But there were two bed-ins. The first was in Amsterdam in March 1969. Held during their honeymoon at the Hilton it was a media-geared protest against war, especially the Vietnam War. The second was in Montreal in late May to early June 1969. It was more influential, and included the recording of “Give Peace a Chance”. Amsterdam was the experimental launch of the concept, whereas Montreal expanded the format into something even more effective and media-savvy.

Dr Pascal BecotteNew York

You wrote about “Sex work in the gig economy” (June 28th). Readers who may have tut-tutted over the enterprising businesswomen at OnlyFans would do well to recall the apprentice in Chaucer’s Cook’s Tale, whose friend had “a wyf that heeld for contenance/A shoppe, and swyved for hir sustenance” (had a wife that kept for the sake of appearances a shop, and screwed for her living).

There is indeed nothing new under the sun, nor under the covers.

John HansonBoston

By Invitation

By Invitation | Everyday, everywhere

You don’t have to be America or China to win in AI, says Rishi Sunak

The race for broad adoption is just as important as the one for artificial general intelligence

July 17th 2025

AMERICA AND China are sprinting to see who can push the frontiers of technology and develop artificial general intelligence (AGI) first. The competition for AGI—AI that surpasses humans at all cognitive tasks—is of fundamental geopolitical importance. Every democratic state should hope that America wins: a Chinese victory would tilt the balance of power in favour of an authoritarian superpower.

But the fact that America or China will win this contest should not turn other countries into mere spectators. Even more important for their economies and societies is the other AI race, the one for “everyday AI”: the deployment and diffusion of the technology across the whole of the nation. The first countries to achieve everyday AI will reap huge benefits.

AI is a general-purpose technology, meaning it has the ability to affect every part of the economy in the same ways that steam power, electricity and computing have done. As work by Jeffrey Ding of George Washington University shows, the countries that benefit most from these technologies are not necessarily the ones that develop them first but the ones that adopt them most widely.

America became the dominant manufacturing power in the late 19th century not because it was the most innovative country but because it appreciated the real-world applications of emerging technologies. It produced many more mechanical engineers than Britain, and they were more focused on practical applications than their German counterparts.

Rather than focusing exclusively on heroic innovations, leaders should look to the diffusion infrastructure that enables general-purpose technologies to generate productivity gains across the economy. This is urgent because although AI adoption by businesses has been patchy so far, once the pace picks up it may well spread faster than previous general-purpose technologies since it requires no new hardware.

The first step should be to train business leaders, especially those at small and medium-sized companies, to use AI to change how they operate. Just consider how the productivity benefits of the electric dynamo—the original source of electricity for industry—were felt only when the layout of factories was altered to centre it on the new power source. If AI use remains limited to the IT department, only a fraction of its benefits will be felt.

The second step is to focus on how workers can use AI in the right way. Conversations about mass skilling tend to start with what should be taught in schools. But this misses the urgency of the situation: in Britain, 80% of the labour force forecast for 2030 is already working, and the situation is similar in other G7 countries. So we need to find ways to reach people who are in jobs now.

A multiplicity of AI training courses already exist. The key will be to develop a credible kitemark system to show employers and workers which ones are best. Technology companies can play a role here, as Cisco has done with its Networking Academy, which has taught technical skills to over 24m students since the 1990s.

British history provides a template for how to achieve broad take-up. In 1969, in response to the changing nature of society, Harold Wilson established the Open University. Its distance-learning model reached people who could not or would not have attended a residential course. BBC broadcasts made it part of the national conversation. Now, millions have done its courses. It is time to replicate that success with AI courses for workers. This is the OpenAI that all countries really need.

Empowering workers could also help transform public attitudes to AI, which is the third step we must take. As prime minister, I was often struck by the paradox that Britain was third in the world for AI behind only America and China, yet the public was extremely wary of it. The same is true in many other countries, particularly anglophone ones, according to polling by Ipsos Mori.

The task for political leaders is to alter this attitude with candour about the change that is coming and vision about the benefits it will bring. The alternative is defeat in the AI race: people don’t adopt a technology they are scared of.

India shows how citizens can be made optimistic about technology. The “India stack” has improved people’s everyday lives. The Aadhaar digital-ID system enables 1.4bn people to receive government services directly and the Unified Payments Initiative allows millions of micro-businesses to accept digital payments.

That leaves two further challenges for governments. One is to spread AI throughout the public sector. With the state accounting for over 40% of economic activity in the OECD, there can be no mass deployment of AI without governments doing their bit. AI offers the best chance to make public services more productive and offset the consequences of an ageing population.

The final challenge is to regulate in a way that encourages adoption. This starts with not emulating the EU's top-down AI Act. An alarmingly large number of American states are preparing similar laws. These put disproportionate liability risks on firms using AI—complicating, if not in effect barring, basic tasks like using AI to filter CVs. Never before has a general-purpose technology been subjected to such heavy regulation so quickly.

Where policing can be positive—indeed crucial—is in evaluating the cyber, biological and nuclear risks of frontier AI models before they are deployed. This is vital to protect citizens and ensure trust in the technology.

AI, more than anything else, will drive growth in the coming decades. Only one country can win the sprint to AGI. But every country has a chance of winning the race to infuse its economy with this technology more quickly than anyone else.■

Rishi Sunak was Britain's prime minister from 2022 to 2024. He is the Member of Parliament for Richmond and Northallerton and the William C. Edwards distinguished visiting fellow at the Hoover Institution.

By Invitation | American energy policy

Climate change is a by-product of progress, not an existential crisis, says Trump's energy czar

Chris Wright argues that most green energy policies bring only exclusion and scarcity

July 17th 2025

Nearly every aspect of modern life depends upon energy. It fuels opportunity, lifts people out of poverty and saves lives. That is why, as a lifelong energy entrepreneur and as us Secretary of Energy, I am honoured to advance President Donald Trump's policy of bettering lives through unleashing a golden age of energy dominance—both at home and around the world.

Over the past two centuries, two forces dramatically transformed the human condition: the rise of bottom-up social organisation—human liberty—and the explosion in the supply of affordable energy. The result has been a doubling in life expectancy. In the same period, extreme poverty has plummeted from affecting 90% of the world's population to under 10%. Energy and human liberty matter.

The world needs more energy—in particular, more American energy. The growth of American energy production is a win for our citizens, for our geopolitical standing and for our allies. We need energy that is affordable, reliable and secure.

This administration is focused on energy addition, not subtraction—a complete reversal from the previous four years. By the time President Trump took office for his second term, American energy had become more uncertain, more expensive and less reliable. One in five American households was struggling to pay its energy bills. Half of the electric grid faced the risk of blackouts.

In the name of a single risk—climate change—the Biden administration launched a regulatory assault aimed at eliminating hydrocarbons in favour of so-called renewables. The results were predictable.

By targeting our most reliable fuels, the previous administration restricted energy production and blocked critical-infrastructure projects like natural-gas pipelines. This resulted in higher energy prices and inflation, driving up costs for everything from gasoline to groceries. It weakened the resilience of the electric grid. It also made American manufacturing more expensive and uncertain, risking an exodus of businesses—meaning lost jobs and a shrinking tax base.

Was this damage at least offset by progress with Joe Biden's promise to green the economy? In short, no. Hydrocarbons made up 82% of American primary energy consumption in 2024, nearly the same as in 2019. Hydrocarbons are proving extremely difficult to replace.

Urgent, politically charged proclamations to alter national energy systems have consistently proven disastrous. In Europe, as well as in America under President Biden, climate zealotry has overtaken energy reality. The result is crushingly high energy prices, deindustrialisation and diminished life opportunities for citizens.

In Britain—the birthplace of the Industrial Revolution—the last remaining virgin-steel plant has been threatened with closure. By narrowly focusing on climate targets and transforming only the electricity sector, Britain has driven away nearly all heavy manufacturing.

One of the most damaging misconceptions in policymaking is the idea that the energy sector is synonymous with the electricity sector. Electricity accounts for just one-fifth of global primary energy consumption. Covering the landscape with wind turbines cannot completely decarbonise the economy.

Furthermore, it is impossible to build a wind turbine or a solar panel—or manufacture steel or cement—without hydrocarbons. Industrial processes require intense heat that electricity cannot provide.

Like all modern economies, Britain consumes steel. However, its climate policy has caused steelmaking, which once thrived in the country, to move to coal-fired plants in countries like India and China, with production shipped back to Britain on diesel-powered vessels. As well as doing nothing to reduce greenhouse-gas emissions, this undermines Britain's national security, industrial independence and economic stability. Britons continue to pay among the highest residential-electricity rates in the world—all while depending more on authoritarian regimes like China.

That's not a climate policy. And it's certainly not an energy policy. It is proof there is no such thing as clean or dirty energy. All energy sources have trade-offs and these should be holistically evaluated.

America is taking a different path—one focused on growth. We are expanding our supply of reliable energy, delivering more secure energy to Americans more cheaply. This approach enables the reshoring and domestic expansion of energy-intensive manufacturing: steel, semiconductors, fertiliser, cement and more. And it is positioning America to lead the next major energy-intensive frontier: artificial intelligence (ai). ai transforms electricity into the most valuable output imaginable: intelligence. The country that wins the global race for ai leadership will shape the future of innovation, economic productivity and national defence. Dominating ai will require not only world-class scientific expertise, but enormous, continuous amounts of power. The Department of Energy is partnering with the private sector to ensure America leads this transformation. Under President Trump, we are refocused on building the 24/7 baseload capacity to meet the demands of the ai era.

We are accelerating the production of all baseload resources—coal, nuclear, geothermal and, of course, natural gas. Natural gas alone supplies over 40% of American electricity and 25% of global primary energy. It heats more American homes than any other fuel, anchors the booming petrochemical industry and remains the dominant source of industrial heat for manufacturing.

We will treat climate change as what it is: not an existential crisis but a real, physical phenomenon that is a by-product of progress. Yes, atmospheric CO2 has increased over time—but so has life expectancy. Billions of people have been lifted out of poverty. Modern medicine, telecommunications and global transportation became possible. I am willing to take the modest negative trade-off for this legacy of human advancement.

The world stands at an energy crossroads and it is time to choose. Do we want an energy policy of exclusion and scarcity that shackles humanity and limits economic potential? Or do we want a policy of inclusion and abundance, bursting all limits to growth and opportunity?

America has made its choice in favour of more energy, more manufacturing and more economic activity. We invite others to do the same. ■

Chris Wright is the United States Secretary of Energy. He was previously the chief executive of Liberty Energy.

For another perspective on global energy competition, read this guest essay by Vinod Khosla.

Briefing

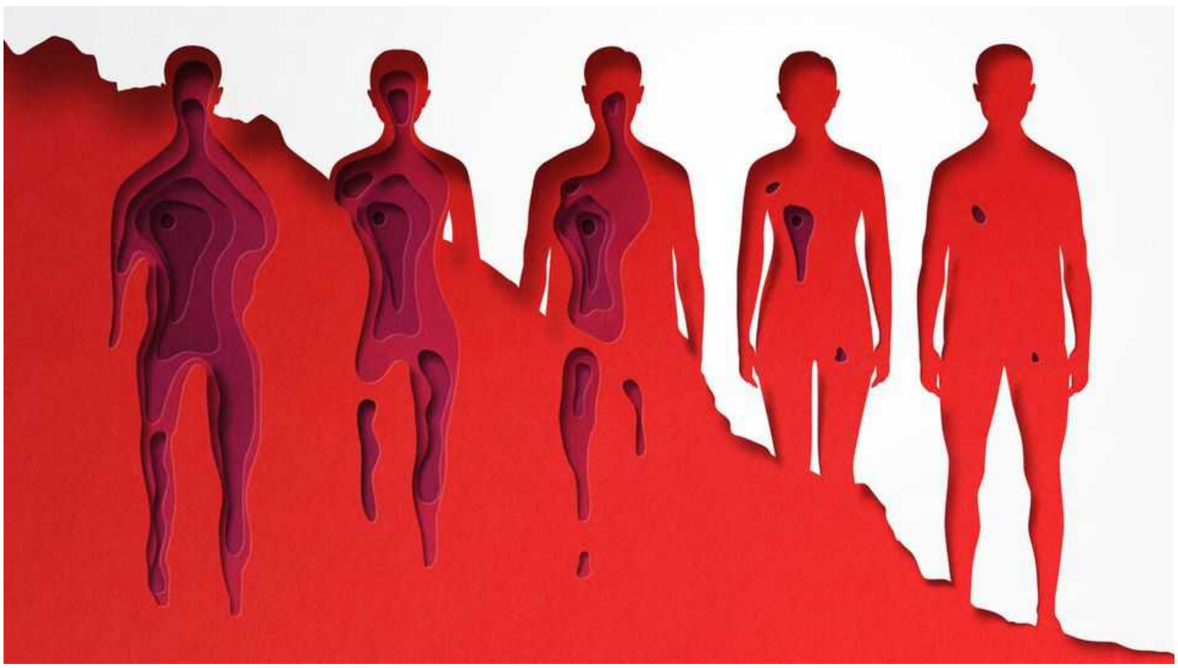
- The world is making impressive progress averting cancer

Briefing | Less deadly than you think

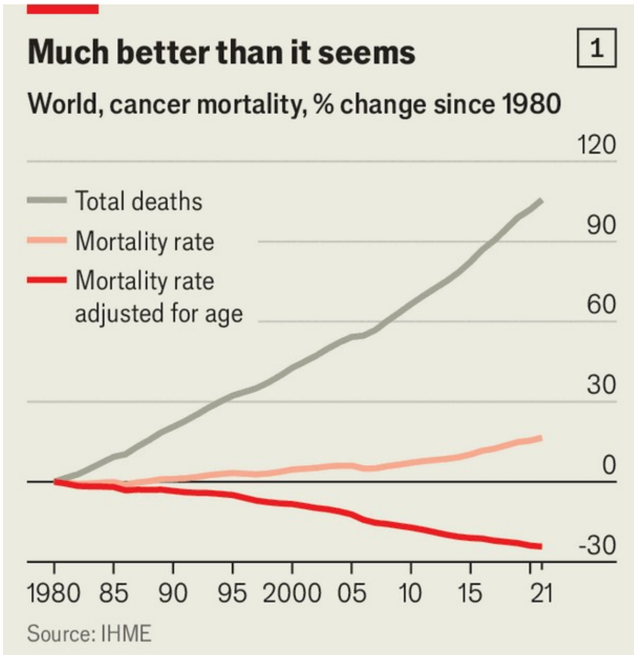
The world is making impressive progress averting cancer

And there are more improvements to come

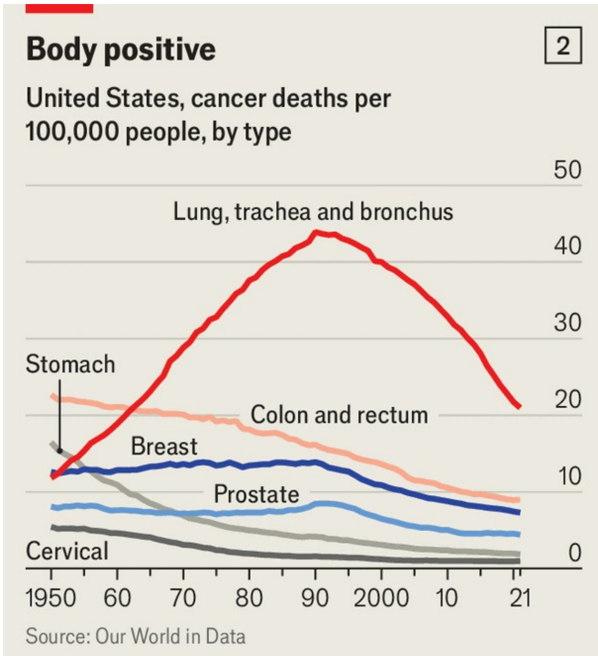
July 17th 2025



IT IS ALREADY a frightening disease, and one that, on the face of things, is becoming ever deadlier. Cancer kills perhaps 10m people a year, a number that has been rising steadily over the decades. In rich countries, half of men and one in three women develop it at some point. In many countries, including Australia, Britain, Canada and Japan, people are more likely to die of cancer than of any other cause.



Yet these scary numbers are largely a function of demography. As the world's population grows, so does the number of deaths from cancer. The rising median age of people around the world has the same effect, since cancer can take decades to develop and therefore afflicts the elderly more than the young. Strip out the effects of population growth and ageing and the rate of deaths from cancer has actually fallen markedly over the past 30 years or so (see chart 1). Cancer is becoming much less deadly—and scientists' fast-improving understanding of the disease holds out the prospect of further advances for years to come.



The declining mortality rate reflects all manner of improvements in prevention, diagnosis and treatment. The biggest gains have come from reductions in smoking, which causes around 85% of lung cancers and 20% of all cancer deaths globally (see chart 2). Mammograms, colonoscopies and cervical smear tests, among other forms of screening, have helped to identify lesions, polyps and other tissue that may develop into cancer, but that can be removed, preventing any such progression. Better surgical techniques and cancer medicines have improved survival rates for those who do develop the disease. In recent years immunotherapy, in which the immune system is induced to fight cancer more effectively, has also made big strides.

By one estimate, such advances averted nearly 6m deaths in America between 1975 and 2020 from lung, breast, bowel, prostate and cervical cancer, which collectively accounted for around 70% of cancer deaths in the late 1970s. Just over half of the averted deaths were the result of reduced smoking. Another 23% stemmed from better screening and 20% from improvements in treatment. Stomach cancer, once common in rich countries, has also declined sharply. In the 1990s researchers established that it was often caused by Helicobacter pylori. Infections of the bacteria were already declining, owing to improvements in hygiene and greater use of antibiotics since the 1950s, but the discovery spurred testing and direct treatment of them, further reducing the incidence of stomach cancer.

Perhaps the most striking breakthrough concerns the prevention of cervical cancer. In the early twentieth century, it killed more women in America than any other form of the disease. The first headway against it came with the realisation that certain changes in the cells in the cervix, visible under a microscope, often progressed to cancer. This led to screening programmes to detect and remove suspect tissue before it turned cancerous. Studying the many samples collected in this way led to the discovery that almost all cervical cancers were caused by infection with the human papillomavirus (HPV). The subsequent development of HPV vaccines holds out the prospect of the near-eradication cervical cancer. In Britain the vaccine has led to a 90% drop in cervical-cancer cases for women in their 20s, based on data for the first cohort that was offered the jab at the age of 12 or 13.

The success in curbing lung and cervical cancer has become a template for scientists looking for ways to prevent other types of cancer. It has taught them first to identify who is at greatest risk of developing cancer and then to intervene in whatever way works best: getting smokers to quit, getting young women vaccinated against HPV. Most cancers, admittedly, are harder to tackle, since their causes are more complex and less well understood. In fact, only around half of all cancer cases can be explained by a known risk-factor for the disease. But the wealth of tissue samples collected over the years, along with advances in cellular biology, are slowly making it easier to identify patterns and tailor treatments accordingly. Several new vaccines developed in this way are already in the works. Such data are helping identify prophylactic drugs, too. The hope is that, rather than treat cancer once it has developed, many forms of the disease can be stopped from developing to begin with.

“Cancer does not come out of nowhere,” explains Sarah Blagden of Oxford University: it slowly develops over many years, providing ample opportunity for medical intervention. The process starts when genetic mutations cause normal cells to reproduce in ways they should not. As they divide, some of these abnormal cells develop features that help them to hide from the immune cells that normally clear out damaged and diseased cells. The abnormal cells eventually form clumps of tissue called lesions, polyps or tumours.

These lesions can take 5-15 years to develop. Once they are big enough, they can be spotted by mammograms, colonoscopies and the like. Some stop growing or shrink, but others develop into fully fledged cancer, meaning that they begin to protrude outside the organ where they first started growing and will eventually metastasise, or spread around the body (although that can take a further 5-10 years).

Most cancer-screening programmes aim to detect lesions and remove them before they become cancerous. But it is hard to know whom to screen and which lesions, once detected, to remove. Screening tends to be based on very broad criteria, such as age or having a close relative who has had cancer. As a result, many people who are not at high risk undergo unnecessary tests, including invasive procedures that can cause harm. Colonoscopies, for example, can perforate the colon; biopsies of breast, lung or other tissues can cause infections and other complications.

What is more, only about 25% of the most common type of lesion found in breast tissue turn cancerous. By the same token, although the majority of bowel cancers start from polyps, only 5-10% of polyps develop into cancer. Scientists at University College London have discovered that, if left alone, 30% of a particular type of lesion in the lungs regress over time. All such lesions, however, are treated as incipient cancer because there is no way to predict with certainty whether they will turn malignant. The result is lots of unnecessary, expensive and debilitating surgery, radiation therapy and chemotherapy.

One solution to the problem of side-effects from testing would be cheaper, less invasive screening methods for lesions—and many are indeed in development, including various breath, blood or urine tests. Better still would be to find more accurate indicators of who is at risk, to target treatment to those who really need it. Scientists have been making progress in this area, too, in two ways: by identifying genetic predispositions and by working out what proteins in blood or tissue might serve as "biomarkers" of a heightened risk of developing cancer.

Some 5-10% of cancer cases appear to have genetic origins. About one in every 200 people has faults in genes called BRCA-1 and -2 that are involved in suppressing cancer, for example. For women such mutations carry a 60-

80% risk of developing breast or ovarian cancer. One in 300 people has Lynch syndrome, which is caused by mutations in genes involved in DNA repair. These people have a 40-80% chance of developing colorectal, endometrial and other types of cancer. These are extreme cases, but many other genes appear to heighten the risk of developing certain cancers. Since genes are inherited, it is easy to know who to screen for such mutations and then monitor more closely for signs of disease.

Another set of clues about who is at risk comes from big medical studies conducted in recent decades to examine links between diet, lifestyle and cancer. Some of them, such as the EPIC project, which has tracked 500,000 Europeans for nearly 30 years, have created "biobanks" of blood samples. That allows researchers to examine blood from participants who later developed cancer, and to compare it with samples from those who remained healthy, to see if there are any distinguishing features. In particular, they have been looking for proteins that are more common among future cancer patients.

Such research has found that people with high levels of insulin-like growth factor (a protein that tells cells to grow) are at higher risk of breast and bowel cancer. Biobank samples also helped a team led by Marc Gunter from Imperial College London identify new proteins that seem to be biomarkers of an elevated risk of breast cancer. "They've come completely out of the blue, in a way," he says.

These discoveries are not only useful in themselves, but can also be combined with other data to produce more refined measures of risk. Genetic screening, blood tests, information about diet, exercise and so on can all be fed into "multimodal" cancer-risk calculators that have entered clinical practice in the past five years. Doctors use them to decide, for example, who should have earlier breast-cancer screening or take cancer-prevention medicines.

Rapidly improving technology is helping refine these risk models. It is now possible to test a single blood sample for thousands of proteins rather than the two or three that would have been the maximum a decade ago. Researchers are investigating whether AI can improve risk-prediction by spotting subtle patterns in mammograms or whole-body scans. The development of single-cell transcriptomics, a technology that analyses gene expression at the cellular level, has made it possible to see how cells in a tissue sample interact with each other. (Previously, the extraction of DNA involved mincing a tissue sample, losing information about individual cells.)

This and other new analytic methods have yielded detailed information about how immune cells function, for example, or about how proteins indicative of cancer can be detected—the sort of information needed to develop preventive drugs and vaccines. A research group led by Walid Khaled at Cambridge University has discovered, for instance, that immune cells in the breasts of healthy women who carry BRCA mutations are as ineffective as those found in women with advanced breast cancer. The next step, says Dr Khaled, would be to identify therapies that can reinvigorate these cells.

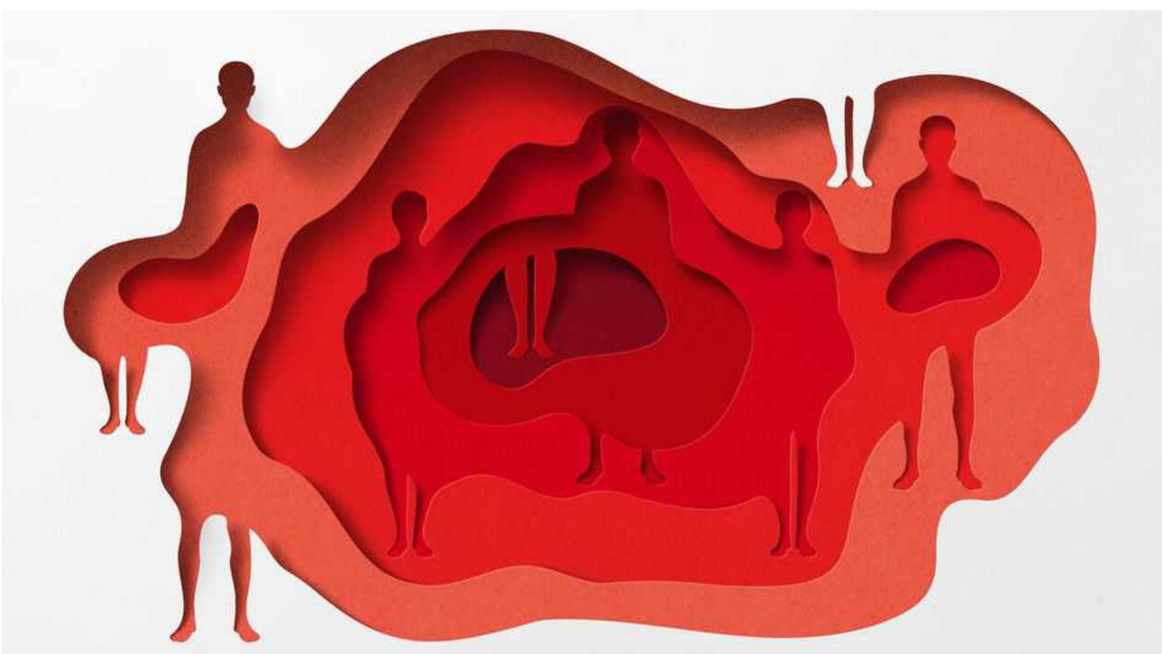
Vaccines are another field that has progressed “tremendously fast” in the past decade, says Nora Disis of the Cancer Vaccine Institute at the University of Washington. “We have a much better idea of the type of immune response we need to eradicate the cancer,” she says. Five years ago, says Dr Disis, her institute was focusing almost exclusively on vaccines used as a treatment for advanced cancer. Now, she says, about half of the institute’s work is on preventive vaccines.

Several research groups and biotech firms in America and Europe are testing preventive jabs for breast, colon and other cancers in patients who are at high risk of the disease (such as those with BRCA gene faults, Lynch syndrome or pre-cancerous lesions). These jabs are still in early trials. The first results, showing whether they reduce the recurrence of polyps or other lesions, are expected in three to five years.

In the past, says Olivera Finn of the University of Pittsburgh, there were fears that jabs given to people before cancer had developed might spur the immune system to attack healthy cells. But experience in patients with late-stage cancer (for whom the potential life-saving benefits outweighed that risk) showed that such fears were misplaced. The immune system, it turns out, is pretty good at focusing just on the cancer cells.

Unlike individualised therapeutic cancer vaccines, which are often tailored to an individual patient's specific cancer mutations, preventive jabs should work for a broad range of patients. In one of the largest clinical studies on how lung tumours evolve, scientists at the University College London discovered that the lung cells of smokers develop specific changes linked to cancer years before the cancer occurs. Researchers at Oxford have developed a vaccine targeting those changes which is due to start clinical trials next year. A preventive vaccine developed by Nouscom, a Swiss biotech company, uses what its developers call a "brute force" approach: the jab targets 209 different fragments of molecules found in pre-cancerous and cancerous tissue but not in healthy tissue. The first round of clinical trials, reported in April, showed it successfully induces the immune system to target cancer cells, at least in tests in Petri dishes.

Also in clinical trials is a vaccine for bowel cancer prevention. In 2023 Dr Finn's group reported preliminary results from a vaccine targeting a protein called MUC1, found in 80% of all types of cancers. Although the vaccine prompted an immune response only in a sub-category of people with colon polyps, that group saw a 38% reduction in polyp recurrence within a year.



The granularity of data available from big clinical studies is also hastening the identification of drugs that may help prevent particular forms of cancer in specific populations. Researchers have noticed, for example, that people who take aspirin to prevent heart attacks or metformin to treat diabetes have reduced rates of cancer. Clinical trials showed that anastrozole, a drug used to treat breast cancer, halves the risk that some post-menopausal women will develop it in the first place, prompting Britain's drug regulator to approve it for prophylactic treatment in 2023. There are now studies investigating whether such drugs can be given in ways that reduce their negative side-effects, such as intermittent dosing or applying them topically or via injection only to the tissue of concern. And there is hope that GLP-1 receptor agonists such as Ozempic, wonder drugs with all sorts of benefits beyond their original use to manage diabetes, might also help prevent certain forms of cancer.

Some of these therapies benefit only relatively narrow groups. In 2023 researchers found that metformin can reduce the recurrence of cancer for women treated for one particular form of breast cancer, accounting for about 20% of cases, but not for other types. Such results, showing benefits for specific sub-groups of patients, are starting to be seen as the norm in the search for preventive therapies for cancer, says Andrew Chan of Harvard University: "It is very unlikely the future will be around something one-size-fits-all."

The complexity of cancer, with its bewildering variety of forms, makes devising treatments difficult. Developing vaccines or testing preventive drugs for a disease that can take 15 years to develop is by its very nature a time-consuming task. These obstacles explain why progress against cancer tends to come incrementally, rather than through attention-grabbing breakthroughs. The sweeping benefits of broad public-health measures, such as reducing smoking or improving food hygiene, have already been reaped, at least in the rich world. Developing future preventive treatments by matching sub-categories of patients with a shifting constellation of therapies will inevitably involve a lot of trial and error. But scientists are making steady headway in narrowing down the pool of people at risk and tailoring treatments to them. And because this process is continuous and open-ended, it will go on yielding benefits for decades to come. Cancer has already become a much less deadly disease than it was 30 years ago. Thirty years from now, it will almost certainly be much less deadly than it is today. ■

United States

United States | Dr Donald

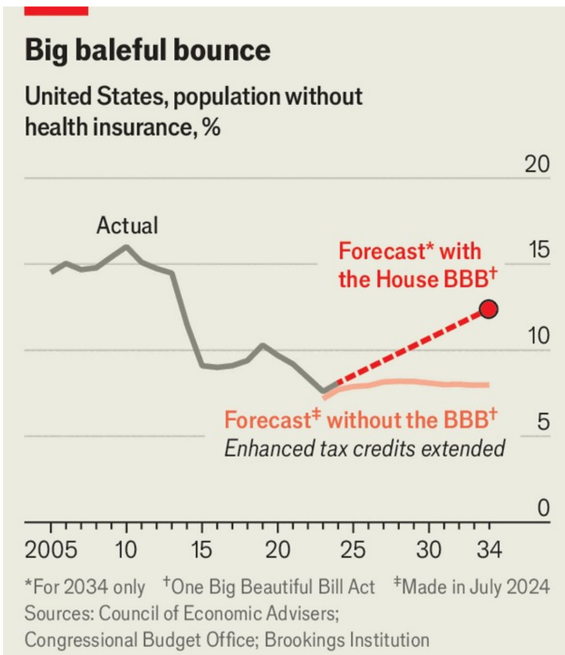
The meaning of Trumpcare

Republicans bring the biggest changes to health care in 15 years

July 17th 2025

SINCE IT WAS founded in 1866, St Barnabas Hospital in the Bronx has "changed millions of times", says David Perlstein, its president and a former paediatrician. "It used to be a rich person's hospital. We used to make money!" he exclaims. Those days seem far off. The former Home for Incurables, now more optimistically known as SBH Health System, is a safety-net hospital. Two-thirds of local residents are on Medicaid, the health programme for the hard-up. In the hospital's congressional district, 100,000 are expected to lose their insurance in the wake of the One Big Beautiful Bill. Dr Perlstein predicts that the hospital will lose $75m, 12% of its budget. "We don't have that kind of fat in our system. We just don't," he says. "If I lay folks off, I'm going to be closing services."

The Republican mega-bill was not pitched as a health-care reform. Yet through dozens of fiddly provisions, it brings the biggest changes to health policy since the Affordable Care Act (ACA), better known as Obamacare, in 2010. Under it, 15% less will be spent on Medicaid over the next decade, totalling $1trn. The Congressional Budget Office, a non-partisan scorekeeper, has estimated that 10.9m people will lose health insurance, based on the House of Representatives bill. That number is set to grow. Along with other changes coming to the individual health-insurance exchanges, there will probably be a rise in the uninsured rate, reversing three-quarters of the declines since Obamacare (see chart).



The White House claims the cuts are “strengthening the integrity” of Medicaid. Brian Blase, who advised Republicans on the bill, frames it as a “course correction” from an “explosion of spending” under the previous administration. Certainly, spending has increased. But the reforms will not simply cut bloat while protecting the vulnerable. Instead, they will hit those least able to keep up with paperwork, with ripple effects well beyond Medicaid.

There is still a chance that the fastest-approaching change, which is the end of far-reaching subsidies for health insurance bought through ACA marketplaces, could be postponed. Hospital lobbyists are already preparing to refight some battles they lost. The biggest unknown is how states will deal with Medicaid cuts. But it seems likely that Republican and Democratic states will deal with them differently.

Wealthy Democratic states will probably try to compensate people for lost subsidies. Some Republican states will enforce new paperwork requirements quickly. The richest 1% of American men can already expect to live nearly 15 years longer than the poorest 1%. The variation between the richest and poorest states is also meaty. These gaps are likely to grow, says Jonathan Gruber, who helped craft Obamacare. Interstate safety-net "disparities that went away with ACA will be reintroduced under this new regime."

There are three main changes to keep in mind. The first is the cuts to Medicaid, which covers 71m Americans. "This is the first rollback ever of our major health-care programmes," says Drew Altman of KFF, a health-research outfit, "it's significant, it's unprecedented." Yet individually none of the changes sounds drastic—rather, the programme will be suffocated by paperwork. Take the work requirements, the biggest individual change. Almost two-thirds of Americans support the policy and the White House says it "restores the dignity of work". But most Medicaid recipients are already familiar with that dignity–just 8% of recipients are unemployed without reason. Far more than that are likely to be cut from Medicaid rolls though. When Arkansas attempted to institute work requirements in 2018, most of those who lost coverage were not loafing around, but just could not keep up with the paperwork.

"The million-dollar question is what are states going to be allowed to do?" says Benjamin Sommers, a health economist at Harvard University. Important financing loopholes that helped states claim more money from the federal government and funnel it towards hospitals are being phased out. While Republicans have said these changes will reduce waste, fraud and abuse (and certainly states have used budgetary gimmicks), the cuts add up to a hefty decrease in federal funding to the programme. For states that have to balance their budgets, this means they will have to decide whether to raise taxes, cut the rates paid to doctors and hospitals, cover fewer people or simply cover less care.

The second big change concerns exchanges, or markets, where the 24m Americans who buy their own health insurance can shop. Most important is what the bill did not do: extend the enhanced tax credits. During the covid-19 pandemic the federal government created more generous tax credits for the exchanges, which reach people earning up to around $60,000 a year for an individual. Without those enhanced subsidies on the exchanges, the CBO expects costs for this group to go up by more than 75% for most people and 90% for those in rural areas. Other changes will begin slowly. But this price hike would hit on January 1st. Some are still hoping that a bill extending the subsidies could pass Congress before the end of the year.

The third thing to keep in mind is the spillover effects that changes one and two will have on everyone else. "Because Medicaid is such a big programme, the effects [of cuts] generally aren't isolated," explains Eric Roberts of the University of Pennsylvania. Medicaid payments to hospitals are expected to fall by 18%, according to Mannatt Health, a consulting firm. With the number of uninsured growing, hospitals are likely to go unpaid for more of the care they provide. One lobby group expects that the amount that hospitals must swallow will grow to $84bn in 2034, double the amount from 2023. Experts disagree on whether hospitals will pass on these costs to other patients. But it is likely to squeeze their budgets, particularly those in rural areas, where nearly half of hospitals are already unprofitable. One health consultancy reckons that more than 300 hospitals could close due to the cuts.

There will be less quantifiable changes too: if state governments cut back on in-home care for the elderly, family members will likely have to take up the mantle. But the greatest impacts will undoubtedly fall on those who go without insurance, whether because they fall afoul of new rules, cannot afford it without the enhanced subsidies or are pushed out by rising prices. Among those who lost Medicaid in Arkansas' experiment, almost two-thirds reported delaying taking medicines because of cost. Those without insurance are more likely to avoid medical care and become sicker and they are likely to be poorer for it: Medicaid's expansion is linked to rising credit scores, plus falling evictions and bankruptcies.

These cuts will become a topic at next year's midterms. Republicans will say they are just attacking waste and that those eligible will still receive care (Mr Blase points out that spending on Medicaid and the ACA is still set to rise over the next decade). Still, legislators have timed many of the cuts to hit after the elections, just in case. That might be cold comfort. Voters have a history of reacting to health-care changes, even if they haven't happened yet (just ask Mr Obama about his 2010 "shellacking"). Mr Trump says Americans "won't even notice" the cuts. For the health of their constituents, and their majorities, his congressional colleagues must hope so. ■

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United States | Morbid maths

Quantifying Trumpcare

Researchers estimate the Big Beautiful Bill could result in 42,500 excess deaths a year

July 17th 2025

JUST READING the Big Beautiful Bill, with its 330 pages of provisions, is an intimidating undertaking. Working out its consequences is yet more challenging. Nevertheless, researchers at the University of Pennsylvania and the Yale School of Public Health tried to calculate how many more people would die as a result of the law. Analysing the House of Representatives' version of the bill, they came to 42,500 annually by 2034. That is more people than currently die of breast cancer. Adding in the impact of the end of the enhanced subsidies for people buying their own insurance, they reckoned there would be over 51,000 extra deaths a year. The White House has pushed back on the claims of deaths, calling them "egregious" and "deranged".

The researchers' method was straightforward enough. The Congressional Budget Office (CBO) estimated the impact of the bill on Americans' access to care. The researchers then looked at studies on insurance coverage and mortality, then predicted 11,300 deaths a year from lost coverage.

Two lesser-known bits of the legislation account for the rest of the deaths. Joe Biden's administration imposed minimum staffing standards on care-homes and made it easier for people to enroll on both Medicaid (health insurance for the poor) and Medicare (health insurance for the elderly). Both changes were yet to take effect fully and the tax bill scrapped them. Because they were aimed at helping very sick people, getting rid of them raises mortality rates a lot.

Given the enormity of the bill, any estimate of its effects will be uncertain and incomplete. The researchers could only look at some health impacts, and even then, numbers constitute their best guess. "It's probably an underestimate," says Rachel Werner, one of the University of Pennsylvania researchers behind the study. The study only looked at only some of the law's provisions and the CBO's forecast for the uninsured grew after the Senate rewrote the bill. And still, for all those that die, a much larger number will be sicker and live worse lives. ■

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United States | Peak exodus

What if America’s red states are about to lose their cheap-housing advantage?

People move to the sunbelt for affordable homes. But it is getting harder to build there

July 17th 2025

Why do so many Americans move from blue states to red ones? Ron DeSantis, Florida’s governor, crows that “a collapse in the quality of life” in blue states is making residents flee. During a debate in 2023, he taunted California’s governor, Gavin Newsom, for his state’s street crime, woke schools and public defecation by homeless people—he even held up a “poop map” of San Francisco for the cameras. “They actually at one point ran out of u-Hauls in the state of California because so many people were leaving,” he gloated.

The exodus is real enough. A hefty 191,000 more Californians moved to Trump-voting states in 2024 than vice versa, according to The Economist's analysis of numbers from Melissa, a data firm. A firm called Conservative Move specialises in "moving families right". The culture-war issues Mr DeSantis cites play a role, but the main driver is the cost of living. The average home price in Los Angeles is nearly four times that in Houston, Texas. In 2023 34% of Californians said housing costs had made them consider leaving the state. All of the ten most expensive states to live in, according to an index compiled by Samuel Trachtman of uc Berkeley, voted for Kamala Harris last year. All of the ten cheapest voted for Donald Trump.

But what if red states' cheap-housing advantage were to start shrinking? That may already be happening in places: a study by Edward Glaeser of Harvard University and Joseph Gyourko of the University of Pennsylvania published in May found that new homebuilding in big sunbelt metro areas such as Atlanta, Dallas, Miami and Phoenix has dramatically slowed, leading to higher prices. And on June 30th Mr Newsom signed a reform to make it harder for nimbys to block new housing in California, which could eventually make living there more affordable.

When it's NIMBY time down south

US metro areas, average annual share of total housing stock added, by decade, %

Source: "America's housing supply problem: the closing of the suburban frontier?", by E. Glaeser and J. Gyourko, NBER working paper, 2025

Between 2000 and 2024 home prices in Miami rose faster than in any other of the 20 big metropolitan areas that make up the s&p CoreLogic Case-

Shiller 20 City Composite Home Price nsa Index, bar Los Angeles and San Diego. Tampa was 5th; Phoenix, 10th. When prices rise in a neighbourhood, it is a signal to build more homes there. Developers in the sunbelt used to respond quickly to rising demand, thereby keeping a lid on prices, but "that has become much less true," observe Mr Glaeser and Mr Gyourko.

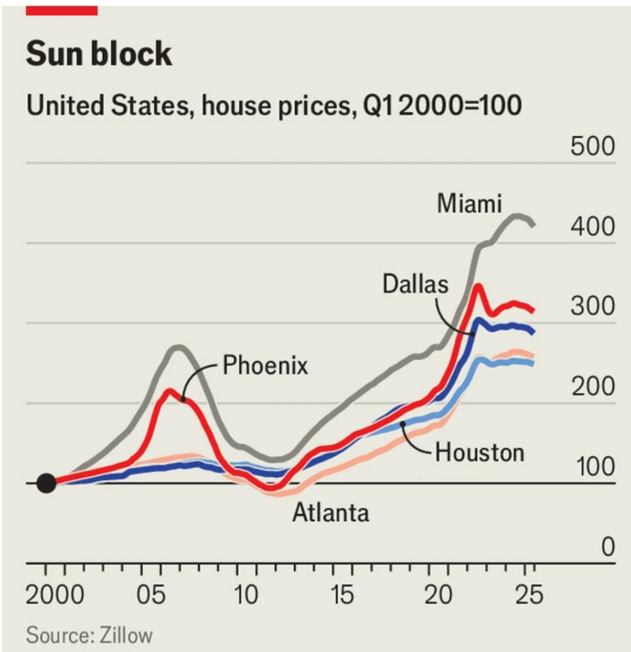
One possible explanation is that some sunbelt cities are reaching the limits of sprawl. They started growing rapidly after the widespread adoption of air-conditioning made Dixie summers more bearable. For decades builders could add new suburban homes by paving over farmland. But at some point the supply of land within a reasonable commute of the city centre (typically by car) becomes exhausted. That point is now, suggests Daryl Fairweather of Redfin, a property website: "the good places are already taken."

The obvious solution is to build upwards. However, it turns out that red states have more red tape than they realised. Alex Armlovich of the Niskanen Centre, a think-tank, compared zoning rules in Los Angeles (notorious for its nimbys) and Atlanta (the commercial capital of Georgia). They were surprisingly hard to tell apart. Both cities ban the building of apartments on most of their land.

Other regulations have grown more cumbersome, too. Jay Knight, a developer in Atlanta, says it used to take 90 days to zone a parcel of land and another 90 to get a permit to build on it; now he budgets at least a year for each. Robert Dietz, the chief economist at the National Association of Home Builders, estimates that 15 years ago 30% of workers in the construction industry were office staff dealing with red tape; today it is 40%. Mr Glaeser and Mr Gyourko speculate that the educated folks who moved to the sunbelt for cheaper housing may then have turned nimby to preserve their new neighbourhoods.

The realtor-in-chief is adding headaches, too. Tariffs could raise the cost of building materials: 25% of the lumber used in American construction is imported from Canada. Tougher immigration enforcement could make it harder to find bricklayers and plasterers. Lawrence Yun of the National Association of Realtors says that one-third of workers in the construction industry are in America illegally. "The industry is bracing for big raids," says a construction boss in Texas. "If they start rounding more workers up it would bring many projects to a halt: I'm talking highways, hospitals, data centres, schools. I'm talking about building America."

Meanwhile, in California, Democrats are finally removing obstacles to building. The new reform exempts most urban housing from review under ceqa, a widely abused environmental law that lets anyone sue anyone to halt development. Greens use it, naturally. Unions use it to force builders to pay higher wages or face endless environmental objections. nimbys use it with fiendish glee.



In 2020 ceqa lawsuits sought to block the equivalent of nearly half the year's housing production, according to Jennifer Hernandez, a lawyer who studies land use. "ceqa is the law that swallowed California," says Scott Wiener, a state senator for San Francisco and a co-author of the reforms. Weakening it "represents the single best chance in decades" to restore growth, says Judge Glock of the Manhattan Institute, a think-tank.

If the red-state house-price advantage were to shrink a lot, the consequences would be widely felt. The most dynamic cities in blue states have very high wages, and California has weather "like the Garden of Eden", says Mr Armlovich. If such places actually made it easy to build, the exodus from blue states to red could reverse, he reckons.

That could have political effects. The conventional wisdom is that blue states will keep shrinking as a share of America's population, and so will lose members of Congress and electoral-college votes. (California is projected to lose four or five of its 54 seats after the 2030 census.) But if the exodus dwindles, that might not happen. Such a shift would also undercut a potent Republican talking point, argues Mr Glock: that people vote with their feet and flock to red states because they are better governed and more liveable.

Some red-state politicians are waking up to the threat. Texas recently passed several yimby reforms: making it easier to build homes in commercial areas, lifting restrictions on lot sizes and weakening what Texans call the "tyrants' veto" that lets neighbours block new construction. But fighting nimbyism is hard. Even if a state government wants to allow more building, local authorities, beholden to local homeowners, often find ways to thwart it. The brick-blockers who blight blue states are coming for red ones, too. ■

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United States | Proof in the pudding

Americans are catching on to the joys of British food. Yes, really

Television, TikTok and travel are to blame

July 17th 2025

Pilsen, a gentrifying neighbourhood on the South West Side of Chicago, is a regular spot for visitors hoping to eat interesting food. Until it was cancelled this year, the local mole festival, held each spring, drew hundreds of Mexican food fans (a mole is a sort of thick sauce). Chinese and Vietnamese restaurants have spilled over from nearby Chinatown. Another excellent place to eat is the Pleasant House Pub. At this spot patrons can order starters of Scotch eggs (pictured, below), Welsh rarebit, curry on chips or chicken balti pie. Dessert includes sticky toffee pudding. To wash it down there is a cask ale, brewed locally.

The Pleasant House, which opened in 2011 as a pie shop, was founded by Arthur Jackson, the American-born son of a Yorkshire bricklayer. Mr Jackson, a chef, says he and his wife, Chelsea, hadn't originally planned on making much of his British heritage. But wanting to offer something original, he realised that he had never seen a British-style savoury pie on offer in America.

As recently as 2018, a writer in the New York Times felt able to make a joke about British food being largely "porridge and boiled mutton". Yet opinions have shifted so much that Americans are seeking out British food. Chicago has a clutch of British-style gastropubs. At the Armitage Alehouse, diners are promised a "London, circa 1926" vibe. At the Red Lion Pub the shelves "are lined with books about British history and literature" and the menu includes a full English breakfast.

Though less visible than their Irish equivalents, British pubs have been around for a while. Minneapolis has had Brit's Pub for 30 years. Des Moines has the Royal Mile. In the past such places mostly served the same sort of food as American bars—burgers, nachos and perhaps a bad shepherd's pie. Elephant and Castle, a chain of British-themed pubs that serves inauthentic stuff like Big Ben Brownies and shows soccer matches, is typical. The Britishness is in the decor, not on the plate. But that is changing.

British restaurant chains are opening in America. Last year, Hawksmoor, a London steakhouse, opened a branch in Chicago, having started a few years earlier in New York. For a Brit to sell steaks to Chicagoans is brave, admits Huw Gott, the firm's founder. And yet it seems to be working. A particular success is the Sunday roast, which Hawksmoor advertises as being like "a weekly Thanksgiving meal". British Asian food is also thriving. In August, Dishoom, a fancy London chain inspired by Bombay's Parsi cafes, is opening a pop-up in New York. And as beer drinkers turn away from overly strong ipas, long-derided British ales, with their lower alcohol content, are becoming fashionable.

What explains this rush of Anglophilia? It could be television. Americans consume vast quantities of British shows , including "The Great British Bake Off". Gordon Ramsay, a British celebrity chef, now has 32 restaurants in America. In "The Bear", a Chicago-based television show, the tortured restaurateur played by Jeremy Allen White learns his trade from a British chef played by Olivia Colman. And then there is international travel. Some 5m American tourists visit Britain each year, some of whom return with new ideas about food. Dishoom has been a hit among American TikTok influencers visiting London.

Mr Gott has a more exciting explanation for the takeoff. It is that the food is good. He searched for weeks to find a farm in America with suitable grass-fed cows. The gastropub model of restaurant, serving traditional cooking with high-quality ingredients, was brought to America by April Bloomfield at "The Spotted Pig" in New York 20 years ago. Though it closed in 2020, it inspired many competitors. Perhaps British food is popular because it is just better now. That's what our sauces say. ■

United States | All politics is national

Wyoming gets a MAGA makeover

The nationalisation of politics finally comes for America's least-populous state

July 17th 2025

IT WAS A busy morning on the ranch. Dan Zwonitzer freed a newborn yak from where it had got tangled in his fence. The white-and-black baby, which looked like a cross between a goat and a cow, was just a few days old. Its nose was still a rosy pink. Mr Zwonitzer is spending more time with the yaks on his ranch just outside Cheyenne, Wyoming's capital, than he used to. He lost his Republican primary election last year and was ousted from the legislature after serving for 20 years in the state's House of Representatives. Wyoming politics, he says, "just seems crazier than it ever has in my lifetime".

Wyoming is America's most Republican state. In each of the past three presidential elections, it gave Donald Trump his largest margin of victory. So the biggest clashes in the state's politics are not between Republicans and Democrats, but within the Republican Party. Mr Zwonitzer's opponent was endorsed by the Wyoming Freedom Caucus. The group is a local offshoot of the House Freedom Caucus, a cadre of right-wingers and former Tea Partiers in the federal House of Representatives whom John Boehner, the former Speaker, once referred to as "legislative terrorists". Primary turnout was low and 14 Republican incumbents lost their seats. "It was basically a wave election for the Freedom Caucus," says Matthew Green of the Catholic University of America.

Wyoming's caucus is one of 13 groups affiliated with the State Freedom Caucus Network, an umbrella organisation focused on shrinking government and draining swamps. The network funds a staffer, Jessie Rubino, to research bills and advise members how to vote. She describes her goal in grand terms: "The network's mission is to save America by returning the fight for liberty and constitutional conservatism to the states where it belongs." This year the Wyoming Freedom Caucus became the first group of its kind to control a chamber of a state legislature. Its success offers a case study of the policies freedom caucuses may push elsewhere. "We want to get in all 50 states," says Andy Roth, the network's president. Its newfound power is also evidence that not even America's least-populous, most conservative state can escape the nationalisation of politics.

The caucus's biggest achievement was the passage of most of its "Five and Dime" plan. Wyoming's more traditional Republicans (whom the caucus call "insiders") argue that the Freedom Caucus takes marching orders from Washington, and are more concerned with fighting the culture wars than fixing Wyoming's problems. Five and Dime mostly proves their point: the new laws strengthen ID and residency requirements for voters, block Wyoming from recognising driver's licences other states issue to undocumented immigrants and ban diversity programmes in public colleges. "It's a lot of hat and no cattle," says Landon Brown, a Republican lawmaker who laments the state's populist turn.

The indisputably Wyoming bit of the caucus's agenda was a 25% property-tax cut meant to alleviate some pain from rising house prices, which have bedevilled the Mountain West. True to the caucus's small-government roots, the legislature declined to reimburse cities for the revenue they will lose, raising questions about how municipalities will fund basic services. The cutting isn't over. Rachel Rodriguez-Williams, the chair of the caucus, says her top priority next year is to "DOGE the Wyoming budget".

Ask Wyoming Republicans how their party has changed and it is the tenor of politics, rather than policy, that they want to discuss. Over the past two decades they watched as nearby purple states—such as Colorado and Montana—became more partisan. But because Wyoming was already so reliably Republican, explains Mr Zwonitzer, "we didn't think it would happen here." Liz Cheney's loss in her 2022 congressional primary to a Trump-backed opponent (now a member of the House Freedom Caucus) was the moment old-school Republicans realised they had lost control. The state's cheap media market made it a good investment for groups looking to boost Freedom Caucus candidates.

Chuck Gray, a founding member of Wyoming's Freedom Caucus who is now the secretary of state, exemplifies this shift. "We are pro-Trump, MAGA, and we represent what the people want," he says. Renewable energy—contentious in Wyoming because of the state's reliance on fossil fuels—is part of the "woke, DC, Biden, Obama sort of agenda". He consistently attacks Mark Gordon, Wyoming's moderate Republican governor who sometimes vetoes the caucus's bills. They inhabit the same hallway of the Capitol building, but it's clear not much socialising happens between their offices. "I think of the secretary of state as sort of an annoying pug dog who grabs your pant leg and drags on it," the governor says, chuckling.

There is no guarantee the Wyoming Freedom Caucus will have a long reign. Mr Green argues that three things can check its power: resistance from "insider" Republicans, a lack of consistent leadership and infighting. "If you are, by nature, a rebellious, outsider misfit", offers Mr Green, "how well are you going to work with other misfits?" In the meantime, the state's Republicans will continue their fight over who can claim to be a real Wyoming conservative. Mr Gordon recalls asking his political adviser "what is conservative anymore?" He answered: "Who's loudest?"■

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United States | Lexington

Why Superman is the least relevant superhero

And why that is his greatest strength

July 17th 2025

Hollering for help, Lois Lane dangles overhead from a helicopter that has crashed atop a skyscraper. On the sidewalk below Clark Kent, briefcase in hand, squeezes through a panicked crowd, searching for a place to transform into the hero of "Superman: The Movie", which came out in 1978. He pauses to size up a public payphone, but the booths that served him well in the comic books of the 1940s have themselves transformed, into transparent boxes on pedestals. In a gesture of gentle Kentian consternation, he purses his lips, then moves on. It's a sly visual joke, in keeping with the buoyant spirit of the film: the world was changing, but he could not—at least, not easily. In retrospect, it prophesied Superman's predicament in the 21st century, in the existential battle every comic-book hero must wage, the one for cultural relevance.

The payphone has all but vanished now, while the humble telephone has undergone a classic comic-book-hero's journey and acquired awesome new powers. Trust has collapsed in the institutions Superman used to defend. Mr Kent's chosen profession, it must be admitted, is not what it was. (The 1978 film dates itself by opening with a paean to a "symbol of hope"—not Superman but the Daily Planet, with its "reputation for clarity and truth".) As facts have become more contested and the world ever more complicated, Americans have resorted to a simple means to sort the good guys from the bad guys. And for Superman, political polarisation, more than any mineral, is kryptonite, a challenge to the idealism that is his core proposition.

Mere cynicism is an enemy he has always defeated. The 1978 film, which starred Christopher Reeve, was a tonic for Americans discontented by Watergate and Vietnam. When Superman grants his first interview, he tells Lois Lane, played by Margot Kidder, that he has come "to fight for truth and justice and the American way". His spell over her snaps, and she guffaws: "You're going to end up fighting every elected official in this country!" But the mockery itself implies she believes in an "American way" that transcends politics, and Superman rightly judges she is striking a pose: "I'm sure you don't really mean that, Lois," he replies mildly.

That movie, a blockbuster, touched off the boom in comic-book cinema that continues to this day. Yet, though faster than a speeding bullet, Superman, with his sincerity and godlike power, has had more trouble than other superheroes keeping up with the fashions for irony and anti-heroes. The X-Men were easily cast as spiky misfits with authority problems, as were most members of the Marvel crowd, led by Ironman, with his bad-boy ways and wisecrackery. Batman's tragic back story, human frailty and creepy eponym suited him for exploring the dark dimensions of superhero vigilantism. But characters with powers as vast as Superman have tended to become studies in how power corrupts, as in two Amazon series, "The Boys" and "Invincible".

When the director Zack Snyder brought Superman back to the big screen in 2013 in "The Man of Steel", he was burdened by his power and the fear it sows. He wore his blue bodysuit, duly darkened, like a hair shirt. That film tried to sidestep terrestrial politics by pitting its suffering Superman against invading Kryptonians, allying him with all humanity, not any particular government. That was a political statement in itself. “You’re scared of me because you can’t control me,” Superman tells an American general. “But that doesn’t mean I’m your enemy.” It did not necessarily make him an ally, either. That is why, in Mr Snyder’s next instalment, “Batman v Superman”, Batman tries to kill him.

The latest effort to imagine Superman came under attack from American culture warriors as it landed in theatres on July 11th. The director, James Gunn, had observed in an interview that Superman was an immigrant, and he said he wanted to tell a story of “basic human kindness”. Possibly overlooking that the First Lady is an immigrant, and that surrendering “kindness” may not be politically wise, some on the right attacked the movie as “woke” before they even saw it.

But “Superman” drew enthusiastic fans in its first weekend, leading at the box office, and it is doubtful they were reacting to a partisan theme. Mr Gunn, probably best known for his three “Guardians of the Galaxy” movies, takes chances with being glib but not polemical. In his movies he gestures at politics for the same reasons he does at social media or popular music: to wink at the audience and supply familiar context for his freakish characters. This time, that helps him emphasise how out of synch his hero is, so uncool, as Lois acidly notes, that he thinks a lousy pop band plays punk rock. Rather than run away from Superman’s squareness, this movie recovers the Superman of 1978 and before: unironic, uncynical and optimistic, blind to politics in his commitment to saving lives, whether human, dog or squirrel.

To the extent the director ventures an argument that touches politics, it is that in a cynical and cutting world, to be kind and sincere is subversive, even cool. Mr Gunn appreciates that among superheroes, Superman is actually the greatest misfit of all. In an echo of their 1978 exchange, Lois mocks him for thinking everyone he meets is trustworthy and beautiful. “Maybe that’s the real punk rock,” he replies mildly. Mr Gunn’s frequent theme, an intergenerational crowd-pleaser, is the relationship between parents and children, and Superman’s origins offer rich terrain. By inserting a wrinkle into the Kryptonian way of parenting, Mr Gunn sharpens the question of whether this alien might have chosen to use his gifts for evil. But the movie is not hinting at menace. Instead, it illuminates what has always been

Superman’s most important power: a character sound enough to resist the temptation to abuse his other powers. That is a political lesson for any era. ■

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The Americas

The Americas | Social welfare in Mexico

Mexico's handouts do a bit for the poor and lots for Morena

The populist party has made unconditional cash transfers central to its rule. That creates weaknesses

July 17th 2025

Tania earns a decent wage working as a doctor's assistant in central Mexico City. But to make ends meet the 47-year-old relies on government handouts. She is paid for keeping her 14-year-old daughter, Regina, enrolled in school. Her 67-year-old mother, Teresa, gets a non-contributory pension. Tens of millions of Mexicans get these transfers. They are the mechanism favoured by Morena, Mexico's populist ruling party, for curbing the country's poverty and inequality, the subject of our ongoing series. And they have helped the party accrue extraordinary political power over the past seven years.

Mexico was a pioneer in 1997 when it launched Progresa, later renamed Prospera. The conditional cash-transfer programme gave money to the poorest fifth of households, provided that children went to school and the whole family attended health check-ups. The results were plain. School attendance rose, especially among girls, while people's health and nutrition improved. The proportion of women who worked increased modestly. The model endured for two decades, through four different administrations, and was copied from Brazil to Indonesia.

It was scrapped in 2019 by Morena's founder Andrés Manuel López Obrador, then Mexico's president, who alleged misuse of funds. He replaced it with programmes that are universal and largely unconditional, and which are still running in Mexico today under Mr López Obrador's successor, Claudia Sheinbaum. Every Mexican over 65 who lives in the country can claim a pension of 6,200 pesos ($330) every two months. Students at all levels of education are paid to enrol in school. A programme called Sembrando Vida pays people in rural areas to plant trees. Another called Jóvenes Construyendo el Futuro gives cash to people aged 18-29 for doing a one-year apprenticeship.

At first glance, the new system does seem to have reduced poverty and inequality. The latter declined slightly between 2020 and 2022, as incomes rose faster among poorer households than richer ones. The share of Mexicans living in poverty as defined by Coneval, the country's spending watchdog, fell from 42% in 2018 to 36% in 2022. The share living in extreme poverty grew from 7% to 7.1% over the same period. Without cash transfers it would have been two or three percentage points higher, says Axel González of México Cómo Vamos, a think-tank.

But most of these reductions came through increasing wages. The portion of household income attributable to wages rose from 64% to 66% between 2020 and 2022. The share accounted for by transfers fell. Morena had a hand in this, too. Mr López Obrador doubled the minimum wage in real terms while in office between 2018 and 2024. Ms Sheinbaum has promised to increase it by 12% every year.

Unless productivity improves, future minimum-wage increases will probably start incentivising the expansion of informal work, as businesses struggle to afford their wage bill. Recent rises have not prompted this as the minimum wage was previously very low. Mexico's recent history of anaemic annual GDP growth, just 0.8% on average between 2018 and 2024, suggests this is likely. Some 55% of Mexican workers already toil informally. Adding to their numbers will increase the legions of Mexicans with little or no health care. Seguro Popular, a health-care scheme that covered informal workers, was dismantled by Mr López Obrador in 2019.

The lack of health-care coverage is not the only way in which the very poorest are worse off under Morena. Thanks to the new universality of handouts, they also get a smaller share of public resources than they used to. In 2018 the poorest decile of households received 19% of social spending. In 2020 they got 6%. This, combined with reduced access to health care, is probably what caused the small increase in extreme poverty between 2018 and 2022.

The way handouts are managed also appears to have hurt education. Research by Susan Parker of the University of Maryland and colleagues has found that drop-out rates rose after Prospera was scrapped, particularly for boys aged 15-17. That is troubling since the government presents transfers as a way to deter young men from joining criminal gangs.

But there is no doubt about the political expediency of Morena's programmes. In the presidential race held in 2024, Ms Sheinbaum won more votes in areas where handouts are more widespread. Many voters openly cited government transfers as their reason for backing Morena. Meanwhile, the government has shown little interest in evaluating its programmes' effectiveness. In June it started dismantling Coneval, which used to do the job. There are few checks, if any, on whether youths whom the government pays to attend school are actually doing so, or whether those paid to carry out apprenticeships are working informally instead.

The mounting cost of Morena's handouts is weighing on Mexico. Social programmes now absorb around 12% of the federal budget. Nearly 60% of that pays for the universal pension that is written into the constitution. Its cost is due to rise, as Mexico is ageing fast. Meanwhile, tax revenues are low, and an already-sluggish economy is under constant threat from Donald Trump's tariffs.

Other public services have been taking a hit to preserve Morena's goodies. Health care, for example, received less than 1% of the 2025 budget, a third less than it did in 2024. (Pemex, the state's loss-making oil company, is set to receive 5%.) Schools are suffering, too. Regina says government-supplied textbooks are of such low quality that her teachers refuse to use them. "What is the point of scholarships if people study in bad schools?" asks Teresa, Regina's grandmother.

Credit-rating agencies note a fiscal deficit being driven wider by transfers. Many forecasters see a recession coming, especially if Mr Trump pushes through tariffs on a wider array of Mexican exports. If Ms Sheinbaum's government was forced to cut back its handouts, or took the risk of tipping the economy into instability in order to preserve them, Morena's sky-high support could crumble. Generous handouts may help win elections, but it's not hard to see how they could become a liability. ■

The Americas | Justice confused

Justice for Haiti’s murdered president is messy

Jovenel Moïse was gunned down in his bedroom four years ago

July 17th 2025

Four years after Haiti’s last elected president, Jovenel Moïse, was assassinated, Haitians are still waiting for justice. It is advancing along two legal tracks in parallel, one in Port-au-Prince, the capital, and the other in Miami.

Haiti’s last elected official left his post in January 2023. The country has been overrun by gangs and half of all Haitians go hungry. So expectations of its justice system were probably low. Still, the lack of progress on the most important murder case in recent history is remarkable. Dozens of suspects have been thrown in jail, pending trial, including 17 Colombian mercenaries who were contracted by CTU, a security firm based in South Florida. But several key suspects escaped last year when armed gangs attacked prisons and seized control of much of Port-au-Prince. There is still no sign of a trial date.

The Miami track at least has that, now set for March 2026, having been repeatedly postponed. Six of the 11 defendants there (some of whom were extradited from Haiti to stand trial) have already pleaded guilty, five of the six to charges of conspiracy to kill. They were handed down life sentences. The remaining five pleaded not guilty. The federal court's judge, Jacqueline Becerra, worries that those five have spent too long in pre-trial detention. Defence lawyers complain about the slow production of evidence by the government.

The five men are accused of plotting Mr Moïse's kidnap and assassination as part of a coup to install a new government. They then allegedly planned to reap benefits in the form of juicy development contracts. The prosecution says the defendants joined forces with a murky crew of Haitian politicians and police who claimed that Mr Moïse was corrupt and was planning to illegally extend his term in office.

But the case has plenty of holes, and is shrouded in court secrecy. Most of the evidence and legal filings are sealed. Notably, little evidence has been presented so far to show that the alleged masterminds, the owners and a financial backer of CTU, were aware of the plan to assassinate Mr Moïse.

CTU's co-owners, Antonio Intriago and Arcangel Pretel, admit that they hired the Colombian mercenaries, who were all highly trained former soldiers. Mr Intriago and Mr Pretel were indeed banking on regime change, their lawyers say. But the plan was solely to help provide security during Mr Moïse's arrest.

On the night of the assassination Mr Intriago was in Texas for a family reunion. His lawyer says that text and audio messages recovered from his and his partner's phones, which were turned over to authorities voluntarily, show that Mr Intriago was surprised to learn of the murder. They say the messages show him frantically trying to get the Colombians out of Haiti. Three of them died in a gun battle with police after the assassination and the others quickly surrendered.

Prosecutors allege that the Colombians stormed Mr Moïse's residence shortly after midnight on July 7th 2021. Meeting no resistance, some of them made their way upstairs to Mr Moïse's bedroom, prosecutors say, and shot him 12 times, also wounding his wife. The president's two children hid in the bathroom. Two bullet fragments that were recovered from Mr Moïse's body form an important part of the prosecutors' case.

But defence lawyers say the crime scene was poorly preserved. They complain that they have not seen a complete autopsy report or ballistic evidence. The Colombians carried the same calibre and make of guns as the Haitian police guarding the residence. The defence alleges that several police participated in the assault.

"Nobody knows who was carrying what gun," says Emmanuel Perez for Mr Intriago. "We'll never figure out who killed him."

Defence lawyers also want to question some of the Colombians detained in Haiti. One of the defence claims is that a Haitian consortium hijacked the team of Colombians and carried out the assassination behind the back of CTU; the Colombians detained in Haiti may have evidence to that effect. Whether they can be questioned remains uncertain due to security concerns around getting the prisoners to the American embassy for depositions. Prosecutors say they are waiting for permission from Haitian authorities, which may not be forthcoming. "We can't go forward with a trial until we get to speak to these people, because they were there. They were on the ground, and they saw how everything happened," says Tama Kudman, the defence lawyer for Walter Veintemilla, an Ecuadorean-American businessman who financed CTU's project in Haiti.

The defence lawyers also complain that onerous restrictions on sharing sealed evidence have impeded their ability to discuss the case with their own clients. Where evidence is sealed it is mostly due to concerns about "classified" documents regarding government informants implicated in the case. Mr Pretel, for instance, was in the pay of the FBI, according to a bureau affidavit. At least two other defendants were former informants of the Drug Enforcement Administration. The defence lawyers argue that the involvement of so many informants makes it hard to believe that the

American government knew nothing of the plot and did nothing to alert Mr Moïse, who was an American ally.

Haitians face more urgent issues than a broken justice system. But the messiness of the pursuit of Mr Moïse's killers highlights how chaotic Haiti is today, and how long the path back to stability will be. ■

The Americas | Sargassum

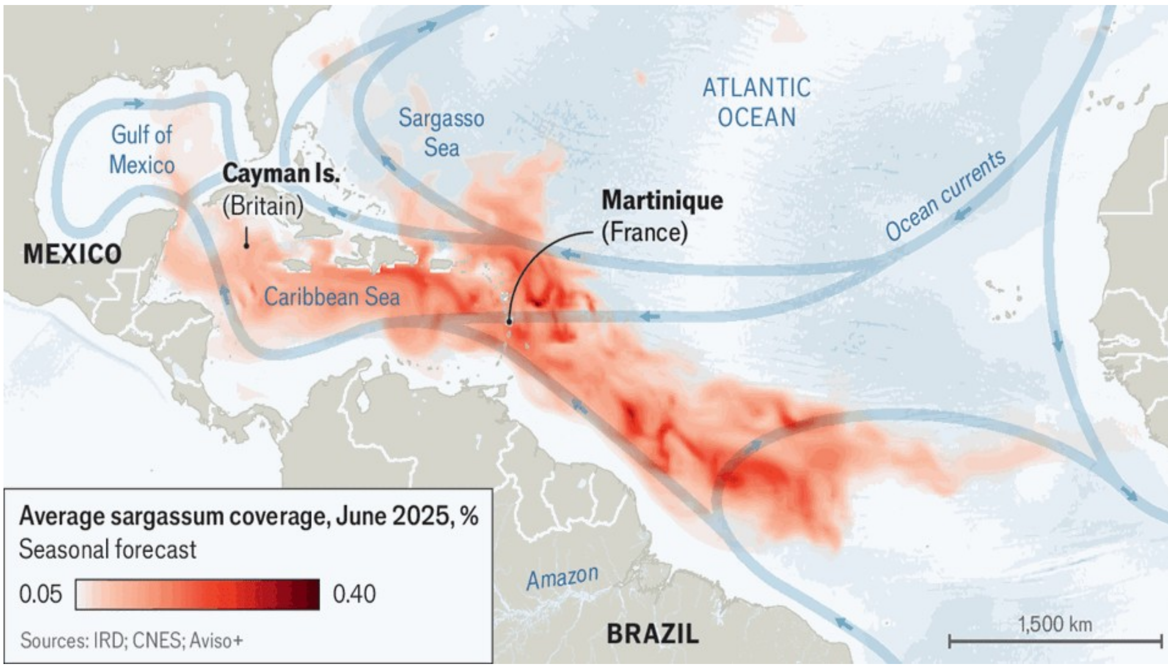
Sand, sun and stench

Rotting seaweed is stinking up Caribbean beaches

July 17th 2025

The sea in front of the Ocean Frontiers dive shop on Grand Cayman is usually crystal clear. But recently sparking blue has turned murky brown. Like much of the Caribbean, the island has been engulfed by sargassum, a floating seaweed. Sometimes the algae stretches 30 metres (100 feet) out from the shore. It jams propellers and mars white beaches. Worst of all says Evan Verreault, the shop manager, it stinks. Decaying sargassum releases a stench of rotten eggs.

Sargassum is native to the Atlantic. It was documented in the 15th century, when Christopher Columbus spotted patches of it in the Sargasso Sea. It usually stayed offshore, providing a floating habitat for marine life. But in 2011 satellites spotted a vast belt of the stuff stretching from the Caribbean to West Africa. The blooms have grown bigger every summer. Ever more weed washes ashore. In May alone an estimated 38m tonnes of sargassum was lurking in the Caribbean and neighbouring parts of the Atlantic. Scientists are still unsure what exactly is driving the surge. They suspect a warming climate and increased agricultural runoff.



The algae blights tourism, fishing and wildlife. In Mexico, removing the weed costs between $300,000 and $1.5m per kilometre of beach. The tough, spiny fronds damage fishing gear and reduce catches. Piles of sargassum block turtles from reaching nesting sites and ensnare hatchlings making their first perilous dash to the sea. The gasses created by rotting sargassum are also toxic: last month, several seaside schools in Martinique were forced to close after hydrogen sulphide and ammonia levels spiked.

Some companies want to help. One called Seafields has developed a system to catch the algal tide before it reaches shore, using satellite images and drones to track the sargassum's movements. Before it makes landfall they corral it into flexible open-water "paddocks" that keep it alive (and odour-free) until it can then be hauled in using nets or special conveyor belts. Seafields says it is agreeing contracts with hotels on several Caribbean islands to protect their beaches. The paddocks could even be a selling point for resorts, says John Auckland, the company's boss, as the floating weed attracts marine life. "They're really good to go snorkelling around."

There may also be money in harvesting and processing the sargassum. Farmed seaweeds like kelp are already used in bioplastics, biofuels and livestock feed. Some companies are betting sargassum could be just as useful. BioPlaster, a Mexican materials company, has developed a sargassum-based alternative to cling film and plastic bags. The company prefers algae collected at sea, but it also helps coastal communities find ways to profit from what's already washed ashore.

For now, sargassum supply is too unpredictable to be a viable feedstock. But if the harvesting of Seafields and others like it can be scaled up, the Caribbean's smelly problem could be transformed into a clean, green industry. ■

Asia

- Japan’s politics is entering a messy new era
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Asia | Hot mess

Japan’s politics is entering a messy new era

Ahead of the Upper House elections, bond markets shudder

July 17th 2025

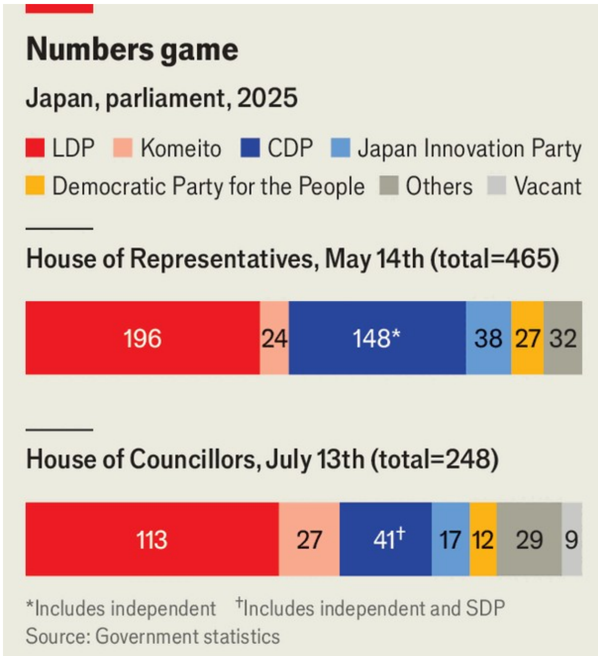
THE DEBUT on TikTok by the Liberal Democratic Party (LDP), Japan’s long-time ruling party, lacked what young people might call “rizz”. Released last month, the 44-second video features Ishiba Shigeru, the 68-year-old prime minister, in a dark suit promising to lower petrol prices, while glancing down at paper notes. Prepare to be astounded: it was not a success.

The LDP’s grudging embrace of TikTok highlights a striking change: Japanese politics are moving into a messy new era. The long-dominant LDP faces many threats, with big implications for the country’s future. Upper House elections taking place on July 20th are the next test of how well the party is adjusting to this new era. In a sign that the outside world is already recalibrating, on July 14th long-term government bonds sold off sharply due in part to worries about the direction of fiscal policy.

The LDP has commanded the country's political system since its founding in 1955. For more than a decade, beginning in 2012, it enjoyed frequent supermajorities in parliament together with its much smaller coalition partner, Komeito. Recently the party's members have been growing more quarrelsome. Its rivals, meanwhile, are getting more numerous, and more dynamic. And ever more Japanese are finding their news on social media.

The LDP was born from the merger of two conservative parties, the Liberal Party and the Japan Democratic Party. A big-tent approach to policy, a favourable electoral system and plenty of pork helped the party rule uninterrupted for decades. It lost power briefly in 1993 to a multi-party coalition and again in 2009 to the Democratic Party of Japan (DPJ). But the DPJ struggled to govern and happened to be in office during the earthquake, tsunami and nuclear disaster that struck northern Japan in 2011. Many Japanese came to associate opposition-party rule with crisis. Abe Shinzo brought the LDP back to power in 2012.

Yet much has changed for the party since Abe's assassination in 2022. A scandal over political fundraising in 2023-24 alienated voters and led to the dissolution of many of the party's formal factions, which had functioned as parties within the party and oversaw much of the fundraising in question. Without these structures to channel and manage disagreements over policy, the LDP has become more fractious. At elections last October the LDP and Komeito failed to secure a majority in the Lower House, leaving the LDP leading a minority government for the first time in its history. The LDP's majority in the Upper House is also at risk in the upcoming elections (see chart).



The country's weaker chamber does not have any direct say over who sits in the cabinet. But Upper House results can help decide a prime minister's fate. That is especially true for Mr Ishiba, a longtime gadfly who won the internal leadership contest last autumn but then presided over the loss of the party's majority in the Lower House. With 125 (of 248) seats being contested, the LDP and Komeito will need to win at least 50 to maintain their majority (they currently hold 66 of those seats). Anything less and calls for Mr Ishiba's resignation will mount.

Party members are starting to sound fatalistic about what the coming years will bring. "Maybe people are just getting tired of the LDP itself," one of its bigwigs reflects. The party has been making efforts to appear more energetic. During last year's Lower House campaign, its slogan was "Protect Japan"; for the Upper House ballot, it has switched to "Move Japan". Yet it has still not stated very precisely where it would like the country to go.

Newer, smaller parties are offering clearer messages, even if their ideas are often impractical. Several outfits now threaten the LDP from the right. The Do-it-Yourself Party (Sanseito), a five-year-old far-right populist party, has made inroads with an anti-immigrant "Japanese First" message. The Japan Innovation Party (Ishin) has built up a strong base around Osaka, Japan's second city. There are left-wing upstarts, too. Reiwa Shinsengumi, a six-year-old populist party, is trying to steal voters from the staid Japanese Communist Party and the Constitutional Democratic Party (CDP), the centre-left successor to the DPJ. It promises, among other things, to abolish the consumption tax.

The most successful small party is the Democratic Party for the People (DPFP). It combines technocratic centrism with populist flair. It appeals to voters from both sides of the political spectrum. The party quadrupled its seats in the Lower House last October, to 28. The LDP, which has 196 seats, has been forced to co-operate with it to pass many bills. Tamaki Yuichiro, its leader, hopes his party will one day prop up a coalition government; he wants to use that leverage to become prime minister. He is laser-focused on winning over younger and working-age Japanese. He has offered giveaways intended to increase their take-home pay. The party leads the LDP among under-40 voters in one recent poll.

These challengers are all making better use of new media. Until lately social media's influence on politics had been growing more slowly in Japan than in other rich countries, perhaps because voters there are older. Yet now the revolution looks well under way. Nearly 75% of Japanese over 70 say they trust NHK, the national broadcaster. Fewer than 40% of 20-somethings do. Mr Tamaki and other upstarts are doing better on the sites that younger people flock to. The DPFP boasts nearly twice as many YouTube subscribers as the ruling party.

People think the LDP are "old-fashioned, traditional, out of touch with new trends", laments one of its younger members. The party's greying leaders are more at ease in the smoke-filled backrooms of Tokyo's ryotei (clubby traditional restaurants) than on the algorithmic byways of the internet. "It's a big threat for the LDP, and the leadership doesn't realise the size of the threat they are facing," says Hosoya Yuichi of Keio University in Tokyo. A month after it launched, the LDP's TikTok channel had fewer than 3,000 followers.

Though the LDP is certainly down, it is clearly a long way from out. Its members include talented young politicians waiting for a chance to shine, notes Toshikawa Takao of Insideline, a newsletter. If the party can make one of them prime minister, that might do wonders for its brand. Compared with any of its challengers, the LDP has stronger local networks, deeper pockets and closer ties with the country's powerful bureaucracy. The LDP's support has fallen from above 40% in 2022 to below 30% now. But none of its rivals cracks 10%.

More competitive and more vibrant politics could be just the tonic Japan needs. Minority government may be very unusual in post-war Japan, but it is not so rare in other parliamentary democracies. The current experience of it in Japan could help make parties more responsive to what ordinary Japanese want.

But that is only one possibility, and there is another scenario: that the coming years bring Japan a succession of unstable coalitions and short-lived prime ministers, and that policymaking suffers as a result. With challengers pledging to cut taxes, the LDP has promised voters cash handouts; the prospect of such profligacy has already fuelled concerns about Japan's fiscal health, leading to the recent bond-market turmoil. Weak governments will struggle to make hard decisions about how to fund proposed increases to defence spending. Negotiating budgets as a minority government is "crazy", the LDP bigwig sighs. It could get madder and messier still. ■

Asia | Crash course

How did Pakistan shoot down India's fighter jets?

New clues suggest Indian errors and Chinese arms may both be to blame

July 17th 2025

They were used to hearing fighter jets from a nearby airbase. But this noise was louder and less familiar: a roar punctuated by repeated explosions. Residents of Akalia Kalan, a village in northern India, leapt from their beds as it grew closer in the early hours of May 7th. Outside, they saw a ball of flames pass overhead and crash into a nearby field. The wreckage was clearly identifiable as a fighter. Two bystanders died, according to villagers. The two Indian pilots had ejected earlier and were found, injured, in fields nearby.

India has yet to confirm it officially but this was one of a number of its fighter jets that were lost in a four-day conflict with Pakistan in May. The Indian government disputes Pakistan's claim to have shot down six warplanes, including three of its new French Rafale jets. But foreign military officials believe that five Indian aircraft were destroyed, including at least one Rafale. And Indian military officers, while refusing to confirm numbers, do now admit to losing some aircraft. What is more, they are starting to indicate that the losses may have stemmed from Indian errors rather than technological deficiencies.

The admissions are significant because China is Pakistan's top arms supplier. This was the first conflict in which advanced Chinese fighters and missiles were used against Western and Russian equivalents. America and its allies are especially interested, as China could use much of the same weaponry in a potential war over Taiwan. Early reports suggested that the decisive factor was the superiority of Pakistan's Chinese-made J-10 fighters and its PL-15 air-to-air missiles. India does appear to have underestimated those. And China may have also tipped the balance by providing Pakistan with early warning and real-time targeting data.

But given India's success later on in the fight, the bigger problem might have been how India used its own fighters on that first night. One of the latest and most controversial twists in the saga came in June when Indian news outlets aired a recording of Captain Shiv Kumar, India's defence attaché in Jakarta, addressing a seminar earlier in the month. He said that India lost some aircraft only because its political leadership had ordered its air force not to hit Pakistan's air defences. Instead, they targeted only militant sites on the first day. "After the loss, we changed our tactics and we went for their military installations," Captain Kumar said.

That followed an acknowledgment from General Anil Chauhan, India's chief of defence staff, in a television interview at the end of May that India lost some planes on the first night of the conflict because of "tactical mistakes". He went on to say that India had rectified its errors after two days, allowing all its fighters to fly again and to strike targets in Pakistan from long range. India did have more success later in the conflict when its missiles overcame Pakistan's air defences and hit several of its military bases.

One theory among foreign officials is that on the first day, India did not mount its Rafales with Meteor long-range air-to-air missiles (presumably thinking that they were beyond the reach of Pakistan's fighters or that

Pakistan's initial response would be less escalatory). Another is that India's fighters did not have the right electronic jamming equipment, up-to-date software or relevant data to protect them from Pakistan's new weaponry. A third, and broader, explanation is that India lacked the necessary "mission data" to understand how Pakistan could identify Indian plans, pass data to its own jets and guide missiles to their targets.

But if the fighters were made vulnerable because of orders from political leaders to only hit militant targets, as Captain Kumar suggests, then responsibility would lie more with the government of Narendra Modi. While consistent with India's approach to other recent clashes with Pakistan, in which India has sought to avoid escalation, such orders would not have taken into account recent improvements in Pakistan's capabilities. That suggestion is now fuelling opposition allegations of a cover-up. "Why is the PM refusing to preside over an all-party meeting and take the opposition into confidence? Why has the demand for a special session of parliament been rejected?" asks Jairam Ramesh, a spokesman for the opposition Congress party.

There are implications, too, for India's biggest defence deal in years. It is expected to launch a long overdue tender for 114 fighters this year. And Dassault, the French manufacturer of Rafales, is a leading contender alongside Sweden's Saab and America's Boeing and Lockheed Martin. But some Indian military figures have suggested that the Rafales under-performed in the recent conflict. Others complain that Dassault is reluctant to share the source code for the Rafale's software, preventing India from adapting the aircraft to suit its own needs. Since the conflict, Chinese diplomats are also said to have been badmouthing Rafales to other prospective buyers and urging them to buy Chinese fighters, instead.

Dassault executives are anxious to reassure countries that have bought Rafales, including Egypt, Indonesia, Qatar and the UAE, as well as potential future customers. But the company is constrained in what it can say publicly, for fear of angering India. It is also unclear to what extent Dassault has been permitted to take part in India's investigation into the episode. Eric Trappier, Dassault's aviation chairman, has dismissed as "simply untrue" Pakistan's claims to have downed three Rafales. "When the complete details are known, the reality may surprise many," he told a French magazine in an interview published on June 11th. He also said that the Rafale was “far better than anything China currently offers”.

The French government is also under pressure to explain what would be the first confirmed loss of a Rafale in combat. Marc Chavent, a member of France’s parliament, submitted a written question to the government in late May voicing concern that the SPECTRA electronic-warfare system on India’s Rafales failed to detect or jam Pakistan’s Chinese-made PL-15 air-to-air missiles. He asked if newer Rafales would have an upgraded version of SPECTRA and whether France was considering developing a fighter designed specifically for electronic warfare. SPECTRA’s performance is also of interest to countries that use or have ordered Rafales.

Back in Akalia Kalan and nearby villages, relatives of the dead and injured have more immediate concerns. Raj Kumar Singh, who died of head injuries from one of the blasts, left behind a wife, two children and a 70-year-old mother with little means to support themselves. They have not yet been offered compensation or been visited by local officials or politicians. Instead, says one villager, the authorities “want to bury news of this crash”. ■

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Asia | Asian diplomacy

Meet the most important voice in Australian foreign policy

Penny Wong speaks with The Economist

July 17th 2025

Penny Wong, Australia's foreign minister, prefers to talk about her job, not herself. Asked what it was like to be in Washington on January 20th, listening to Donald Trump's inaugural polemic against "woke" politics, the first gay person and first Asian-Australian to hold the office answers by drawing on a different identity. "I'm a parliamentarian," she says, "so the peaceful transfer of power in the world's superpower was quite a moving event."

Ms Wong's answer reveals a political savvy and quick wit that have made her the most popular minister in Australia's Labor government, re-elected in a thumping of the opposition in May's general election, and the most consequential Australian foreign minister in a generation. Anthony Albanese, the prime minister, has little interest in questions of geopolitics, leaving them to Ms Wong and Richard Marles, the defence minister. But Ms Wong's popularity and reputation for mastering her brief means that hers is the most important voice on the big strategic questions.

When Labor returned to office in 2022, Ms Wong inherited a mess. The previous government, a conservative coalition, had turned sharply against China, which in turn had stopped buying Australian commodities or taking its ministers' phone calls. More worryingly, China had signed a security agreement with the Solomon Islands on Australia's northern approaches and was looking to rack up more deals with other island states wary of the previous government's refusal to take climate change seriously. The announcement in 2021 of the AUKUS submarine-building pact surprised South-East Asia, which reacted with suspicion.

So the dramatic improvement in relations with the rest of the region has been Ms Wong's big achievement. But what is impressive is that it has been accomplished mainly through her personal diplomacy, without any underlying change in policy. A gruelling travel schedule in her first year on the job took Ms Wong to 18 Pacific Island states and every country in South-East Asia but Myanmar. China has slowly lifted all trade restrictions imposed under the previous government, but Australia has continued to work closely with America to constrain China's regional ambitions. AUKUS remains on the books.

A big part of this has been the rapport with her counterparts in Asia. Ms Wong was born in Malaysia to an ethnic Chinese father and an Australian mother, and lived on the island of Borneo until eight years old. She has begun to talk about this heritage more now, she says, because she wants Asia to see the multicultural society that Australia has become. She was only the second Asian-Australian elected to parliament in 2001. But, she points out, there are now more than a dozen serving. Nor has her sexual identity been a hindrance. One minister from a conservative Muslim country regularly asks after her wife.

Ms Wong's diplomatic skills will be put to the test in her second term. Australia faces a more difficult international situation than during Labor's first three years in office. China continues to bully its neighbours. But now the Pentagon is demanding that Australia sharply increase defence spending, and asking it to commit in advance to fighting alongside America were it to fight China over Taiwan. Many Australians regard this as an affront to their sovereignty. AUKUS hangs in the balance.

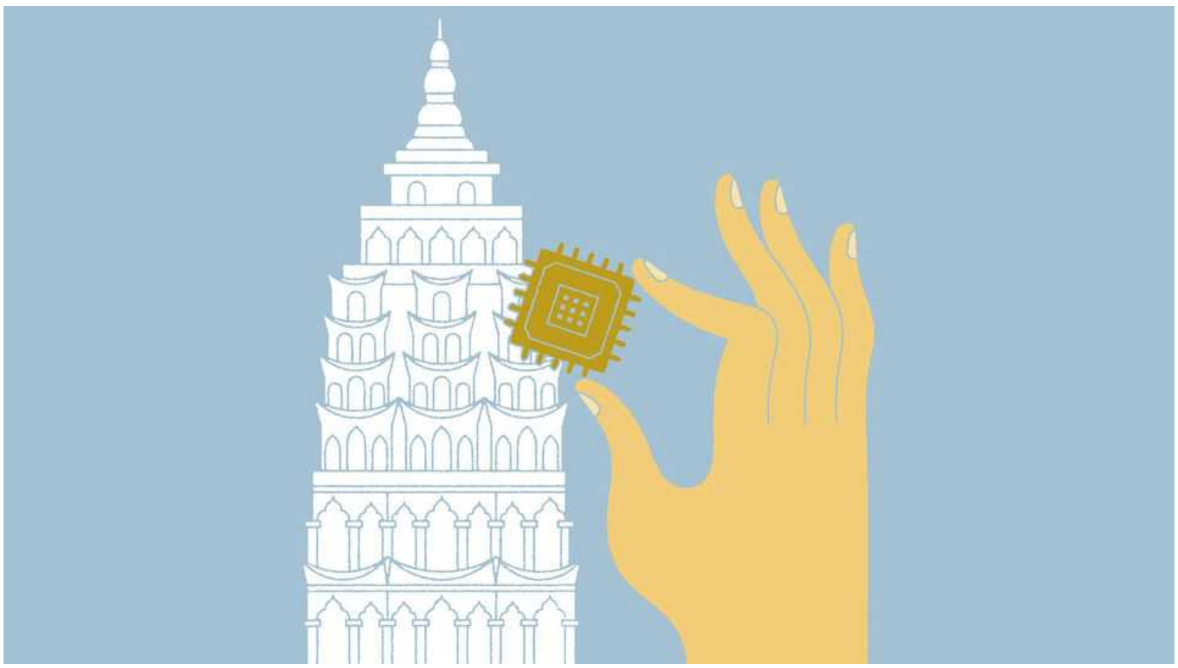
Critics say that Ms Wong has not done enough to preserve the alliance with America. She has met Marco Rubio, the secretary of state, twice, but otherwise the government seems to be keeping the Trump administration at arms' length. In a speech on July 10th in Kuala Lumpur, she highlighted Australia's differences with America on trade. Asked whether she fears such talk might lead to a backlash, Ms Wong shrugs. "I think we have to be who we are." ■

Asia | Banyan

Welcome to Asia's secret Silicon island

There is more to Singapore's sister city than a stroll down memory lane

July 17th 2025



When Singaporeans want to travel back in time to the city-state's colonial days, they hop on a flight to Penang. The narrow streets of the Malaysian island's historic centre are lined with shophouses built by the British. Popular culinary institutions, in business for generations, serve noodles and curries and cater to tourists' nostalgia. Elderly hawkers sell sweets from their stalls on winding side streets.

Singapore and Penang were once twin cities, built to British plans as free ports in the early 19th century. In Singapore only a few clusters of that history remain. Lee Kuan Yew, Singapore's first prime minister, razed most of the islands' slums after it won independence from the British and broke away from Malaysia. In the place of pokey shophouses and the classical architecture of old trading houses came steel and glass skyscrapers and utilitarian concrete public-housing blocks.

Penang, never as big a port as Singapore, took a different path. After the second world war, the British doubted its ability to stand on its own, so they legally bound it to the states of the Malay Peninsula. It stuck with Malaya after independence in 1957, even after the national government stripped it of its free-port status a decade later. As Singapore's economy rapidly reached escape velocity, Penang's slowed. Its shophouses (and superior food) remained.

But Penang's leaders refused to give up. They followed Singapore down one path still available to them, recruiting early semiconductor firms to move labour-intensive operations to South-East Asia. A single Intel facility became a hub of activity. Today, workers in full protective gear walk acres of space-age clean rooms clustered around the island's airport, where schedules are dominated by flights to other key points of the semiconductor supply chain.

Tourists arriving with the idea of taking selfies in front of quaint old landmarks rarely notice the parts of the island that have made it one of the region's most important industrial assets. On average, it attracts a third of the country's foreign direct investment and produces a third of Malaysia's exports, at $117bn in 2024. That is despite the fact that Penang does not make the highest-end chips manufactured by the likes of Taiwan's TSMC, or even many of the older generation of chips. Rather, Penang's niche is cutting wafers made elsewhere into hundreds or thousands of smaller pieces, before putting them together to form an integrated circuit. Only China and Taiwan do more of this sort of business.

As the chip war between America and China heats up and global demand for chips soars, Penang is poised to get rich. The state government is planning to double the area dedicated to semiconductors by reclaiming land, shipping in more electricity from the mainland and freeing up water supplies for the hot, thirsty compounds. American firms are pledging over $8bn in new investment in Penang, while their Chinese suppliers are moving manufacturing to the island to ensure that they can continue selling to them.

Penang faces two big challenges if it is to continue to succeed. The first is a brain drain. Keeping engineers and skilled labourers in Penang has long proved a challenge. Singapore, not far away, pays better and boasts better infrastructure. A bigger problem is the national government's long-standing affirmative-action policies favouring the Malay majority on matters from university admissions to the selection of civil servants. At independence Penang's population was 57% ethnic Chinese; now it is 44%. Anwar Ibrahim, the prime minister and a native of the state, campaigned against these quotas in opposition. But now he says they will not change any time soon.

The national government has been unhelpful in other ways, too. For political reasons, it wants to push part of the country's chips business farther down the peninsula, diluting the cluster around Penang. Worse, its big idea is to buy its way up the semiconductor value chain. In March the economy minister inked a $250m deal with Arm Holdings, a British firm, to get access to its most advanced chip designs. The minister will decide which firms get to work with them. Malaysian politics runs on brazen patronage, so it is difficult to see these decisions being made well.

Even so, Penang's business leaders are bullish. Their success has always come in spite of the national government's plans, not because of them. ■

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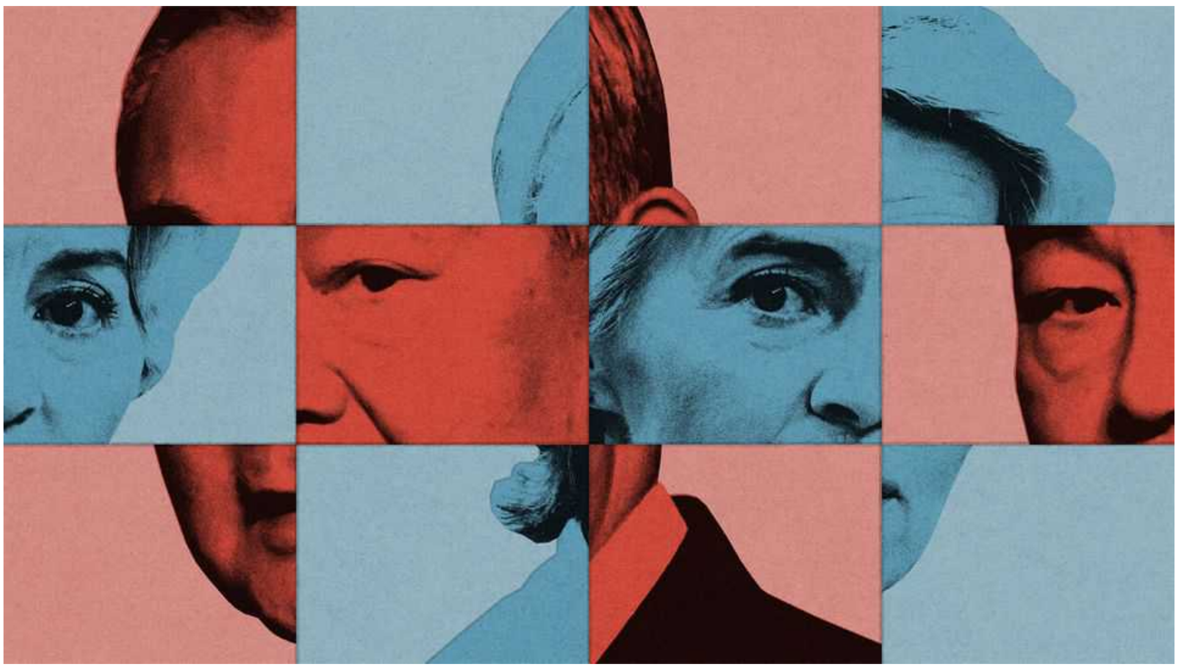
China

China | Fifty years of fraying ties

A savage squabble between China and Europe

Tensions are high ahead of a big summit next week

July 17th 2025



IN THE EARLY months of America's trade war against the world, speculation mounted. Could the two other major trading powers, China and the European Union, collaborate to intensify their bilateral trade links so as to compensate for America's isolationism? A summit on July 24th in Beijing will show that the answer is emphatically "no". It was supposed to be a celebration of 50 years of diplomatic ties. Now it looks set to be a sputtering squib.

Earlier in the year relations between the pair seemed to warm. In May EU leaders said they were ready to "work hand in hand" with China to deal with "common challenges". But the Europeans' short-lived friendliness was as much an attempt to manipulate the Americans as it was a bid to woo the

Chinese, Brussels insiders say. The EU is wary of Mr Trump, but even more so of China.

The summit was slated to be held in Europe. But the Europeans wanted a meeting with Xi Jinping, China's president, instead of his number two, Li Qiang, who would normally be sent to EU leaders in Brussels. So the Europeans have decided to trek to Beijing in the hope of seeing Mr Xi. Resolve has stiffened in other areas. Recently the EU decided to forgo a seemingly pointless pre-summit economic meeting with the Chinese. Next China cancelled plans for Ursula von der Leyen, the president of the European Commission, and other bigwigs to see tech and car firms in Hefei while visiting the country.

There is more at stake than etiquette, however. The pair's summitry squabbling reflects deep problems at the very core of the relationship. These centre on trade and security. The bloc accuses China of hammering industries by dumping government-subsidised goods on its markets; it fears Donald Trump's tariffs will result in a surge of them in Europe. China's stranglehold over rare earths is another issue. And a shadow is cast by China's support for Russia in the war against Ukraine; by Chinese cyber-attacks against EU commercial and political targets; and by China's military build-up aimed at threatening Taiwan.

When it comes to trade, Europe's trouble is that China either sends far too much its way or far too little. Take the first complaint. The EU is furious that its massive trade deficit with China is widening further. New data show that in the first six months of this year Chinese exports to the EU grew by 7%, while imports from the bloc dropped by 6%. Last year China shipped some $560bn-worth of goods to the EU, about 30% more than its exports to America. The EU's exports to China were much smaller: about $230bn, less than half the value of EU goods sold to America.

Cars are a particular crunch point. Electric vehicles, or EVs (not including hybrids) are expected to be more than 21% of the total European market for cars this year and Chinese firms should sell about one in ten of them, according to Schmidt Automotive, a data firm. These EVs are about 20% less costly than European-made ones and so are shaking up the cheaper end of the market. Last year the EU pointed to China's subsidies and tax breaks to its industry as a reason to impose tariffs of up to 45.3% on Chinese EVs to prevent "imminent injury" to European firms. Even with the tariffs, Chinese carmakers can still profit in Europe. BYD, the biggest such, hopes to be the largest EV-maker in the region by 2030.

The EU's second trade complaint, that China withholds stuff the bloc needs, particularly concerns rare earths. Sweeping new curbs on them and products incorporating them were announced by China in April as part of the trade war. They are disrupting European auto manufacturing, aerospace and defence industries and makers of semiconductors, among others. Some makers of car parts have even had to suspend production. At a meeting of G7 leaders in Canada in June, Ms von der Leyen accused China of creating a pattern of "dominance, dependency and blackmail" by controlling supplies of rare earths.

Meanwhile security concerns are growing more acute. For the EU, China's supply of components to Russia's arms-makers is the top one: the tech is vital for Russia's war machine. But China is unbending: it sees its "no-limits" partnership with Russia as vital. It feels reassured by the presence of an authoritarian leader in the Kremlin who shares China's worldview. And it considers the war in Ukraine as a useful drain on the West's resources. Wang Yi, China's foreign minister, told European officials this month that China feared a defeat of Russia could prompt America to shift more attention to his country, according to the South China Morning Post, a newspaper in Hong Kong.

The EU not only worries about the indirect threat posed by China's support for Russia. It has also become increasingly vocal about alleged Chinese cyber-attacks on targets in the EU. In May, following news of an attack against the Czech Republic's foreign ministry, the European Council, comprising the EU's government leaders, alleged that China was behind a growing number of "malicious cyber activities". The EU's foreign policy chief, Kaja Kallas, has warned that the bloc is "ready to impose costs" for such behaviour.

For its part, China is anxious about support for Taiwan among EU countries: two German warships symbolically sailed through the Taiwan Strait last year, the first such transit in 20 years. China's state media have blamed rising tensions on the EU and others in the West, accusing them of supporting Taiwanese "separatists". China would like to peel the EU away from America, largely to undermine Western cohesion on such matters.

Yet China makes little effort to placate the Europeans. In April it lifted sanctions imposed four years ago on EU lawmakers who had expressed public concerns over human rights in the western region of Xinjiang. And in July it offered concessions to French cognac-makers to help them weather anti-dumping measures China imposed on the liquor last year.

Its main plan seems instead to involve splitting the EU where possible. China is pinning its hopes on individual members of the bloc, not least Germany and France, to which Mr Wang paid visits after his meetings in Brussels. Germany accounts for about 40% of the EU's exports to China. The chancellor, Friedrich Merz, is reported to be planning a visit to China later this year—with a business delegation in tow. Expect a red carpet for him.

Jin Ling of the China Institute of International Studies, a think-tank linked to China's foreign ministry, sees a growing gap between some member-states and the EU's leadership on China. That makes it difficult, she says, for China to work out how to deal with the EU. It appears less and less keen to try. The hope in Beijing is that appeals to individual members will keep the bloc's hawks at bay. ■

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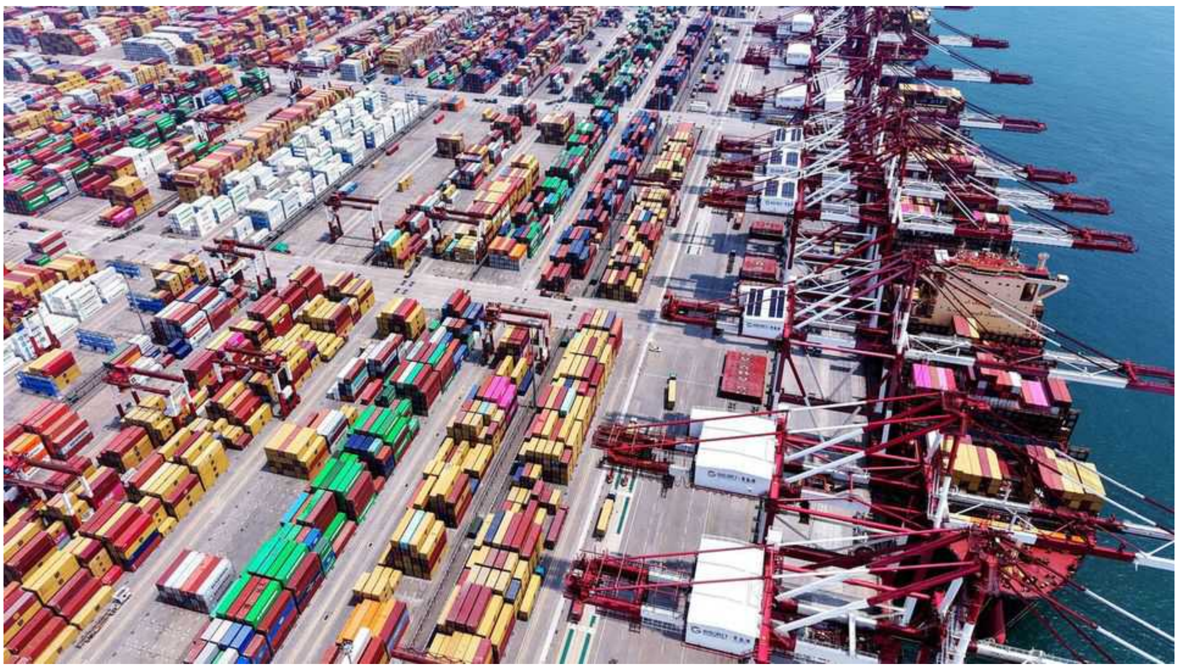
China | Trading places

China’s exporters shrug off the trade war—for now

How long can they continue to do so?

July 17th 2025



TRADE TENSIONS are hardly apparent in Qingdao, a bustling port city in eastern China. The roads leading to the port’s terminals are crammed with lorries. A string of cargo vessels can be seen in the blue haze over the bay. China’s other ports seem to be just as busy: on July 14th officials announced that the country’s total exports grew by a healthy 5.8% year on year in June. In the first half of the year, exports grew at the same pace as they did in 2024, helping to keep China’s GDP growth on track to meet its annual target. For now, China’s exporters appear to have shrugged off trade tensions with America. But that might not last much longer.

After a string of tit-for-tat tariff hikes earlier in the year, China and America struck a truce on May 12th, agreeing to delay the implementation of their highest levies for 90 days to allow further negotiations. Even so, thanks to previous rounds of tariffs, many Chinese goods face levies of over 50% if they are shipped to America. Howard Lutnick, America's commerce secretary, recently told CNBC that the two sides may meet for talks in early August.

How, then, to explain the resilience of China's exports in the turmoil of the global trade war? Some companies have been "front-loading", or shipping extra goods to America, on fears that the truce will not hold and levies will increase further later. Others are said to be trying dodgy workarounds like reclassifying finished goods as "raw materials" to try to underreport export values.

Many firms, though, have just been shipping more goods to other countries. America accounted for about 15% of China's exports last year, but just 12% in the first half of 2025. Over that period China's exports to South-East Asia, in particular, have risen rapidly. Shipments to Vietnam, Thailand and Indonesia increased by 20%, 22% and 15% year on year respectively. "We have very little to do with American companies these days," says Zhang Tao, a production manager for a company in Qingdao that makes parts for industrial robots. Healthy sales to Singapore, among other countries, have helped make up the difference, he claims.

But reality will probably catch up with China's exports in the second half of the year. One reason is the approaching deadline of August 12th to conclude this round of trade negotiations with America. Tariffs will not be cut further without a breakthrough in talks. If they go up, exports to America will naturally fall further. And if they are kept at their current levels, then front-loading may well peter out, as there is little reason to do it if the status quo holds. That will further drag on trade later in the year; there will be less demand for goods which have already been shipped.

Another drag on Chinese exports will come from America cracking down on "transshipments". Some Chinese goods are shipped to South-East Asia, undergo a degree of processing, and are then sent on to America, thus avoiding the higher tariffs placed on goods exported directly. Trade data suggest this practice may have become more common in recent months.

On July 2nd President Donald Trump announced a new trade deal with Vietnam which said goods that are transshipped through the country will face 40% tariffs—twice the new standard rate. Mr Trump has also warned several other countries against transshipping. Much will depend on how America decides to define transshipments and to implement the new rules (officials might even target products which contain only a modest proportion of Chinese parts). Still, other countries will probably try to comply in order to avoid the wrath of Mr Trump and his officials.

All this will probably still not be enough to push China's exports into contraction. But export growth might slow to 2-3% year on year in the third quarter of this year, and perhaps just 1% in the last quarter, reckons Alicia Garcia-Herrero, an economist at Natixis, a French bank. She expects shipments of low-value goods which can easily be manufactured elsewhere—such as furniture, clothes, shoes and toys—to be most affected. Bicycles originally intended for export to America are already on sale at low prices on Chinese e-commerce sites.

Tariffs are also having knock-on effects that are set to worsen. Mr Lu is an engineer at a Qingdao-based company that makes components for vacuum pumps, which are then exported to America to be used in industrial machinery. Orders have remained steady in recent months. But clients have demanded a lower price to help offset the cost of the tariffs. That has forced Mr Lu's company to cut salaries. He now takes home about 6,000 yuan ($830) a month, down from 7,000 yuan last year. "We need to eat, we need to pay mortgages," he says. "But we've no other option." In recent years exports have been a rare bright spot in China's economy. Tales like Mr Lu's suggest that it is dimming. ■

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China | Sexism in universities

Why a fling with a foreigner insults China's "national dignity"

Outrage mounts over a tryst between a Chinese student and a Ukrainian gamer

July 17th 2025

LIKE HIS Greek namesake, Danylo Teslenko, formerly a professional gamer known online as "Zeus", presents himself as a ladies' man. On a trip to China in December the Ukrainian had a tryst with a female student and, without permission, shared intimate, though not sexual, videos of her online in a fan group (one clip showed her sleeping). But it is she who has faced a storm over their encounter.

On July 8th Dalian Polytechnic University identified her in a public notice of expulsion. The institution says that "engaging in improper relations with foreigners" and "damaging national dignity" are prohibited under its student code. Related hashtags—including some which explicitly mention the woman by name—have been read more than 660m times in recent days as national media outlets helped spread the story throughout the country. "She may be alive but she's been handed a social death sentence," concludes one online commenter.

The decision has unleashed a torrent of misogyny and nationalist fervour among Chinese netizens. Online mobs have hounded the student, castigating her for "throwing herself" at a foreign man. In response Mr Teslenko apologised to the student and wrote of his "deep respect for China and Chinese culture". But he then fanned rumours by claiming that there was just one problem with what had occurred between them. "The only unfortunate thing is that the girl never mentioned she had a boyfriend. I believe if it weren't for that detail, nothing bad would've happened," he declared.

Indignation at the nationalists' outrage is also widespread in China. Many point out that male students get off much more lightly for actual grievous behaviour. One at Guilin University of Electronic Technology, identified solely by his surname, was merely put on probation for filming up women's skirts in 2022. Then in 2023 another, who also remained anonymous after being accused of sexually harassing a woman in a library at Wuhan University, was penalised only academically.

In China universities have the right to manage students' behaviour through rules around conduct. Where Dalian Polytechnic touched a particular nerve was by connecting a tryst with a foreigner with old-fashioned questions of "national dignity". The move is legally contentious. And universities make odd moral arbiters of the private lives of their students—especially given the prevalence of sexist double standards within them. Concern is growing that other institutions could make use of ambiguous codes to copy Dalian Polytechnic's example. "Using 'national dignity' to hijack a 20-something-year-old just goes to show how hypocritical this school is," despairs one critic online. ■

Middle East & Africa

Middle East & Africa | Another neighbour, another bombardment

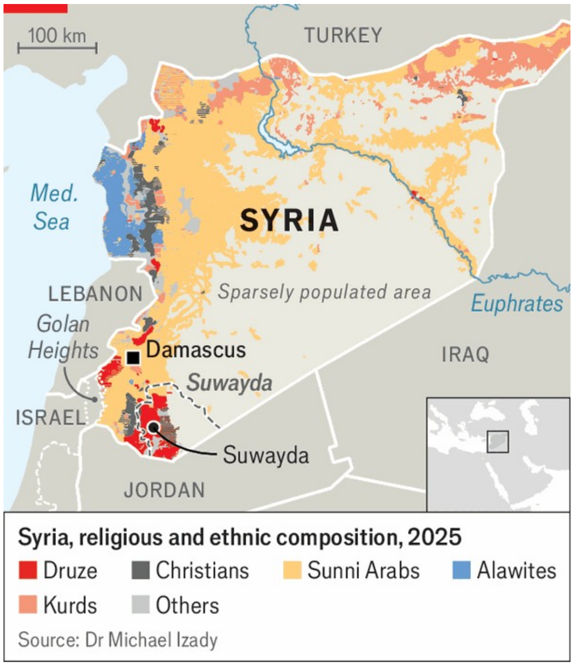
Why did Israel strike Damascus?

Violence against Druze in Syria prompts intervention by its powerful neighbour

July 17th 2025

PLUMES OF SMOKE rose over Damascus on July 16th as Israeli warplanes struck Syria’s capital. Targeting the presidential palace, the defence ministry and the army command, the attack killed at least one person and wounded several others.

The strikes followed an outbreak of sectarian violence in the predominantly Druze province of Suwayda in Syria’s south-west (see map). Hundreds of people have been killed in recent days in clashes between Bedouins, Druze militias and Syrian government forces and by Israeli air strikes. Israel says the purpose of the strikes, both in the south and in Damascus, was to end a Syrian government assault on the Druze. It also wants to enforce the demilitarised zone it had declared around Suwayda after the overthrow of Bashar al-Assad's regime in December.



Yet it is unclear whether the episode will make either the Druze or Israel any safer. In the short term, it is likely to weaken Ahmed al-Sharaa, the former Sunni jihadist who is Syria's interim president. It will make it harder for Syria and Israel to reconcile, as America has been pushing them to do. Depending on what Mr Sharaa and Mr Netanyahu decide to do next, it could also foment more instability in Syria.

One reason for the escalation is Mr Sharaa's push to subdue Syria's minorities, including the Druze, rather than reconcile with them and integrate them into a pluralist state. After an attack on a Druze merchant on July 11th sparked clashes between Bedouin groups and Druze militias in Suwayda, he sent government troops to intervene, ostensibly to enforce a ceasefire between local groups. Yet he appeared keen to use the incident to establish control over the south-western province.

Druze leaders offered to hand over their weapons, according to a mediator. But rather than quell the violence, Mr Sharaa's troops, many of them jihadists, worsened it. Scores of Druze were killed in attacks that recalled the massacre of hundreds of Alawites in March. Gunmen shaved off the moustaches of some Druze, with videos of the humiliation circulating on social media. “Déjà vu,” says Jalal Mesady, a Syrian conflict-resolution expert.

Back in March, no one came to the aid of the Alawites. Many Syrians thought they deserved their comeuppance given their loyalty to Mr Assad, an Alawite. But the Druze, an esoteric sect who number some 1m across the Levant, are strongly represented in the Israeli army. As Mr Sharaa sent troops to Suwayda, Druze communities across northern Israel demanded their government come to the rescue of their Syrian brethren. They blocked northern roads, broke through the border fence with Syria and secured a meeting with Binyamin Netanyahu, Israel’s prime minister, who agreed to intervene in the conflict.

Mr Sharaa’s aspiration to make Syria a source of regional Sunni supremacy rubs up against Israel’s hegemony and its self-declared role as protector of the region’s minorities. But reconciliation between the two had recently seemed on the cards. Donald Trump, America’s president, is keen for Syria to join the Abraham Accords, a set of peace treaties between Israel and a group of Arab states. A draft non-belligerence pact would have parked Syria’s claims to the Golan Heights, which Israel conquered in 1967 and later annexed, and paved the way to normalisation.

Mr Sharaa has absorbed repeated Israeli strikes on the military hardware he inherited from the Assad regime and held fire when Israel pushed east of its armistice lines. He is said to have met Israeli officials during his visits to the United Arab Emirates and Azerbaijan. For months, his commanders in the south co-ordinated their military manoeuvres directly with Israeli army officers.

A deal now looks elusive. Mr Netanyahu appears to have calculated that the use of military force improves Israeli security as well as his political standing at home. Appearing strong in the face of potential threats elsewhere may provide room for manoeuvre in negotiations for a ceasefire in Gaza. Yet it also risks fanning more violence in Syria.

Much depends on Mr Sharaa. Leaving the Druze entrenched will unsettle his jihadist base and embolden other minorities, particularly the Kurds, who continue to resist his drive for central control. It may, in effect, mean accepting Israeli control over southern Syria. Renewing the offensive risks deepening instability and alienating not just terrified minorities, but the Sunni mainstream and his Western backers. His government has promised to investigate what happened in Suwayda.

“Force and revenge create more enemies than friends,” says a Druze student in Syria. Many in the region will be hoping that this week’s events do not set off yet another cycle of violence. ■

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Middle East & Africa | Cease ceasefire

As the Houthis sink two ships in one week, the world shrugs

The lack of response illustrates how difficult it is to stop them by force

July 17th 2025

IT WAS a short-lived surrender. Earlier this year America carried out more than 1,000 strikes against the Houthis, an Iranian-backed militia in Yemen. The group had kept up a year-long series of attacks on commercial ships in the Red Sea, ostensibly to protest against Israel's ongoing war in Gaza. American bombing was meant to dissuade them from future mayhem. When Donald Trump unexpectedly announced a ceasefire on May 6th, he said the Houthis had agreed to just that: "They have capitulated," the president said. "They say they will not be blowing up ships anymore."

Exactly two months later, they blew up a ship. On July 6th Houthi gunmen boarded the Magic Seas, a bulk carrier, and rigged it with explosives (see map). The next day they attacked another vessel, the Eternity C, with naval drones and rocket-propelled grenades. It sank on July 9th. Nine of its 25 sailors are dead or missing. Six others were probably kidnapped by the Houthis.

The group sank just two ships in all of 2024, and none since last June. Now they have sunk two in less than a week. Yet the world's reaction has largely been to shrug—a sign of how much the Houthis have already roiled global shipping, and how difficult it is to stop them by force.

The timing of these latest attacks was not random. The ceasefire gave the Houthis two months to regroup. They largely sat on the sidelines during last month's war between Israel and Iran. With that conflict over, America is pruning its forces in the region: it has already withdrawn several guided-missile destroyers, which helped to shield commercial ships.

This was an opportune moment for the Houthis to remind everyone that they can still menace the Red Sea. A show of solidarity with Palestinians in Gaza remains a useful distraction from Yemen's own problems—even though targeted ships often have only a tenuous connection to Israel.

Neither the Magic Seas nor the Eternity C had made a recent stop there. The former was hauling fertiliser and steel from China to Turkey; the latter had just finished a humanitarian delivery for the World Food Programme in Somalia. But their owners (two Greek firms) operate other ships that continue to call at Israeli ports. Abdul-Malik al-Houthi, the group's leader, said in a televised speech that more such attacks were coming.

That will scare off the Western firms that had begun to contemplate a return to the Red Sea. A total of 244 commercial ships passed through the waterway between July 7th and July 13th. That is up slightly from 232 the week before, according to Lloyd's List, a shipping journal. But it is around 50% lower than an average week in the summer of 2023, before the Houthis started their attacks.

America has not done much, beyond a few chiding statements. Officials in the region believe Mr Trump is unlikely to order more attacks on the Houthis unless they fire at American vessels, and there are not many of those about. Israel has kept up occasional air strikes on Yemen, but they are too sporadic to have much effect.

Both countries are learning what Saudi Arabia and the United Arab Emirates did a decade ago: the Houthis are hard to uproot. American strikes destroyed some of their arsenal, but they still have ample smuggling routes from Iran, which delivers either by sea or overland through Oman.

On July 16th the National Resistance Forces, a coalition of anti-Houthi militias, announced that they had seized 750 tonnes of arms bound for the group. It was an impressive effort—but also a reminder of how much slips through unnoticed. As long as the Houthis have a stockpile of weapons and the will to use them, they can continue to cause chaos in the Red Sea. ■

Middle East & Africa | Deaths in the queue

A first-hand look at Gaza's controversial food-distribution sites

Gazans keep dying at the centres. Israel says they are working as intended

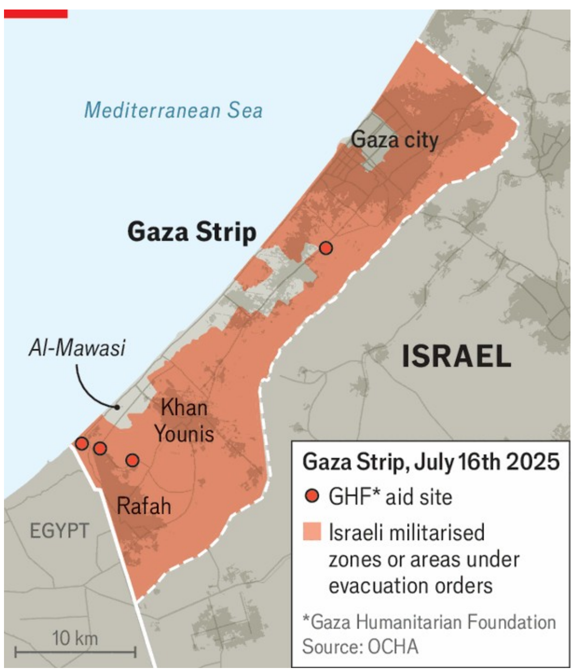
July 17th 2025

THOUSANDS STOOD in the sweltering sun, watched over by an Israeli tank, in a long queue snaking south from the second-largest city in the Gaza Strip. They had walked for miles to reach a food-distribution centre on the outskirts of Khan Younis. As the crowd grew, the American mercenaries who guarded the entrance to the compound fired into the air. They began handing out cardboard boxes, each containing flour, pasta, oil, and other dry goods calculated to last a family for a week. Those who had received their boxes quickly emptied them into white sacks and left.

After a few minutes the guards tried to let a group of women join the front of the queue. The crowd surged forward and broke into the compound. When tear-gas grenades failed to stop the surge of desperate people, the guards stopped handing out boxes and closed the centre.

These scenes, observed by The Economist on July 15th during a short embedded visit to an Israel Defence Forces (IDF) observation post overlooking the distribution centre, have been recurring for nearly two months. Often, they have resulted in multiple casualties, many of them by IDF fire. The day after the visit, on July 16th, at least 20 people queuing for food were killed in a stampede at the same site.

The Gaza Humanitarian Foundation (GHF), which began distributing food at four centres in south and central Gaza in May, confirmed the deaths. It says it has “credible reason” to believe that Hamas, the Islamist movement that still controls parts of Gaza, sent people who “deliberately fomented the unrest”. The foundation denies firing tear-gas into the crowd.



After 21 months of war, at least half of Gaza’s population of 2.1m is now concentrated in Khan Younis and in the tents and shacks of the “humanitarian zone” nearby in al-Mawasi, next to the Mediterranean Sea. The rest remain in what is left of Gaza City and a few smaller towns to the north. On the Egyptian border, Rafah, once a city of more than 200,000 people, has all but been razed to the ground by Israeli bombs and bulldozers.

The IDF denies claims by Palestinian health authorities and UN agencies that some 700 Gazans have been killed around the distribution centres, saying that these numbers were "intentionally inflated". IDF soldiers interviewed by Ha'aretz, an Israeli newspaper, say they were given orders to fire at crowds trying to get to the centres. A senior IDF officer says there had been "misfires" and procedures had been reviewed but denies his forces used live fire to control crowds.

The IDF calls the GHF distribution centres a "success story". It claims the centres have wrested control over food supplies from Hamas, which Israel says used to control supplies provided by international aid groups before it banned most of them from bringing food into the strip. Israel says this has reduced Hamas's ability to make money and weakened the group's hold on Gaza's population.

International aid organisations, including the UN, deny their supplies were controlled by Hamas and have refused to co-operate with the GHF, which they say violates basic humanitarian principles. Israel has also allowed local clans, some of which are also criminal groups, to receive their own food supplies. It claims these groups "challenge Hamas control".

Indirect talks in Doha between Israel and Hamas about a temporary ceasefire, which could perhaps lead to an end to the war, have yet to produce a breakthrough. One of Hamas's demands in the talks is that the GHF centres be closed and other aid groups put back in charge of food distribution. The IDF says that shows the centres are serving their purpose. ■

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Middle East & Africa | A fragile overhaul

The dark side of Ethiopia's liberalisation

The fruits of promising reforms are under threat from waste, graft and conflict

July 17th 2025

For the past couple of years much of Addis Ababa, Ethiopia's capital, was reduced to rubble by demolitions. Now luxury apartments, parks and cycle lanes are rising from the ruins. Abiy Ahmed, Ethiopia's prime minister, believes the old city must make way for a cleaner, shinier one.

Mr Abiy is transforming not just Addis, but Ethiopia. Long one of Africa's most state-controlled economies, the east African country of 135m people has recently begun to liberalise. A year ago it floated its currency, the birr, and entered an IMF programme worth $3.4bn (3% of GDP). A raft of reforms will radically alter its economic system. "What they are trying to do is comparable to the transition economies after the fall of the Soviet Union," says Stefan Dercon of Oxford University, who has advised several Ethiopian governments on economic policy. Ethiopia hopes to follow the path of countries such as Poland and become an economic power. Yet it may end up looking more like Russia, its transition derailed by corruption, conflict and chaos.

Following decades of communist dictatorship, the government began to allow some space for free markets in the 1990s. But it retained tight restrictions on private enterprise, growing through debt-fuelled state investment in infrastructure. Yet since a sovereign default in 2023, following a devastating civil war, forced Ethiopia to ask the IMF for a bailout, it has opened up banking, retail and other sectors to foreign competition, and relaxed restrictions on repatriating profits. On July 1st parliament approved a law allowing foreigners to own property. The country plans to privatise some state-owned firms. In January it opened a stock exchange.

Economic performance has been encouraging, according to official data. Despite a sharp depreciation of the birr, which has lost more than half its value against the dollar over the past year, Ethiopia's central bank says it brought annual inflation down to 14.4% in May, compared with 23% the previous year. The fiscal deficit has shrunk to 1.5% of GDP, the IMF reckons, down from 4.2% in 2022. The cheaper birr has boosted exports, particularly of coffee and gold, helping to alleviate dollar shortages. On July 2nd Ethiopia reached a deal with external creditors, including China, to restructure some $3.5bn of debt, 11% of the total. On July 3rd the World Bank agreed to give the country $1bn worth of grants and concessional loans. The IMF estimates that the economy grew by 7.2% in the year to July.

This rosy picture may not be the whole story. The IMF relies on government data for its estimates, but has repeatedly complained about "the quality and availability of economic statistics" in Ethiopia. The World Bank said this month that it could not estimate Ethiopia's national income for the current fiscal year. It said it needed more time to take the sudden depreciation of the birr into account. Proxy measures such as electricity demand indicate the economy is growing—but probably not as fast as official figures suggest.

Fiscal belt-tightening has resulted in savage cuts to social spending. Food and cash transfers to poor households were slashed by a third last year.

Reduced education spending has made it impossible to rebuild the thousands of schools that have been damaged or destroyed by conflict. At least 8m children are thought to be out of school. The country's doctors, who have seen their salaries fall by roughly two-thirds in real terms over the past six years, launched a month-long, nationwide strike in May. At the same time Mr Abiy has continued to spend what are thought to be billions of dollars on vanity projects, such as an opulent new palace.

The prime minister's supporters argue that although economic reform is painful, it will attract the foreign investment Ethiopia needs to thrive. Yet in April an initial public offering for Ethiotelecom, the state telecoms firm, managed to sell just 11% of the shares on offer. The IMF said on July 15th that foreign direct investment (FDI) had been "weaker than anticipated" following the reforms. It expects net FDI for the year to July to hit 3.2% of GDP, compared with a peak of more than 5% in 2017.

Investors say that the reforms have so far been skin-deep. A former executive at a multinational company in Ethiopia says state-owned firms still enjoy unfair advantages. Others lament that Ethiopia remains a licence raj. A good rule of thumb, says one investor, is that anything not explicitly permitted is forbidden.

Corruption, which used to be relatively rare, seems to be worsening. In 2023 almost two-thirds of Ethiopians felt it had increased in the past year, according to Afrobarometer, a pollster. Procedures such as applying for a passport have become impossible to complete without paying a bribe. Some complain of having to grease official palms just to pay tax.

Though Mr Abiy has conceded that corruption has become "normalised", he maintains that it is limited to petty graft. Yet many fear the rot runs deeper. Budgets for government projects are opaque. Contracts are being handed out without competitive tender. There is talk of a new class of oligarchs making fast fortunes thanks to their connections with officials. "In the old days if you were confronted with someone asking for a brown envelope, you would go to someone higher up and they would make the problem go away," says another investor. "Now the higher up you go, the more you have to pay."

The most important barrier to investment in Ethiopia remains conflict. The country's two most populous regions, Oromia and Amhara, have been roiling under insurgencies for years. Tensions with neighbouring Eritrea continue to rise, in large part because Mr Abiy has made no secret of his desire to grab its Red Sea ports. As public services across the country are ailing, he has been equipping his army with fighter jets and drones. Nothing deters investment like a looming war. ■

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Middle East & Africa | Baba goes home

Muhammadu Buhari failed to build a better Nigeria, twice

A dictator, then a democratic president, he died on July 13th, aged 82

July 17th 2025

Stepping off the ferry in Liverpool, Muhammadu Buhari was struck by the city's orderliness. People obeyed the rules, observed the 18-year-old, who had won a competition to spend the summer in Britain. The rules didn't even have to be written; society just worked. Order was also paramount at military college in Nigeria and the English town of Aldershot. The austerity of officer training, the career of choice for bright young men from the newly independent country's north, suited the former head boy. He thrived in the repetitive drills, the hikes across unknown terrain in the dead of night.

Nigeria needed a good dose of military discipline, he thought, when thrust to the head of a military government by his fellow senior officers on the final day of 1983. It was an apparently unexpected appointment, but one that he took to with his usual rigour. The problem was not the country's weak institutions, worn down by a flood of oil wealth, he thought. No, the enemy was the laziness and greed of Nigerians and their feckless civilian leaders, who had ridden the wave of black gold since 1979. In the War Against Indiscipline tardy civil servants would be forced to do frog jumps, queues whipped into line and hawkers who dared despoil the streets swept away.

But Nigeria refused to bend to Mr Buhari's will. Almost 500 politicians and businessmen were arrested for corruption and sent to jail by military tribunals. A new currency was issued to flush out the stashes piled floor to ceiling in the homes of the elite. For many military men this purge was too close for comfort—and too uncompromising.

With Mr Buhari unwilling to bow to the IMF and devalue the naira, the economy groaned under the weight of low oil prices and external debt. Journalists were locked up, drug dealers executed and diplomatic relations with Britain broken off when a British customs officer discovered the previous regime's transport minister trussed up in a Lagos-bound crate marked "diplomatic baggage". When Ibrahim Babangida, the wily chief of army staff, announced the bloodless overthrow of Mr Buhari in August 1985, he complained that the stern general had opened a gulf between the military and the masses.

After more than three years under house arrest in the south of the country, Mr Buhari was released to his family farm in Daura, Katsina state. Detention destroyed his first marriage, with Safinatu, the mother of his first five children. But he quickly found a new wife, Aisha, who gave him five more. Several years of tending to his cattle and orchards followed; then some years chairing an oil trust fund under Sani Abacha, a military dictator far more brutal than Mr Buhari. As Nigeria moved towards democracy, so too the former general proclaimed himself a born-again democrat. It was no longer soldierly discipline that would save his country, but a rigid deference to the law.

Mr Buhari lost three successive presidential elections, his support never breaking out of the Muslim-dominated north. Each time he unsuccessfully appealed against the result, suffering the interminable court process, he said, to head off anarchy and bolster Nigeria's nascent democratic institutions. That did not stop his supporters turning on southern Christians in 2011, leading to more than 800 deaths. He succeeded on the fourth go in 2015, the first time an opposition candidate had defeated an incumbent at the ballot box in Nigeria. But while the promise to once again wage war on corruption resonated with a jaded populace, victory came only in a coalition with politicians from the south-west.

What was never in doubt was his personal probity, an ascetic egalitarianism first nurtured at boarding school, where the British teachers favoured boys with good grades over those with gold wristwatches. When he came back to power in 2015 he reported just $150,000 in a single bank account, a drop in the ocean of wealth hoarded by Nigeria's elites.

But though he never wavered in his crusade against corruption, Mr Buhari took a different approach second time round. In the 1980s he had been in a hurry. Thirty years later his nickname was "Baba Go Slow", as he took months to name a cabinet and graft cases inched their way through the courts. This, his supporters argued, was deliberate, a strategy of gradual reform. Others saw a tired old man, lacking energy. When he announced he was leaving Nigeria for medical treatment in London at the beginning of 2017, his tall, already rail-thin frame was shrinking further inside his calf-length tunics, his high cheekbones painfully prominent.

Meanwhile, as in the 1980s, low oil prices were taking their toll on the Nigerian economy. And, once again, Mr Buhari ordered the nominally independent central bank to defend the naira, stamping out a nascent devaluation in summer 2016 when it was clear the currency had further to fall. Dollars were rationed and imports of everything from toothpicks to rice banned. Inflation soared and growth was choked off. The brutal jihadists of Boko Haram were pegged back, but continued to mount hit-and-run attacks and send young girls to blow themselves up, regardless of the government's claim that the Islamist rebels had been "technically defeated". Money-hungry militants returned to sabotaging oil installations in the Delta, after Mr Buhari cut short an amnesty programme. And Christian farmers and Muslim herders clashed over land in the country's febrile centre.

Mr Buhari would occasionally break into slight gap-toothed smiles, but his jokes were invariably of the lecturing variety. His wife, when she publicly criticised political appointments, was told she belonged in “my kitchen, my living room and the other room”. Journalists were “too inquisitive” and should get on with some more investigative work. But, as hard as he tried to mould his countrymen in his image, Nigeria, his beloved, unruly country, could never be tamed. ■

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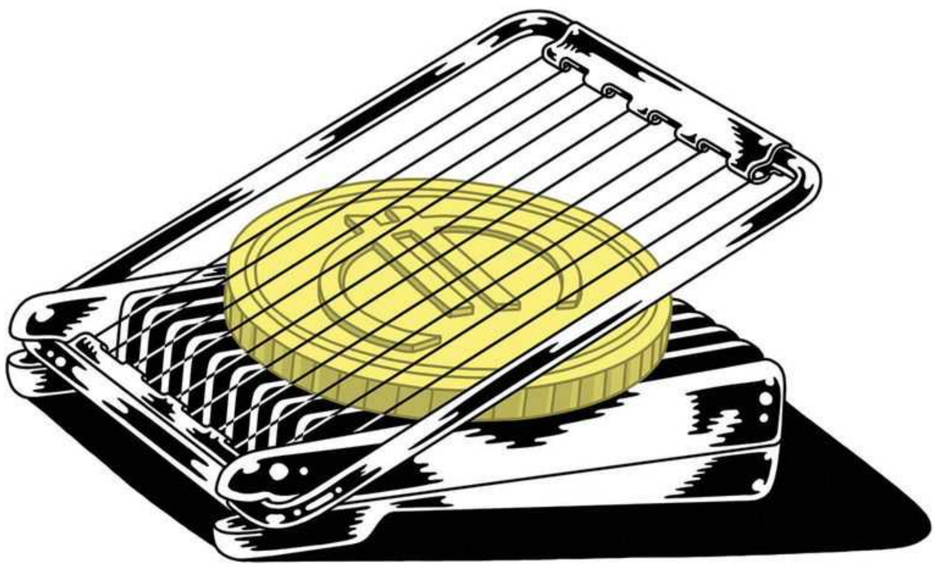
Europe

Europe | Brussels sprouts a budget

Despite enormous challenges, the EU sticks with its puny budget

At least farming subsidies are getting cut down to size

July 17th 2025



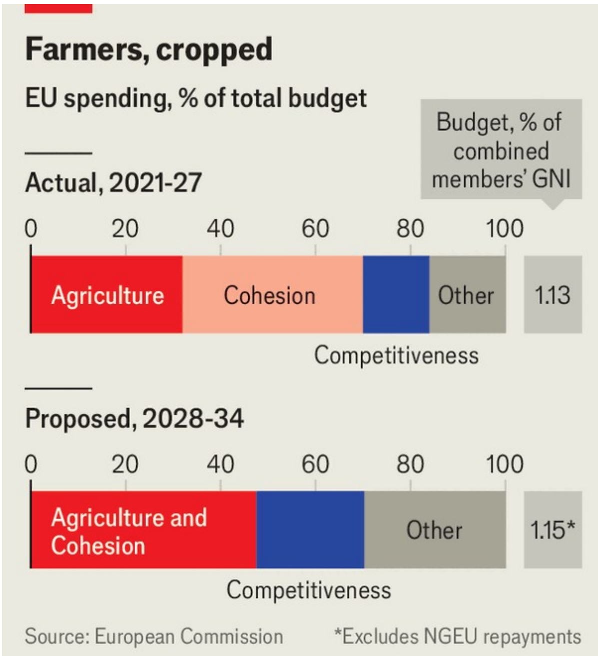
What will the European Union look like in 2034? Only the most confident fortune-teller would venture a guess. Yet in Brussels a ritual even odder than staring at tea leaves or crystal balls is afoot: trying to craft a budget that will not come into effect for over two years, and will still be in force nearly a decade from today. A first cut of the EU financial blueprint covering the seven-year period from 2028 to 2034 was unveiled by the European Commission on July 16th. The extraordinary challenges the EU faces will have to be met with a very ordinary spending package.

Crafting a budget for 27 countries stretching from Lapland to Lisbon is a fiddly process. In fiscal terms the "multi-annual financial framework", as it is known in Brussels patois, is of peripheral concern. For decades it has amounted to just 1% or so of economic output on a continent where some national governments splurge over 50%. But the ways in which the money is both raised and spent send important political signals. Are Paris, Berlin and other capitals willing to cede more powers to the EU to help it tackle the common challenges that have emerged in recent years—from security to climate to rebooting the continent's stalled economy?

The commission's opening gambit is that the budget should rise to €1.8trn ($2.1trn) cumulatively over the seven years at 2025 prices. Though a hefty increase from the current €1.2trn, it is a paltry one as a share of gross national income (GNI) once modestly rising economic output is taken into account. Under the proposal EU schemes would annually cost 1.15% of the bloc's GNI, up just 0.02 percentage points. If past cycles are any guide, the figure will be whittled away between now and when it is finalised in late 2027.

The modest rise feels incommensurate with the multiple crises that Europe is facing. But it is probably as much as the commission could ask for, given conflicting instructions from the 27 national governments involved, who must unanimously agree to the framework. Some, like France and Italy, are broke and can hardly afford to send more money to Brussels. The likes of Germany and Sweden have made clear they are loth to pay more into a common pot out of which they get less than they put in. Nearly all EU members are also members of NATO, and as such have just agreed to bump annual defence spending from at least 2% to 3.5%—a bigger rise than the entire proposed Euro-budget.

Given these straitened circumstances, even a small increase might satisfy those who strive for ever-closer union. The new budget might not even be that. The current seven-year plan, which expires in 2027, was supplemented by a one-off investment fund linked to the covid-19 pandemic. The Next Generation EU (NGEU) fund bumped the bloc's annual spending power by around 0.4% of GDP over the 2021-27 period, meaning the EU budget was sizeably bigger for those years. But that money was borrowed—and must be repaid starting in 2028, for a period of 30 years. What was once a boost to the EU budget will soon turn into a burden.



In the absence of a lot more money, the EU wants at least to spend what it has better. That should be easy enough, given the way the money is currently doled out. Since the 1960s a mainstay of the budget has been the common agricultural policy, which currently uses a third of the bloc's cash to shower European farmers with subsidies (see chart). "Cohesion" funds that go to build highways and whatnot, mainly in poorer regions, make up another third. As with the rest of the spending—including everything from science funding to foreign aid and Eurocrats' salaries—the outlay is largely decided in advance. The EU's institutions are asking for more leeway to in future reshuffle cash to help them address unexpected crises.

The commission is proposing several useful innovations, albeit with scarce details. One is to merge farm subsidies and cohesion funds into one pot, a fixed sum which each national government would administer based on EU diktats. Folding lots of programmes together looks like a way to trim agricultural subsidies on the sly. The new set-up may help divert farmers' anger away from "Brussels" and towards national authorities who will in future have to explain to the manure-pelting protesters why funding for specific farming schemes or rural roads had been cut.

Another novelty is to use the budget as a source of leverage for Brussels. To access their share of NGEU money, national governments were made to jump through hoops—promising to reform labour markets, say, or spending it on greening the economy. Countries that flouted the rule of law, notably Hungary, saw billions of euros withheld. Such "conditionality" may now apply to the bulk of the EU budget.

The commission was keenest to highlight the money for a new "competitiveness fund" worth over €50bn a year. These funds would pay for EU-wide innovation initiatives, such as research on batteries, basic science and much else besides. Some of the cash will go to fund the union's defence ambitions, for example by facilitating troop mobility, though military budgets remain in the national purview.

Yet the slug of new cash for improving the EU's innovation capabilities, though welcome, falls well short of what some had called for. In a report on Europe's flagging competitiveness released last year, Mario Draghi, a former Italian prime minister, said the continent needed to find €800bn of investment every year to recover its economic vim. Only a portion would be funded by the public purse, and the EU budget is just a fraction of that. But many of the bloc's countries have similar needs—national security, modernised electric grids and so on—which could be achieved more cheaply together. The scrawny budget feels like a missed opportunity for Europeans to strive to achieve more together.

In EU budgeting, everyone comes out frustrated. France and Poland are already whingeing about the prospects of smaller farming subsidies—essential for "food security", in their reading. Poorer countries, notably in central Europe, are aghast at the decline in cohesion funds, of which they are the main beneficiaries. "Frugal" countries, mainly in northern Europe, are against any kind of increase in EU spending; Germany "rejected" the budget shortly after it was announced.

The commission assured governments they would not have to chip in more. Rather, the EU would fund itself by levying its own taxes. (The union already gets a cut of customs duties on imports, but is otherwise mainly funded by national contributions.) Various such new funding streams have been pitched, including taxes on carbon credits or tobacco. But EU levies require the unanimous approval of member states, who tend to guard their tax bases jealously. If none are agreed, NGEU repayments may have to be funded by savings in other parts of the budget. Some, including Mr Draghi, have called instead for a new bout of joint borrowing. That is unacceptable to Germany and other frugals for now.

The plan having been unveiled, what follows will be "a marathon with a careful choreography", according to Lucas Guttenberg of the Bertelsmann Foundation, a German think-tank. Few in Brussels have forgotten the final sprint of the last budget negotiations in 2020: four straight days and nights of haggling between EU leaders. Come 2027 they will once again find themselves fighting over a sum of money too small to make much difference. ■

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Europe | Art of the U-Turn

Fed up with Putin, Trump offers Ukraine arms and tariffs

America will supply air-defence missiles and may punish countries that trade with Russia

July 17th 2025

AFTER HIS first post-election call with Vladimir Putin in February, Donald Trump gushed about the “great benefits” of a rapprochement with Russia. On July 14th he seemed to lose patience, announcing that America would resume supplies of Patriot air-defence missiles and other weapons, and threatening secondary tariffs of 100% on countries doing business with Russia if there was no peace deal within 50 days. “We’re very unhappy with Russia,” Mr Trump declared.

The announcement came during a visit to Washington by Mark Rutte, NATO’s secretary-general. But there was a Trumpian twist. The weapons would henceforth be bought by European allies rather than donated by America, as in the past. And a day later Mr Trump partially qualified his U-turn, saying he was merely “disappointed” with Mr Putin, not “done with” him.

In Ukraine relief that the flow of weapons would restart mixed with concern at the 50-day delay in imposing economic penalties. Oleksandr Merezhko, a prominent MP, hailed the “good news”, but cautioned that Mr Putin would use the 50-day grace period to press his attacks. Oil markets seemed unmoved even though the tariffs could hit countries such as China, India and Brazil. That suggests scepticism that they will be applied. Russia largely shrugged off the threats.

A separate bipartisan bill threatening 500% secondary tariffs may now make progress in Congress. But it too gives Mr Trump wide discretion in imposing penalties. The president has been endlessly variable in his tariff decision-making, repeatedly announcing levies only to negotiate their partial removal. He would find it hard to co-ordinate secondary tariffs stemming from Russia’s war on Ukraine with his kaleidoscopic array of trade threats and conciliations towards China, India, the European Union and others.

As for weapons, Mr Trump’s announcement seems to assure Ukraine of a flow of vital kit, such as the Patriot system to shoot down missiles. But he did not say how many Patriot batteries and interceptors America would make available, nor specify what other weapons would be provided. Early reports hinted they might include deep-strike weapons such as ATACM missiles. But on July 15th Mr Trump said he did not favour sending these, and denied reports that he had prodded Volodymyr Zelensky, Ukraine’s president, to hit Moscow.

In short, doubts abound. The military assistance may not be enough to halt the grinding advance of Russian forces in Ukraine. Attitudes to Ukraine remain lukewarm or hostile in parts of Mr Trump’s administration, and a few of his MAGA allies in Congress criticised the shift, saying it contradicted his promises to keep America out of foreign wars. There is little evidence that Mr Putin is interested in peace or a cease-fire. Mr Trump might U-turn again; his most recent statement emphasised that he is “not on anyone’s side”.

Even so, he seems to be on a long journey in his thinking about Russia. Months of diplomatic patience by Ukraine, flattery by European allies, quiet exhortation by congressional hawks, and obduracy from Mr Putin have all contributed. The president once mocked Mr Zelensky for having “no cards”. Now he has slipped him a few new ones—at least for a time. ■

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Europe | Droning on

Ukrainian drones are killing ever more soldiers

Russia is grinding ahead but paying an excruciating price

July 17th 2025

Colonel Yehor Derevyanko is getting impatient. Three Russian soldiers, seemingly oblivious to the fact that they are being watched, walk down a country road. “Kill them!” he snaps. Two loitering drones are despatched. The bunker beneath the eastern city of Kostiantynivka contains five screens showing drone feeds and three men using laptops. Suddenly one blurts out: “Fuck, we’ve lost them!”

The front line is 12km away. The cities of Kostiantynivka and Pokrovsk are the next big targets in the Russians’ bid to seize the remainder of the Donetsk region. In 2023 they took Bakhmut, 26km to the north-east, and in February last year they took Avdiivka, 38km south. The fall of these two towns has seemed inevitable ever since, but Russian progress has been extremely slow. In early June Ukrainian intelligence reported they would be the target of a summer offensive. But Colonel Derevyanko, a commander in the 93rd Brigade, says he sees no preparations for one.

Indeed, he says, Russian soldiers sometimes fake advances. A week ago a Russian flag was lowered by drone on nearby Stupochky, for the fifth time. Russian soldiers falsely claimed they had taken the village. Such reports go up the chain of command, he says, and officers “get medals”.

Two Russian soldiers reappear on screen, then dart for cover under trees. New drones are despatched, and a plume of smoke rises where the men were last seen. The Ukrainians wait for an intelligence unit to confirm the kills. Every day, says Colonel Derevyanko, the Russians probe for weak spots. Small groups of ill-equipped, ill-prepared men are sent on what are usually suicide missions. If they move forward and stay alive, others will follow. The Russians are inching forward, but the cost in lives is extremely high, and rising. If technology a year ago meant that “we could kill 50 Russians,” says Mr Derevyanko, “now it is five times more.”

In Pokrovsk, 45km south-west, the Russians are closer. Neither city is in imminent danger of falling. But Colonel Derevyanko says nowhere in Kostiantynivka is safe: Russian drones can see almost anywhere. Before the full-scale invasion in 2022 some 67,000 civilians lived here. Now only 10-20% of them remain.

Some areas are more dangerous than others. The railway station is off-limits: it is within range of Russian fibre-optic drones. On roads into town tunnels of netting protect drivers. Military vehicles have anti-drone nets or metal fencing. They speed past shelled-out apartment blocks, while old women walk about with shopping bags. Artillery booms in the distance.

Eighteen months ago drones could target anyone 5km from the front line. Now that has extended to 15km. “We control the land” around Kostiantynivka, says Mr Derevyanko, “but the Russians control 90% of the sky.” That cuts both ways, though. On the far side of the front line lies Horlivka, seized by Russian-controlled rebels in 2014. On July 13th Denis Pushilin, the head of the Russian-controlled administration in occupied

Donetsk, said 394 Ukrainian drones had been intercepted in Horlivka that week.

In another underground bunker, an engineer who uses the codename Bancomat manages a team of men developing and building drones. A large quadcopter nearing completion will serve as an aerial signal repeater, enabling surveillance drones to fly up to 40km from base. 3D printers hum in the background making parts. Men at workstations solder Chinese chips onto circuit boards. Bancomat's team are working on AI technology. In the meantime, he says, "we need money!"

In a third bunker, Chief Lieutenant Volodymyr Demchenko commands the Black Raven drone battalion. A year ago it had 100 men; now it has 400. The team have just killed five Russians. "They had just arrived!" he says cheerfully. But drones, Colonel Derevyanko cautions, are not enough. He is happy that Donald Trump will resume sending Ukraine 155mm shells. If they get the weapons, he says, "we can stop them taking these cities." ■

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Europe | Thirsty for income

Albania’s tourism boom is a boon for Jared Kushner

For many locals it is straining water supplies

July 17th 2025

“The Archers”, a BBC radio soap opera about English rural life, gets more than 4m listeners in a typical week. This summer, the eponymous clan were considering a holiday in Albania. Until recently the country was considered edgy and dangerous. The Archers’ possible trip reflects Albania’s transformation into a mainstream tourist destination—with unexpected consequences.

Under communism Albania got about 5,000 tourists a year. Tirana, the capital, had two hotels for foreigners; at restaurants outside the city, the menu might consist of a tin of tuna with a spring onion. Yet by 2014 Albania had some 3.4m foreign visitors, and last year the official number hit 11m.

That figure is misleading: many are members of Albania's global diaspora who have foreign passports, visit several times a year and are counted anew each time. Still, it is clear that tourism is exploding.

Hotels and villa complexes are mushrooming along the coast. A new airport will open soon to serve Vlora, a southern beach destination. Diaspora Albanians may not be classic tourists, but they buy holiday flats, go to the beach and eat out just like anyone else. Property agencies advertise in Russian. Italians come for cheap dental work. Kosovars now grouse that Turkey is cheaper. Over-tourism is becoming a worry, as once-small resorts like Saranda and Ksamil grow crowded. Hotels, lacking skilled staff, are recruiting Filipinos.

The tourism boom is starting to create headaches over a scarce resource: water. In principle, Albania has plenty. But after a century of underinvestment, its towns are running short. With the coastal construction boom, pipes are being laid to divert water from the interior. Locals there say they already have too little for themselves and their fields; now it is being piped away to fill swimming pools for foreigners.

One high-profile case concerns plans to divert water from the Shushica river to the resort region of Himara. Most of the Shushica is inside a national park. Astrit Balilaj, the village head of Kuc, one of over 30 protesting settlements, says the river used to have more water; climate change is shrinking it. Local officials told higher-ups of their concerns, "but we were ignored." Olsi Nika, head of EcoAlbania, a campaign group, says that if the Shushica loses more water it will disrupt the region's ecosystem. He also points to tourist restaurants built illegally in the park, and to oil spills from badly maintained wells just outside it.

Last year angry villagers in Dukat, south of Vlora, blocked work on a €9m ($10.5m) project to divert water to luxury seaside developments. In March villagers in neighbouring Tragjas clashed with police over the same project. Edi Rama, Albania's prime minister, says there is enough water for everyone. That would have been true, says Mr Nika, if the state had planned for the long term. "The government cares only about its own interests," says Salibe Daupi, who runs a local restaurant. "They should take care of us."

Restricting tourism can anger locals, too. Last week in Theth, a mountain village in the north, protestors threw Molotov cocktails at bulldozers demolishing illegally-built rental cabins for hikers. The owners said the government had promised to legalise them.

Jared Kushner, Donald Trump’s son-in-law, has had better luck with Albania’s government. Mr Kushner wants to build a resort in Zvernec, an unspoiled beach area between the Adriatic and the Narta lagoon, a haven for flamingos. He also wants to develop Sazan, an island 10kms away. Shortly before Mr Trump’s inauguration, Albania approved initial plans for Mr Kushner to invest €1.4bn on Sazan. Zvernec, however, lies in a protected area. EcoAlbania is fighting the government in court over a new law permitting luxury developments in these areas. If his plans proceed, Mr Kushner will expect the government to find sources of water for both. Mr Nika says that fighting the rich and powerful, who normally get their way in Albania, is depressing. But hope, like water, springs eternal. Unless it is diverted. ■

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Europe | Integration watch

Switzerland is ticking towards a tighter deal with the EU

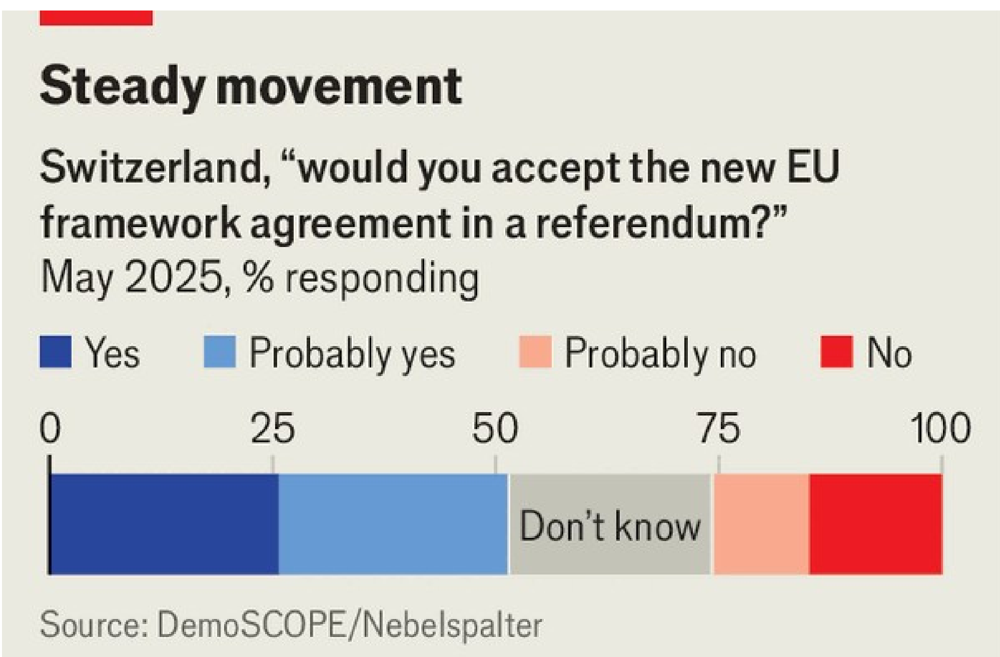
Alarmed voters worry it will limit their tradition of direct democracy

July 17th 2025

Switzerland and Britain share two qualities: a fondness for cheese, and ambivalence towards the European Union. Lately both countries are contemplating drawing closer to the bloc. But while Britain has taken only a few tentative steps on youth travel and fish, the Swiss are moving towards resetting the entire relationship. At the end of 2024 they concluded negotiations on a deal that would synchronise their complex mechanism of treaties with the EU into a single coherent framework. The Swiss government presented it as a ringing triumph. But some of its citizens, who will eventually have the final say via a referendum, are getting a bit wound up.

The agreement between Switzerland and the EU, made public a few weeks ago, will reach parliament this winter. Because the Swiss legislature meets for just three weeks each quarter, it could take four or more sessions to approve the deal. The hard-right populist Swiss People's Party (SVP), the biggest in parliament, may slow the gears in order to delay the referendum until after general elections, scheduled for October 2027. That would let them campaign in opposition to the EU deal.

The "third bilateral package", as the Switzerland-EU deal is officially called, aims to update five existing treaties that are about to expire. These handle free movement of people, the removal of technical barriers to trade, land transport, air transport and agriculture. It also adds new internal-market agreements on electricity and food safety, plus co-operation in education and research. The deal is needed to preserve Switzerland's access to the EU, which is its largest trading partner—unavoidably so, since it surrounds the mountainous country entirely.



But some Swiss are alarmed: the deal amounts, they think, to passive membership of the EU. When the EU adopts laws that affect areas covered by the agreement, Switzerland would have to incorporate them into its legislation. "It would threaten our direct democracy," says Konrad Hummler, a Swiss investor and former banker. "I don't know anyone who's happy about the treaty." A poll in May found that most Swiss back the deal, but much of the support is weak. Most voters expect that it will restrict their centuries-old tradition of direct democracy by making much legislation off-limits for referendums.

Switzerland would have to contribute €375m ($437m) a year to the EU's "cohesion" fund for poorer members, which will hardly make the deal more popular. Most Swiss want the referendum to use a procedure in which votes are counted both nationally and per canton. The proposition would need both an overall majority, and a majority in most of the cantons. That makes approval harder, especially since smaller cantons tend to be conservative.

Another worry is freedom of movement, the jewel of EU legislation. Switzerland wanted a protection clause that would allow limiting immigration from the EU if it rises too fast. Instead, restrictions are allowed only in case of "disproportionate economic consequences" linked to the deal. Last year the SVP launched a referendum initiative, "No to a Switzerland of 10 million", which would let the Swiss government close its borders. Parliament will vote by early 2026 on whether to field its own version of the referendum.

A law letting the government block freedom of movement could be a deal-breaker for the EU. Yet a fudge might still be found. Switzerland's government seems, after decades of hesitation, to have come round on the need for tighter integration with Europe, even if some Swiss would prefer to stop the clock. ■

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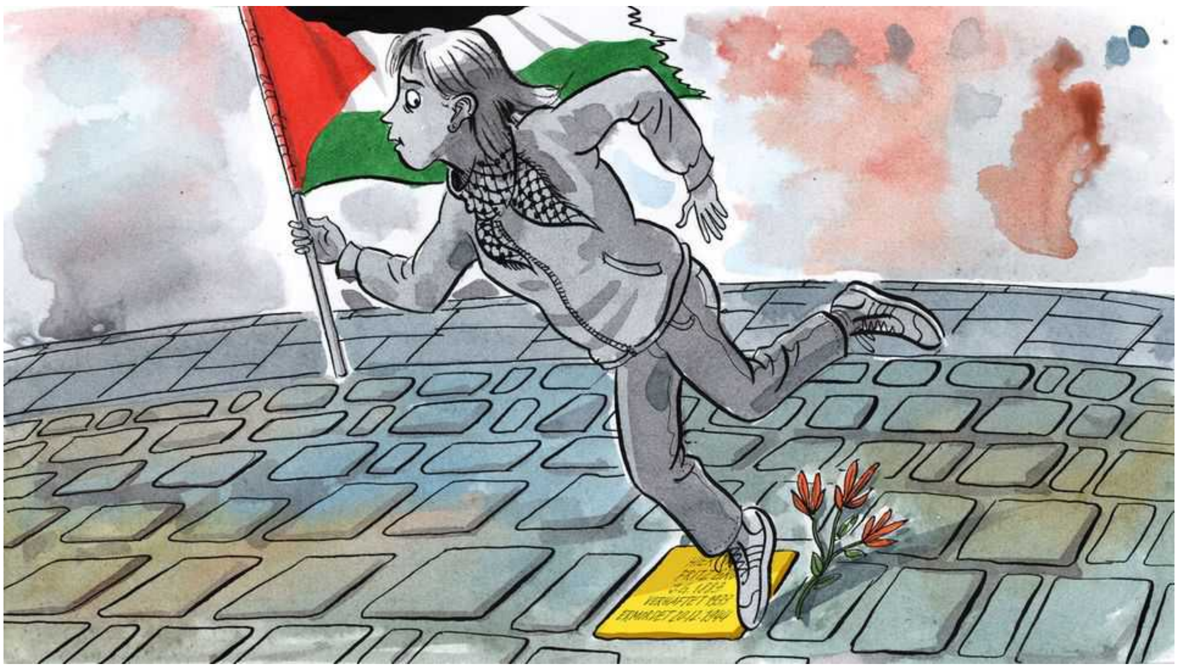
Europe | Charlemagne

Germany’s “memory culture” prevents it from coping with Gaza

Atonement for the Holocaust has sometimes become unquestioning support for Israel

July 17th 2025



TO walk around Berlin is to experience something no other capital city offers: a physical landscape that forces one to dwell on the crimes of its former occupants. The haunting Monument to the Murdered Jews of Europe sits near the seats of German power in the Reichstag and chancellery. Every neighbourhood is littered with Stolpersteine, small brass plates bearing the names and fates of Holocaust victims set in the pavements outside their former homes. These and a thousand other memorials and rituals are expressions of Germany’s Erinnerungskultur, a “memory culture” built up over decades.

Lately they have been overlaid by a more familiar sight: the markers of bitter rows over Gaza. “FCK Israel” and “Free Palestine” graffiti dot the walls of Berlin, as in other cities across Europe and beyond. The contours of Germany’s debate—angry protests, university sit-ins, accusations that the government is abetting war crimes—resemble those elsewhere. But in the country responsible for the murder of 6m Jews, it carries extra weight.

Even before the current war in Gaza, some critics thought Germany’s once-admirable Erinnerungskultur had ossified into a stale ritual that dulled debate and encouraged blind support for Israeli governments. Germany, they charged, with its antisemitism commissioners and its endless policing of Holocaust “relativisation”, had embraced a “redemptive philosemitism” to allow its citizens to feel good about themselves. Israel, in this telling, becomes the “happy ending” Germans needed to the horrific story of Nazism.

Which leads to another German peculiarity: treating Israel’s security as Staatsräson, or a “reason of state”. This much-disputed term entered the German lexicon in 2008, when Angela Merkel used it in an address to the Knesset. After the terrorist attacks of October 7th 2023, Olaf Scholz, then chancellor, invoked Staatsräson to justify his government’s stalwart support for Israel’s war on Hamas. His successor, Friedrich Merz, declared before Germany’s recent election that his government would stand “firmly on Israel’s side”. He even promised to circumvent the International Criminal Court arrest warrant for Binyamin Netanyahu, should the Israeli prime minister visit Germany.

After October 7th supporters of Palestine in Germany charged that solidarity with Israel was edging into repression. There were bizarre cancellations of appearances by critics of Israel. Pro-Palestinian demonstrations were policed too harshly, they alleged (the Council of Europe agreed). Much of the media, they not entirely fairly claimed, embraced self-censorship and euphemism. “German policy was clearly meant to fragment and exclude,” says Nahed Samour, a German-Palestinian legal scholar.

Yet friends of Israel had legitimate complaints, too. Incidents of antisemitism, especially the Israel-related sort, have surged since October 7th. Lidia Fabian, a Berlin-based German Jew, shows your columnist a photo of a woman in a hipster district wearing a T-shirt bearing the words “Israel is a garbage country that’s only loved by garbage people.” In parts of Berlin, she notes, wearing a Star of David would attract more hostility. Jewish life is better protected in Germany than in many other countries. But even before October 7th German Jews were warned not to wear the kippah in public.

Neither side seems receptive to the other’s complaints. But such faultlines were bound to emerge as the Nazi era recedes and immigration reduces the share of the population with biographical links to it. Last year the Foundation for Remembrance, Responsibility and Future (evz) found Germans about evenly split as to whether it was time to “draw a line” under the Nazi era. The strongest supporters were backers of the far-right Alternative for Germany, which has its own reasons for detesting Germany’s Schuldkult (cult of guilt).

Veronika Hager, an adviser to the evz board of directors, says that, while activists may be bitterly polarised, Germany’s Gedenkstätten (memorial sites) and other places of remembrance are adapting to a changing country. Where in the 1980s children of Turkish guest workers might be excused from class trips to former concentration camps, today children with what Germany calls a “migration background” often make up a majority in school tour groups. (Many have their own family history of torture or flight.) The Anne Frank Education Centre in Frankfurt, dedicated to one of the city’s most famous daughters, has expanded its scope beyond the Holocaust and is considering adding a facility on the Middle East conflict. “Kids need to know how to talk about it,” says Nathalie Friedlender, the head of political education.

Such sentiments are voiced more rarely by politicians. Germany’s education minister recently declared the country’s 200,000-strong Palestinian community “thoroughly radicalised” while noting that they outnumbered the country’s Jews, as if the two groups were doomed to eternal conflict. Mr Merz speaks of “imported antisemitism” among recent Muslim immigrants, a genuine if hardly dominant phenomenon: most recorded antisemitism in Germany is of the far-right sort. More broadly, surveys show a steep long-term decline in the share of Germans holding antisemitic beliefs.

German voters sit in Europe’s mainstream on Gaza: just 14% regard Israel’s actions there as proportionate. As the mood has shifted against Mr Netanyahu, Mr Merz has modestly sharpened his tone. His foreign minister even warned Israel against “instrumentalising” antisemitism. But policy has not kept pace. Germany blocks tougher EU policies on Israel, and has announced no cuts in weapons deliveries. Germany’s citizens are, not without missteps, navigating these tricky questions of history, identity and geopolitics. Its politicians have some catching up to do. ■

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Britain

Britain | Leaner learning

Britain’s bankrupt universities are hunting for cheaper models

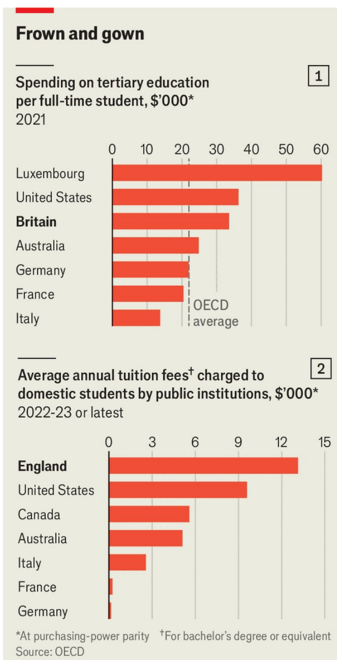
They have failed to focus on efficiency for the mass market

July 17th 2025

As the academic year in Britain limps to a close, universities look more broke than a student after a summer of Interrailing. The Office for Students, a regulator, reckons that four in ten universities are running deficits. Half have closed courses to save money, according to a poll of 60 institutions by Universities UK (UUK), an industry group. Durham has shed 200 staff; Newcastle a similar number. Unions allege that a cost-saving plan announced by Lancaster could see close to one in five of its academics lose their job.

Politicians will probably do the bare minimum to avoid big institutions going bust. The proximate cause of the crisis is the sinking real value of tuition fees for English students: these have been held frozen for years. This August the government will allow them to rise—by a few percent—for the first time in eight years. But the Labour government has yet to say whether this is merely a one-off bump. Vice-chancellors worry that it seems to have no desire to restore university funding to the levels of just a few years ago.

The government is wise not to pour in a lot more money. Britain's universities have enjoyed some of the highest budgets in the world; not all of that cash has been spent wisely. Yet the sector needs urgent attention. Higher education in Britain is too homogenous, inclined to wastefulness and obsessed with being "world class" rather than efficient. Resetting muddled incentives could improve things for students, and help universities get by with less.



Sceptics of higher education insist that the cash crunch is finally right-sizing institutions that have long gobbled up more than they need. Data from 2021 suggest that only Luxembourg and America have systems that bring in more money per student enrolled, counting all sources of funding (see chart 1). Caveats abound: Britain's universities undertake a lot of research, by international standards; a chunk of their income is spent on that. Yet even bigwigs in the sector admit that, by and large, Britain's universities have had more cash than peer systems abroad.

Moreover, Britain's system is unusual in how much of its costs get passed on to students (see chart 2). On average, tuition fees in England are the highest in the world. Once living costs are taken into account, bachelor's students in England graduate with debts of around £45,000 per borrower ($60,000), compared with only about $29,000 in America. For years the majority of English graduates could count on having a portion of this debt forgiven. Yet changes to the loan system in 2022 have shrunk how many will benefit; most of today's borrowers can expect to have their wages docked for decades.

Why are British universities so costly? Wasteful spending is part of it. In the years after 2012 (when tuition fees were tripled) universities binged on grand campuses. Between 2014 and 2018 they shelled out as much on capital projects as Britain spent staging the 2012 London Olympics. Non-academics make up about half the university workforce; between 2006 and 2018 the number of "managers" and "professionals" swelled by 60%, finds one study. Other systems look more efficient: Australia has half as many students as Britain, but packs them into a quarter as many institutions.

Universities disagree. High costs, they argue, arise in part from high expectations. British families have come to expect an experience that elsewhere goes only to an elite. British universities have some 14 students for every teacher, compared with 18 on average in rich countries and around 20 in Australia. Vice-chancellors point out that Britain boasts the lowest student drop-out rates in the rich world (see chart 3), perhaps in part owing to this support.

Whereas youngsters abroad often stay at home, the dominant culture in Britain is to study outside one's own town. Fewer than 20% of students in Britain live with their parents, compared with around 40% in Ireland and 50% in Spain. That increases living costs. It also requires universities to spend a lot on dormitories, students' unions and mental-health teams. "Everybody expects our universities to be a mini welfare state," says Nick Hillman of the Higher Education Policy Institute, a think-tank.

Between these two narratives—of high waste, and high expectations—lies a third category of challenges that make downsizing particularly fraught. Features of the structure and funding of British higher education are inclined to keep costs high.

A decade ago the government scrapped enrolment caps. Universities now fight each other for students, but not in the way policymakers hoped. Students have proved allergic to universities charging below the maximum fee, worrying that employers will think their degree was cut-rate. And universities have struggled to show that their teaching is better than elsewhere, in part because there are no standardised tests. Instead they compete by offering grander campuses, pastoral services and shinier marketing. "Whatever competition has achieved", says Dame Alison Wolf, an economist, "it hasn't reduced costs."

This increasingly desperate battle for students has also sharpened universities' obsession with global rankings. "The best way to understand any British university's strategic plan is that they want to rise about ten places in the league tables," says Sir Chris Husbands, a consultant and former vice-chancellor at Sheffield Hallam. With universities now more reliant on high-paying foreign students, whose decisions are often driven by rankings, that fixation is only getting worse.

Yet such rankings do not include measures of how much students learn. The proxies they use instead, such as staff-student ratios, reward big spenders and penalise institutions that think creatively. They also reward those that splurge on research, even though this does not necessarily improve learning. Hence many middling universities feel compelled to plough money into mediocre scholarship that might be better spent on teaching.

How then to drive better value? The previous government proposed rebranding the student-loan system as a "lifelong-learning entitlement", in which every student was handed an online account with the maximum they could borrow over their lives. The hope was that this would incentivise colleges and universities to offer shorter, more flexible programmes and that it would make students more price-sensitive.

At the bolder end, a 2021 paper by Tom Richmond and Eleanor Regan, then at EDSK, a think-tank, imagined splitting universities into "national" and "local" institutions. National ones, such as Oxford and Cambridge, would be tasked with climbing league tables and attracting the brightest minds. Local outfits would offer the best possible training at the best possible cost. Such thinking remains radical in Britain, but is quotidian elsewhere.

The current government's version of the "lifelong-learning entitlement" will start in 2027. Beyond that, its plans for higher education are thin, unlike its wish list for vice-chancellors. It has asked them to create more opportunities for disadvantaged students; do more for their local communities; and “make a stronger contribution” to national growth. To institutions hunting for things to stop doing, the barrage of commands was tone deaf. “You can’t continue to ratchet up expectations while ratcheting down the funding available,” says Vivienne Stern of UUK. Sooner or later, something must give. ■

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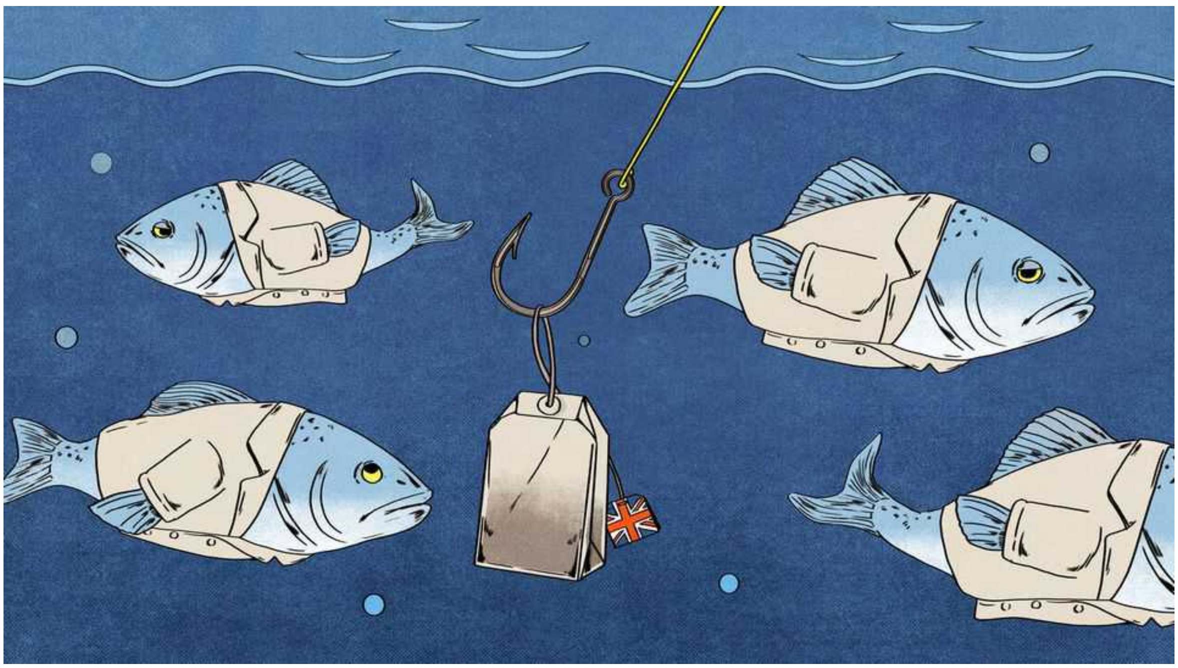
Britain | Brain gain?

Britain has a rare opportunity to lure American talent

Pricey visas might scupper its chances

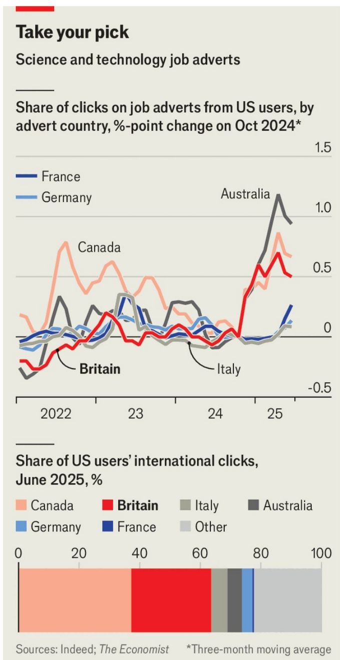
July 17th 2025



AMERICANS tend to like Britain. Ask restless American graduates where they would most like to move to, and the land of cream tea and bad teeth often tops the list. So it is no surprise that, as Donald Trump's administration has attacked America's top universities and slashed funding for research, American interest in British-based science and tech jobs spiked. Britain has a rare opportunity to snap up disillusioned American boffins, as well as talent from around the world that might once have chosen America. Will it seize it?

It faces competition. In April Canadian and European institutions pledged tens of millions of dollars to fund international talent. In May Ursula von der

Leyen, the president of the European Commission, urged researchers to "choose Europe for science", with a package worth €500m ($580m) over three years. Britain was late to the party. On June 22nd it unveiled the Global Talent Fund, a £54m ($72m) scheme to support 11 "world-class" researchers to relocate to Britain with their teams, with funding for five years. Groups such as the Royal Society have set up their own schemes too, taking the UK's total commitments to around £115m.



The point of such programmes is to lure the sort of researchers who might one day win Nobel prizes. But plenty of less-established talent is also up for grabs. Many American universities are cutting places on graduate programmes and freezing hiring of postdoctoral fellows. Academics there also report that young researchers from overseas are turning down job offers.

Britain has some advantages to attract such people. Language is one. In data from Indeed, a jobs site, Anglophone countries have seen the biggest jumps in American interest in science and tech roles (see chart). In June more than a quarter of American clicks on international science positions went to Britain (Canada got more than a third). English-speaking countries also appeal to the same globally mobile cohort who like America. According to Studyportals, a directory of university courses, students who search for US-based bachelor's and master's degrees are most likely to browse for British ones too.

Brand is another advantage. Britain has more stellar institutions than any other European country or Canada. It produces just 3.4% of the world's academic papers, according to one measure, but 6.1% of those in the top 1% of citations (the only country which does better by this metric is Singapore).

Britain's handicaps are cost and red tape. Moving there means a lengthy visa process, high visa fees and a hefty NHS surcharge—all to be paid upfront. For a family of four relocating for five years, the sum can exceed £20,000. Some British research funders will pay for the applicants' moving expenses, but few cover partners and dependents. And after all that a professor at Oxford may be paid half as much as one at Harvard.

Alongside the Global Talent Fund, Britain has announced a task force to target and support incoming researchers. There is talk of fast tracks for some. But the world's best scientists won't come if they have to pay for the privilege.■

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Britain | Best of enemies

Britain and Germany sign a historic treaty

The two countries hope it will alleviate a set of mutual ailments

July 17th 2025

Editor's note: On July 17th Sir Keir Starmer and Friedrich Merz signed the treaty described in this story.

Civil servants given the task of event planning have had their work cut out this month. On July 8th they treated President Emmanuel Macron of France to the pageantry of a three-day state visit. On July 17th the new German chancellor, Friedrich Merz, was due to make his first official trip to Britain. Although his visit will lack the pomp of Mr Macron's, it is no less historic.

Eighty years after the end of the second world war, Mr Merz and Sir Keir Starmer, the British prime minister, will sign a wide-ranging Anglo-German "friendship" treaty. For Germany it marks the first major bilateral agreement since its Elysée Treaty with France in 1963. Sir Keir, for his part, has framed it as part of his broader "reset" with the European Union. Officials believe the pact will help cement a "strategic triangle" between Britain, France and Germany.

An Anglo-German treaty has been in the works for some time. Sir Keir developed a close working relationship with Mr Merz's predecessor, Olaf Scholz, a Social Democrat. The collapse of Mr Scholz's coalition in November halted talks. Yet Sir Keir has found a willing partner in Mr Merz. The Christian Democratic chancellor has praised Britain's "special role" in European politics, especially on defence. He is said to find the British prime minister easier to deal with than the unpredictable Mr Macron. The prime minister and the chancellor face similar challenges: an over-reliance on American military kit, anaemic economic growth and a noxious migration debate fuelling hard-right parties.

The treaty accordingly focuses on defence, the economy and migration. Start with defence. The pact bolsters the Trinity House Agreement signed by British and German defence ministers last October. The two countries' arms-makers tend to be complementary. In May they announced joint development of a new long-range strike missile, a capability both rely on America for. Germany's onerous weapons-export restrictions, long a bugbear of British arms-makers, are also to be loosened. German defence firms such as Rheinmetall and Helsing are upping investments in Britain. British firms are keen to tap into Germany's arms-spending bonanza.

A mutual-assistance clause, committing one side to assist the other in the event of an attack, is also new. Officials have stressed that it will complement NATO's Article 5. That is in line with the British-French Lancaster House treaties, which say that a threat to the "vital interests" of one country is a threat to those of the other. Last week Britain and France strengthened this, stating that "there is no extreme threat to Europe that would not prompt a response by both nations. In the past Mr Merz has mooted the idea that France and Britain could extend their nuclear umbrella to Germany.

The economic provisions are fuzzier. Germany is Britain's second-largest trading partner, but any broader economic reset would have to happen under the EU's purview. German and British officials have talked up measures such as science and technology partnerships. Joint projects on energy and transport, like increasing the number of power cables in the North Sea and a new Berlin-London high-speed railway line, are also flagged. Neither is likely to lift growth in the short term.

Perhaps more important for Sir Keir is Germany's promise to clamp down on illegal migration. Germany is central to the trade in small boats used by gangs to smuggle migrants across the channel. In return, Britain has agreed to more cultural ties. The collapse of educational exchanges was a neuralgic issue for German negotiators. The pact will make it easier for schoolchildren to travel to Britain by allowing teachers to bring pupils on visits without visas. "These are very real sentiments," notes Jake Benford of the Bertelsmann Stiftung, a think-tank. "You'll hardly meet anyone in Germany who hasn't had some kind of formative experience in Britain."

But there is only so much a bilateral treaty can do. "[German] sentiment sits with the UK, but the strategy always stays with the EU," points out Mr Benford. So far Sir Keir's trading reset with the EU has been more workmanlike than historic. ■

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Britain | Justice delayed

How to solve the backlog in England’s courts

Start with a proper look at what caused the problem

July 17th 2025

A recent trial at Snaresbrook Crown Court, which serves Greater London, was adjourned for 43 months. When Judge Charles Falk was informed about the next available slot to try the defendant, who was charged with wielding a machete in public, his reaction was telling. “Wow,” he said, “we will have to have a pre-trial review to ensure everyone is still alive.”

In England and Wales the backlog in the crown court, where the most serious criminal offences are tried, is now 77,000 cases. The government launched a review into the problem in December, chaired by Sir Brian Leveson. His first recommendations were published on July 9th.

Covid-19 is partly to blame. The backlog soared as physical courts shut during the pandemic. And the number of cases entering the system has risen to levels not seen for years—a result of Boris Johnson's pledge in 2019 to hire 20,000 new police officers, who are now arresting people.

But the courts could have coped if they were working at their previous clip, finds the Institute for Fiscal Studies (IFS), a think-tank. The number of days judges spend in court has increased by almost 30% since 2019, but the number of cases completed has risen by only 17%. The IFS argues that if productivity had stayed at 2019-20 levels there would be no backlog.

One problem is that cases have become more complex. A growing share feature crimes, such as sexual offences, which take longer to try. Courts are also assessing more evidence in the digital age, from mobile-phone records to browser histories. The average length of hearings has increased by 12% since 2019, to 3.8 hours.

Meanwhile, the system has been starved of funding. Legal aid, which pays most defence lawyers, was cut sharply in the 2010s. The number of criminal-law barristers completing publicly funded work fell by 10% between 2016-17 and 2021-22; that of duty solicitors providing representation at police stations fell by 26% between 2017 and 2023. All this has increased the chances that people or paperwork fail to turn up on the day and a trial has to be rescheduled. This now happens 25% of the time, compared with 15% in 2015.

England and Wales are not alone. Italy's justice system is notoriously slow. So is Greece's. Albania, with 2.5m people, has a backlog of 120,000 cases; the wait in an administrative court can be over 14 years.

Sir Brian has suggested 45 procedural reforms. Crown-court trials have juries, who slow things down. Sir Brian says more defendants should be tried by a judge, or a judge and two magistrates. He also suggests that more cases be diverted from the criminal-justice system in the first place.

He will now turn to court efficiency, where concerted effort can work wonders. Since 2022 Italy has cut its criminal-case backlog by 25% by more actively monitoring the progress of cases. In England and Wales using technology better is a priority. More hearings could be virtual; creaking back-office IT should be upgraded.

But Britain also has a desperate shortage of prison spaces. If judges really start motoring through the backlog, they will find some people guilty—and then have nowhere to send them. ■

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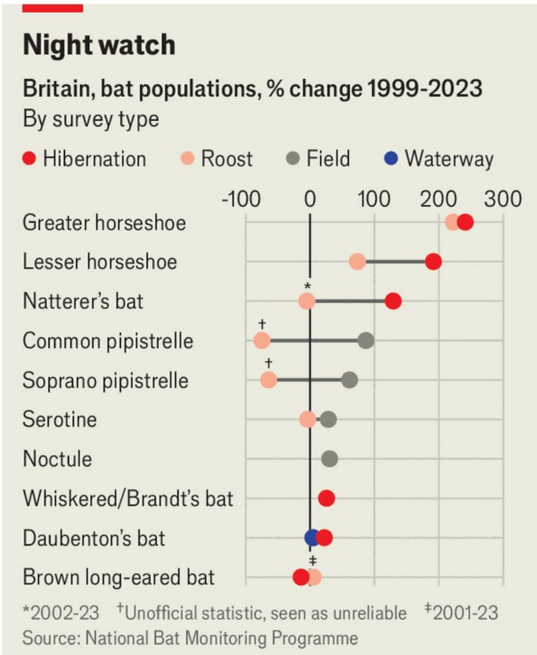
Britain | Protected mammals

British bats are a conservation success story

They have few friends, but powerful lawyers

July 17th 2025

Soon after sunset, a furious clicking can be heard at Hanningfield Reservoir in Essex. Some clicks emanate from bat detectors, which convert the high-frequency sound waves emitted by flying bats into noises that humans can hear. Others come from thumb counters, held by volunteers who are trying to tally the bats that pour out of a building. The racket resembles electronic music of a challenging type.



Two decades ago squeaks at Hanningfield alerted conservationists to the presence of soprano pipistrelles, which are among the smallest bats in Britain. The roost has become busier, swelling from a summer peak of around 500 pipistrelles in the early 2010s to at least 2,000 today. It is an extreme example of a general trend. The recent success of bats in Britain is a conservation triumph, but it suggests an uncomfortable conclusion. Laws that make building homes and infrastructure intolerably hard can have a good effect.

Bats are harder to tally than birds, owing to their nocturnal habits and inaudible calls. Counts of hibernating, roosting and feeding bats show different trends. But almost all of the common species of bat are more numerous than they were when reliable measurement began in the late 1990s (see chart). The greater horseshoe bat, named for the shape of its nose, has tripled in number. Birds are faring less well.

Bob Stebbings, who started studying bats as a child in the early 1950s, reckons Britain still has far fewer than it once did. In the 18th century, the Reverend Gilbert White, a pioneering naturalist, claimed to see hundreds of bats at once over the River Thames. Poisonous timber treatments, bad weather and more intensive agriculture killed many bats in the second half of the 20th century. “The bad bits of land that had rotting haystacks and old farm machinery disappeared,” says Mr Stebbings.

Bats can live for decades, generally have just one pup a year and form colonies. As a result, the accidental or deliberate eradication of a big maternity roost can set a species back for years. Bats are probably reviving in Britain because environmental laws have made such shocks rare. They seem to resist white-nose syndrome, caused by a fungus, better than American bats.

They have long been associated with magic, especially the dodgy kind. In "Macbeth", the witches chuck bat fur into their stew. In Bram Stoker's novel, Dracula turns into a bat. The Victorian fascination with vampire bats (which live in Latin America) did not help. As birdlike creatures that lack feathers, bats strike some as unnatural.

These days bats have the magical power of blocking housing and infrastructure, or raising its cost. Norfolk County Council is struggling to build a major road near Norwich because of a colony of rare barbastelle bats. Nearby, in Thetford, people who oppose the redevelopment of a council estate have installed dozens of bat boxes, hoping to entice some of the protected creatures. Notoriously, a "bat-protection structure" is being built over the new hs2 railway line in Buckinghamshire at a cost of over £100m ($135m).

For a government eager for growth, this is unacceptable. The chancellor, Rachel Reeves, has urged builders to "stop worrying about the bats and the newts". A planning bill working its way through Parliament will weaken legal protections. Developers should find it easier to demolish habitat in one place, provided they pay into a fund that enhances it somewhere else.

The Bat Conservation Trust argues that the bill creates a "licence to kill". But the charity, and others that oppose the legislation, have a problem. Bats have few close friends. The bct has 5,410 members; the Royal Society for the Protection of Birds has almost 1.2m. Ms Reeves would not dare to speak casually of cuckoos or curlews.

Public attitudes to bats have warmed over the years, though not to the point of adoration. A Greek study of attitudes to 12 species found that western barbastelle bats came dead last for attractiveness, below black vultures and fire-bellied toads. A study of Americans put bats roughly level with sharks. Cute in real life, bats can appear diabolical in photographs, making them the opposite of human supermodels.

Technology could make them more popular. Bat detectors are becoming cheaper and better. They tell people what kind of bats are around them, and can turn their inaudible sound waves into pretty patterns on a screen. From there, it is a short step to recognising a few species by sight. Noctules rise early and fly high and straight; pipistrelles flit at tree height; Daubenton's bats fly low and skilfully over water, plucking insects off the surface. The better you know something, the more you worry about it.■

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Britain | Bagehot

Operation Rubific, the portrait of failure

A rotten episode over Afghan refugees implicates much of the British state

July 17th 2025

There are two kinds of British scandal. The old kind resemble the plays of Henrik Ibsen: studies of character failings and personal humiliation brought about by greed, desire and dishonesty. Think of the disgrace of John Profumo, Jeffrey Archer and Jonathan Aitken. The new owe more to Joseph Heller: portraits of institutional failure, in which the craven, the cynical and the helpless are trapped in crises they cannot control.

They are less salacious but far more corrosive, and they have piled up at alarming speed: from the negligence that saw patients treated with disease-ridden blood products to the bureaucratic inertia that led to the fire at Grenfell Tower and the fumbled response to the covid-19 pandemic. On July 15th another was exposed. In the High Court Sir Martin Chamberlain cancelled a super-injunction, applied contra mundum (against everyone), which had rendered a government programme called Operation Rubific a state secret. It was the attempt to conceal the leak of a database containing the names of thousands of Afghans at risk of murder by the Taliban, and the subsequent covert effort to bring them to Britain. The gagging order, the judge said, had become futile, counterproductive and a serious interference with free expression. The court papers read like a parody of 1950s Whitehall: low-level incompetence, an impulse to secrecy, a fixation with upholding institutional reputations and an aversion to accountability. The only riddle is which part of the state emerges most damaged.

Perhaps the affair is merely a coda to a grander humiliation. The original sin was the hurried allied withdrawal from Afghanistan. After 20 years of war in which 457 British troops died, President Joe Biden's unilateral exit led British leaders to ask if the special relationship was so special. A strategic embarrassment became a political one: Foreign Office bigwigs were on the beach as Kabul fell to the Taliban. It was left to junior diplomats and the Parachute Regiment to provide a gloss of dignity by airlifting thousands of Britain's Afghan friends—soldiers, translators, politicians—to safety, in a latter-day Dunkirk. For those stuck behind, a refugee scheme known as ARAP was set up. Britain moved on.

Or perhaps it is a story of data management. In February 2022 a marine handling ARAP applications inadvertently emailed his contacts a spreadsheet containing nearly 19,000 applicants, most of whom were still in Afghanistan, including former special forces known as the Triples. Extracts appeared on Facebook. It was not the first data leak from the unit. The question is not how a bootneck fumbled an email, but how the Ministry of Defence built a system where some of Britain's most sensitive information could be let loose onto the internet by human error.

Or perhaps the greatest damage is to immigration policy. What was revealed in court was a pornographic fantasy for Reform UK. For years the hard right has claimed that immigration is a conspiracy inflicted upon the British people by secretive elites. In a paradox fit for Heller, ministers sought to assuage such concerns by creating a secret refugee programme, with journalists who reported on its existence facing jail. By May 2025, more than 16,000 people affected by the data breach had been moved to Britain.

Councils were quietly paid to buy new houses for them; Parliament was told of a tweak in policy, but not why. Result: a noxious, paranoid vision of immigration has been given credence.

Or is the Treasury worst hit? The cost is absurdly murky. At one point the High Court was told the cost of the affair would be £6bn ($8bn). “Am I going bonkers?” asked Mr Justice Chamberlain, who cited the bill as why the super-injunction became intolerable. The government now says the special immigration regime will cost £850m. The National Audit Office complains it has been kept in the dark. The problem for the chancellor is that lean public finances have produced a bitter debate in which voters ask why welfare should be cut when largesse rules elsewhere.

Or the judiciary? The initial blackout might be understandable in the dash to save the Afghans. But Mr Justice Chamberlain laid out his concerns with the super-injunction in November 2023, two months after it was imposed, declaring it “likely to give rise to understandable suspicion that the court’s processes are being used for the purposes of censorship”. The gagging order collapsed when, last month, the Ministry of Defence conceded the threat of Taliban reprisals from the leak was not so great after all. The court, the judge hinted, had been taken for rubes.

Perhaps the Rubific affair is a clash between two Britains. One is a warfare state, that aspires to send a force halfway around the world, recruit a local army, defeat an insurgency, lower the flag and return unburdened. The other is a welfare state that operates according to notions of a duty of care, data protection, human rights and intense public scrutiny. Maybe the old sweeping world of expeditionary warfare is hard to reconcile with a new thicket of moral obligations. But that may be too generous. In the House of Commons Sir Keir Starmer, who had come to office boasting of repairing the shattered public trust in the political class, thundered about how his opponents had “serious questions to answer” about the “failings that we inherited”. Yet the prime minister was a year in office before he pulled the plug on the cover-up.

The pattern of recent institutional scandals is unmistakable. They begin with low-level carelessness. Crises are massaged rather than confronted; a preoccupation with the “optics” of a policy triumphs over whether the policy is any good. So often, the first instinct of officialdom is to cover up, and then to lawyer up, and then, when that strategy is exhausted, to reach for the chequebook. And even then, names go unnamed; no one gets fired; and no one, ever, takes the blame. ■

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International

International | A whole new ball game

The rise and rise of women’s sport

Why female athletes need to leave the men behind

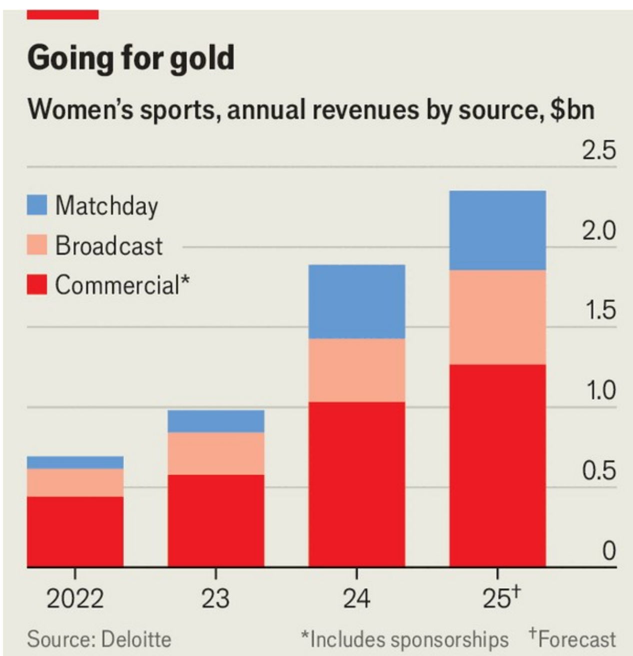
July 17th 2025

Women’s entry into organised sports has involved impressive acts of rebellion. Take the first European women’s football championship in 1957. The four-team tournament took place in West Germany despite women being forbidden to play competitive football there. England’s Football Association also deemed the sport “unsuitable for females”. So when the English women won the tournament, forget any big celebrations at home—they were not even recognised.

Today many women footballers are superstars, thanks to a surge in interest in their sport. Even before the latest edition of the European Championship kicked off on July 2nd, more than 600,000 tickets had been sold. By the tournament’s end, sales could far exceed the last championship in 2022, which sold 570,000 tickets—itself up from 240,000 five years earlier. The Women's Africa Cup of Nations, which is currently in full, enthusiastic swing in Morocco, is breaking similar records.

Not just women's football is booming. Attendance records are likely to be smashed at world cups for women's rugby and cricket later this year. Money is flowing into nearly all women's sports as interest in them grows. This has consequences at the grassroots. In part inspired by their heroines, more girls are playing on courts and fields. The rise and rise of women's sports is upending the sports industry—and benefiting society, too.

Some mutually reinforcing trends are propelling the rise. The more women play sports, the more impressive they get. And even as contests grow more compelling, they have got easier to watch. Fans were were once hostage to television networks for their sporting fix; now they can turn to streaming or social media. Ilona Maher, an American rugby player, has far more followers on TikTok than have the All Blacks, New Zealand's formidable male team.



Big money is at stake. Deloitte, a consultancy, forecasts that revenue from women's professional sports will jump to $2.4bn in 2025, from $692m in 2022. Corporations and tycoons are moving in. In 2023 Mukesh Ambani of

Reliance, India’s biggest conglomerate, paid $111m for a cricket team in the country’s nascent Women’s Premier League. Money engenders professionalisation and deeper talent pools, while drawing in fans.

Where sport leads, society follows. At the 1964 Olympics, four-fifths of Japanese watched their volleyball team of factory workers snatch the gold off the Soviet Union. The victory nudged a conservative society to rethink women’s roles. Today Saudi Arabia is loosening the rules around women’s sports. Seven years ago girls were banned from playing in public; now 70,000 take part in the school soccer league.

Participation brings clear benefits. Sport makes everyone healthier, but children who play also do better, on average, in class. They are also happier. And in a poll by the Women’s Sports Foundation, an American non-profit, nearly 50% of women said they had acquired leadership skills, such as teamwork and handling pressure, while playing sport in their youth.

For all the growth in women’s sports, it comes from a low base. The 2.7m who attended the men’s European Championship in 2024 dwarfs the 570,000 who attended the last women’s. Last season the Women’s Super League (WSL), England’s top football league, drew around 7,000 fans per match—a steep rise, but lower than the male league’s third tier.

Progress is also uneven. Ahead of the women’s World Cup in 2023, only 40% of footballers playing in the qualifiers were professional, and only 70% received any sort of payment from their national federation, according to a survey by FIFPRO, the players’ union. Women footballers earn much less overall than their male counterparts. Cristiano Ronaldo, men’s football’s biggest earner, raked in around €200m ($232m) in 2024. His female equivalent, Aitana Bonmatí, made just €1m.

Blame the patriarchy. Men had a huge head start in organised sports, then spent decades hobbling female participation. Only in the 1990s did the global governing bodies of football, rugby and cricket start recognising women’s matches. Press and television long ignored women’s sports. Even in 2022, women’s sports accounted for a mere 15% of sports coverage across media platforms. But without more fans and viewers, who is to pay for more coverage and higher earnings?

Governing bodies in sports want to bring more players and viewers into women's sports. FIFA aims to double to 60m the number of women playing organised football around the world by 2027 (over 250m men are reckoned to play the game). The International Cricket Council has launched a campaign to bring 250m "incremental fans" to the women's game. Yet to up the numbers, bodies are largely following the formula used for the men's games: they put emphasis on the same kinds of tournament formats and on traditional broadcasting channels.

Following the men is easy, but unimaginative. Existing governing bodies know how to organise and market big tournaments. Such events are well-known to fans, but familiarity can breed complacency. Women's sports risk being consigned to remain as "miniature versions of the men's games, unable to develop their own unique characteristics", says Moya Dodd, a former Australian women's football team member who later served on the FIFA Council.

Many women's sports have already formed their own identities, often thanks to their fans. Many are new to sports: rugby's global body reckons half of the audience for women's matches are newcomers. Fans of women's sports also engage with sports differently. They are 60% more likely to take their children to matches, according to Two Circles, a marketing firm. A typical women's fan is younger than in men's sports, and more likely to be female. Engagement happens on social media much more than in the stands or the pub.

All this suggests that women's sports should chart their own course. One way would be to establish women's sports federations, leagues and governing bodies that are no mere appendages of men's organisations. Tennis has followed this path, with great success. The Women's Tennis Association, which has run the sport since 1973, has helped make tennis a sporting leader in gender parity. Women's tennis matches often compete with men's for attention and top-billing, including at the most recent Wimbledon tournament. Last year, six of the ten highest earners in women's sport were tennis players.

True, replicating tennis's success is hard. Rebel leagues challenging the existing order are often held back. Power over sports governance is jealously held, says Ms Dodd. "If you try to break away, you are isolated, denied resources and excommunicated until you come back into line." Still, there are other hopeful examples. In 2021 the world's biggest women's sports league, the NWSL for soccer, split from America's governing body, US Soccer, and has flourished since. The seven-strong leadership team, six of whom are women, has attracted enormous investment into the league. Last year Bob Iger, boss of Disney, spent $250m on buying Angel City, one of NWSL's 14 teams.

Other ways to break free exist. Much of the interest in women's sport is concentrated in summer extravaganzas such as the Euros. More die-hard supporters who watch teams every week are needed. Broadcasting games through streaming services, as the WSL does, are one way to get there.

More radical tweaks can work. In May World Sevens Football was launched in Portugal, featuring a seven-a-side version of the sport. Although it is not recognised by football's governing bodies, the tournament has attracted big clubs, including Manchester United and Bayern Munich. The event's boss, Adrian Jacob, argues that FIFA should welcome the new venture, for bringing money into the game. Like-minded initiatives can also be designed around the interests of female athletes. Athletes Unlimited, an American startup, has launched competitions in softball, basketball and volleyball that give players control over team selection, scoring systems and governance.

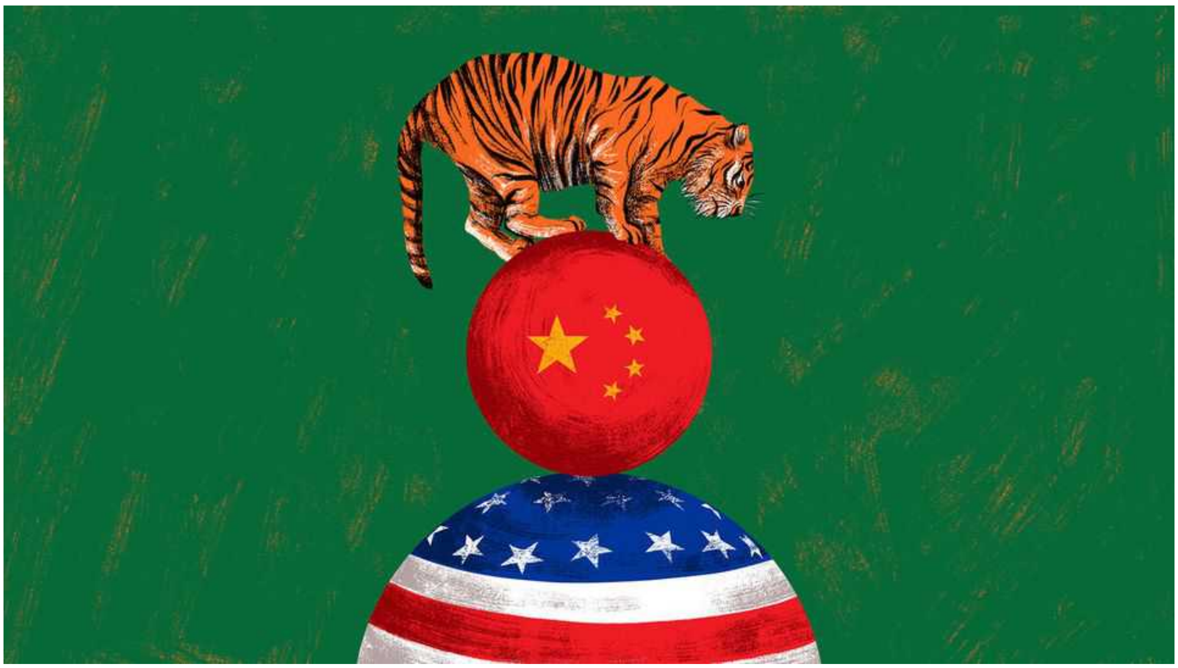
Many within women's sports are uncomfortable with radical change, having spent decades fighting to level the playing field. But to reach their full potential, women's sports need another act of rebellion: to leave men's sport and all of its baggage behind. The future of women's sport lies in innovation, not imitation. ■

International | The Telegram

Cynical realism won’t save India from Donald Trump

India has done brilliantly by balancing America, China and Russia. Can that last?

July 17th 2025



IT IS HARD to knock India’s political and business elites off balance, but President Donald Trump is managing. In Delhi’s book-lined studies and the glass-walled corporate towers of Mumbai, grandees are suffering from vertigo. Normally, Indian diplomats and strategists take pride in being unshockable, remaining coolly transactional whatever a wicked world throws at them. But since Mr Trump’s return to office, elites are off-kilter.

Notably, well-connected Indians describe a mood of uncertainty since a four-day conflict with Pakistan in May. That fight, which saw Indian jets shot down and Pakistan struck by Indian missiles, was triggered by a murderous attack on Indian tourists in Kashmir that India blames on Islamist terrorists sponsored by Pakistan's security services.

India has often fought Pakistan. This time, what shook elites—long sensitive about outsiders presuming to mediate India's disputes with its neighbour—was how Mr Trump took credit for the war's ending. He claimed to have forced India and Pakistan to make peace, by threatening the two countries' trade ties with America. Worse, Mr Trump bragged that, without him, the conflict could have gone nuclear. The Indian view is that the nuclear arsenals built by India and Pakistan make the costs of escalation too awful to contemplate.

Then, just weeks after the conflict, Mr Trump hosted Pakistan's army chief, Field Marshal Asim Munir, for lunch at the White House. India deems him a hardline ideologue. He met Mr Trump alone, without members of the civilian government that nominally runs Pakistan. The pair discussed Iran and other affairs of state, as well as cryptocurrency deals that Pakistani interests are offering figures in Mr Trump's inner circle. Hardest for Indians to stomach was that Mr Trump expressed no public concern about help that China offered Pakistan during the conflict, including (say people in Delhi) real-time intelligence allowing Pakistan to target Indian military assets, down to individual missile launchers.

For a decade or more, Indian foreign policy has placed great weight on the notion that America and China are locked in an ideological and economic contest that is sure to endure for years. In that context, India saw a chance to pitch itself to America as an indispensable hedge against China in Asia.

Now Indian elites are unsure how heavily China, and the need to contain its rise, weighs on Mr Trump in his second term. India "finds itself in a very difficult spot", says a policy type in Delhi. In his telling, his country never really intended to take big risks in confronting and challenging China, a country with an economy five times the size of India's and much stronger armed forces to boot. Rather, it was delighted to "fan the American fantasies that India might push back" against China.

Even if India's willingness to confront China was in part a figment of America's imagination, it was rewarded anyway. During the first Trump administration in 2020, when Chinese and Indian troops clashed on their Himalayan border, “the Americans were very generous” to India, offering real-time geospatial intelligence, says an analyst. In the Joe Biden era, India was feted in Washington as the world’s largest democracy. In the hope of strengthening such groupings as the Quad, which brings together America, Australia, India and Japan, officials quietly tolerated India buying copious amounts of Russian oil after the invasion of Ukraine. Such rewards are harder to earn now. On July 14th Mr Trump seemed to threaten all Russian trade partners with steep secondary sanctions should President Vladimir Putin not end his war in Ukraine within 50 days—though no one knows if he means it.

Meanwhile, China is growing more active in India’s backyard. Veteran Indian diplomats describe China meddling in the domestic politics of Nepal or taking sides in Sri Lanka in ways that would have been unthinkable just 15 years ago. To their relief, Indian envoys report that such Chinese swagger is a source of alarm to career officials in Washington. For their part, Indian business bosses describe deepening ties with American defence firms, and predict booming co-operation between India and the West.

For all that, policy types feel “clueless” about what Mr Trump thinks, and whether his America First worldview tilts towards confronting China or cutting deals with it. “We understand that Trump may go softer on China, that [his] fire-and-brimstone era is over, so we need to be careful,” says a foreign-policy thinker close to the government.

India is not about to change its stance. It will still seek to balance competing powers and interests in a spirit of “cynical realism”, a tag used with pride in Delhi. Nor is India panicking. Policy types suggest that—from a national-security perspective—should Mr Trump pull back from Asia, then go-it-alone India is better placed than are formal treaty allies such as Japan or South Korea.

Still, India feels less sure-footed, especially in the economic realm. India has thrived by offering firms such as Apple a place to manufacture that is not China, responding to American calls for “friendshoring” production. But in his second term Mr Trump is often tougher on America-friendly trade partners than on adversaries such as China. At the same time, China seems warier of India’s rise. It recently ordered hundreds of Chinese engineers in Indian electronics plants to return home. Indian executives fret about reports of sophisticated Chinese-made machines being blocked from going to India. Among business and policy elites, no consensus exists about whether India should aim to decouple from China or try to accommodate its rulers in Beijing. If Mr Trump were predictable, such calculations would be easier. Because he is not, India walks on treacherous ground. ■

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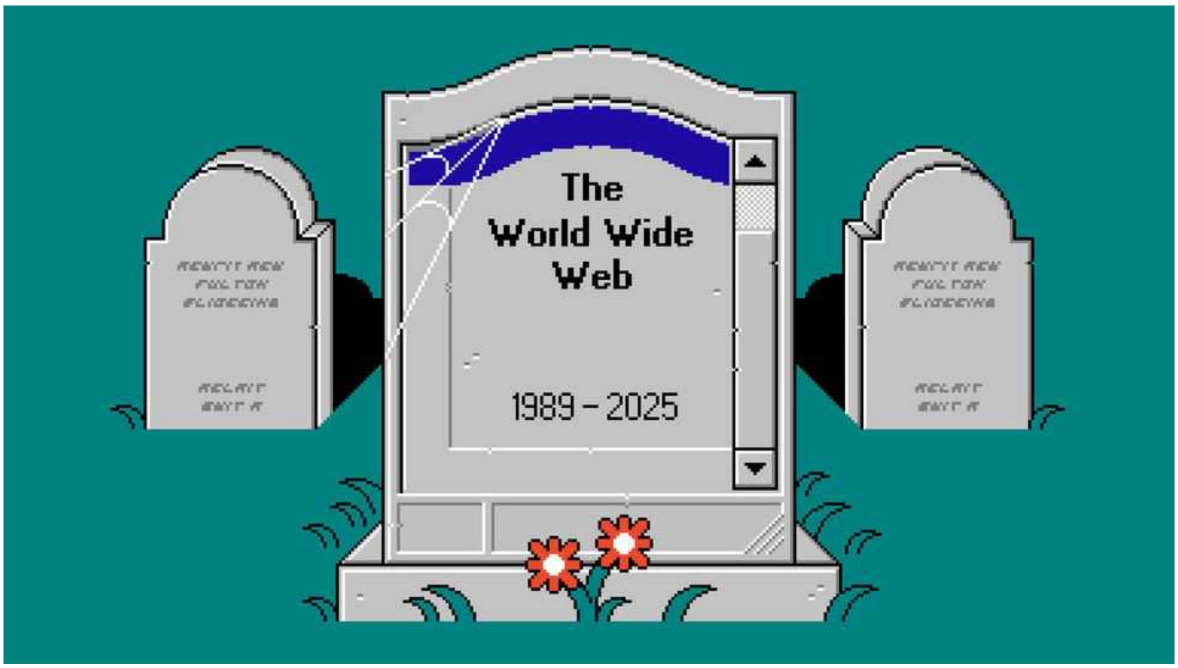
Business

Business | World wide worries

AI is killing the web. Can anything save it?

The rise of ChatGPT and its rivals is undermining the economic bargain of the internet

July 17th 2025



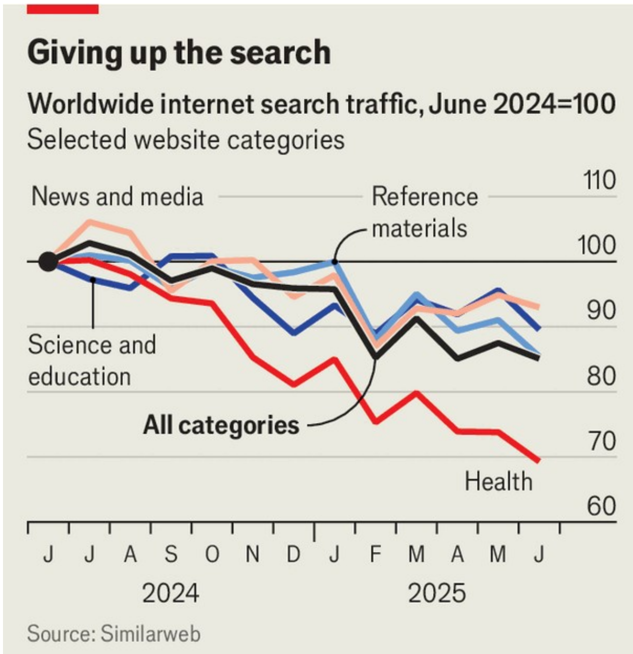
Around the beginning of last year, Matthew Prince started receiving worried calls from the bosses of big media companies. They told Mr Prince, whose firm, Cloudflare, provides security infrastructure to about a fifth of the web, that they faced a grave new online threat. “I said, ‘What, is it the North Koreans?’,” he recalls. “And they said, ‘No. It’s AI’.”

Those executives had spotted the early signs of a trend that has since become clear: artificial intelligence is transforming the way that people navigate the web. As users pose their queries to chatbots rather than conventional search engines, they are given answers, rather than links to follow. The result is that “content” publishers, from news providers and online forums to reference sites such as Wikipedia, are seeing alarming drops in their traffic.

As AI changes how people browse, it is altering the economic bargain at the heart of the internet. Human traffic has long been monetised using online advertising; now that traffic is drying up. Content producers are urgently trying to find new ways to make AI companies pay them for information. If they cannot, the open web may evolve into something very different.

Since the launch of ChatGPT in late 2022, people have embraced a new way to seek information online. OpenAI, the chatbot's maker, says that around 800m people use it. ChatGPT is the most popular download on the iPhone app store. Apple said that conventional searches in its Safari web browser had fallen for the first time in April, as people put their questions to AI instead. OpenAI is soon expected to launch a browser of its own.

As OpenAI and other upstarts have soared, Google, which has about 90% of the conventional search market in America, has added AI features to its own search engine in a bid to keep up. Last year it began preceding some search results with AI-generated "overviews", which have since become ubiquitous. In May it launched "AI mode", a chatbot-like version of its search engine. The company now promises that, with AI, users can "let Google do the Googling for you".



Yet as Google does the Googling, humans no longer visit the websites from which the information is gleaned. Similarweb, which measures traffic to more than 100m web domains, estimates that worldwide search traffic (by humans) fell by about 15% in the year to June. Although some categories, such as hobbyists' sites, are doing fine, others have been hit hard (see chart). Many of the most affected are precisely the kind that might have commonly answered search queries. Science and education sites have lost 10% of their visitors. Reference sites have lost 15%. Health sites have lost 31%.

For companies that sell advertising or subscriptions, lost visitors means lost revenue. "We had a very positive relationship with Google for a long time… They broke the deal," says Neil Vogel, head of Dotdash Meredith, which owns titles such as People and Food & Wine. Three years ago its sites got more than 60% of their traffic from Google. Now the figure is in the mid-30s. "They are stealing our content to compete with us," says Mr Vogel. Google has insisted that its use of others' content is fair. But since it launched its AI overviews, the share of news-related searches resulting in no onward clicks has risen from 56% to 69%, estimates Similarweb.

"The nature of the internet has completely changed," says Prashanth Chandrasekar, chief executive of Stack Overflow, best known as an online forum for coders. "AI is basically choking off traffic to most content sites," he says. With fewer visitors, Stack Overflow is seeing fewer questions posted on its message boards. Wikipedia, also powered by enthusiasts, warns that AI-generated summaries without attribution "block pathways for people to access…and contribute to" the site.

To keep the traffic and the money coming, many big content producers have negotiated licensing deals with AI companies, backed up by legal threats: what Robert Thomson, chief executive of News Corp, has dubbed "wooing and suing". His company, which owns the Wall Street Journal and the New York Post, among other titles, has struck a deal with OpenAI. Two of its subsidiaries are suing Perplexity, another AI answer engine. The New York Times has done a deal with Amazon while suing OpenAI. Plenty of other transactions and lawsuits are going on. (The Economist Group has yet to license our work to train models, but has agreed to let Google use select articles for one of its AI services.)

Yet this approach has limits. For one thing, judges so far seem minded to side with AI companies: last month two separate copyright cases in California went in favour of their defendants, Meta and Anthropic, both of which argued that training their models on others' content amounted to fair use. Donald Trump seems to buy Silicon Valley's argument that it must be allowed to get on with developing the technology of the future before China can. He sacked the head of the US Copyright Office after she argued that training AI on copyrighted material was not always legal.

AI companies are more willing to pay for ongoing access to information than training data. But the deals done so far are hardly stellar. Reddit, an online forum, has licensed its content to Google, reportedly for $60m a year. Yet its market value fell by more than half after it reported slower user growth than expected in February owing to wobbles in search traffic. (Growth has since picked up and its share price has recovered some lost ground.)

The bigger problem, however, is that most of the internet's hundreds of millions of domains are too small to either woo or sue the tech giants. Their content may be collectively essential to AI firms, but each site is individually dispensable. Even if they could join forces to bargain collectively, antitrust law would forbid it. They could block AI crawlers, and some do. But that means no search visibility at all.

Software providers may be able to help. All of Cloudflare's new customers will now be asked if they want to allow AI companies' bots to scrape their site, and for what purpose. Cloudflare's scale gives it a better chance than most of enabling something like a collective response by content sites that want to force AI firms to cough up. It is testing a pay-as-you-crawl system that would let sites charge bots an entry fee. "We have to set the rules of the road," says Mr Prince, who says his preferred outcome is "a world where humans get content for free, and bots pay a tonne for it".

An alternative is offered by Tollbit, which bills itself as a paywall for bots. It allows content sites to charge AI crawlers varying rates: for instance, a magazine could charge more for new stories than old ones. In the first quarter of this year Tollbit processed 15m micro-transactions of this sort, for 2,000 content producers including the Associated Press and Newsweek. Toshit Panigrahi, its chief executive, points out that whereas traditional search engines incentivise samey content—"What time does the Super Bowl start?", for example—charging for access incentivises uniqueness. One of Tollbit's highest per-crawl rates is charged by a local newspaper.

Another model is being put forward by ProRata, a startup led by Bill Gross, a pioneer in the 1990s of the pay-as-you-click online ads that have powered much of the web ever since. He proposes that money from ads placed alongside AI-generated answers should be redistributed to sites in proportion to how much their content contributed to the answer. ProRata has its own answer engine, Gist.ai, which shares ad revenue with its 500-plus partners, which include the Financial Times and the Atlantic. It is currently more of an exemplar than a serious threat to Google: Mr Gross says his main aim is to "show a fair business model that other people eventually copy".

Content producers are also rethinking their business models. "The future of the internet is not all about traffic," says Mr Chandrasekar, who has built up Stack Overflow's enterprise-oriented subscription product, Stack Internal. News publishers are planning for "Google zero", using newsletters and apps to reach customers who no longer come to them via search, and moving their content behind paywalls or to live events. Dotdash Meredith says it has grown its overall traffic despite the drop in referrals from Google. Audio and video are also proving legally and technically harder for AI engines to summarise than text. The site to which answer engines refer search traffic most often, by far, is YouTube, according to Similarweb.

Not everyone thinks the web is in decline—on the contrary, it is in "an incredibly expansionary moment", argues Robby Stein of Google. As AI makes it easier to create content, the number of sites is growing: Google's bots report that the web has expanded by 45% in the past two years. AI search lets people ask questions in new ways—for instance, taking a photo of their bookshelf and asking for recommendations on what to read next—which could increase traffic. With AI queries, more sites than ever are being "read", even if not with human eyes. An answer engine may scan hundreds of pages to deliver an answer, drawing on a more diverse range of sources than human readers would.

As for the idea that Google is disseminating less human traffic than before, Mr Stein says the company has not noticed a dramatic decline in the number of outbound clicks, though it declines to make the number public. There are other reasons besides AI why people may be visiting sites less. Maybe they are scrolling social media. Maybe they are listening to podcasts.

The death of the web has been predicted before—at the hands of social networks, then apps—and not come to pass. But AI may pose the biggest threat to it yet. If the web is to continue in something close to its current form, sites will have to find new ways to get paid. "There's no question that people prefer AI search," says Mr Gross. "And to make the internet survive, to make democracy survive, to make content creators survive, AI search has to share revenue with creators." ■

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Business | Castles in the cloud

Can Nvidia persuade governments to pay for "sovereign" AI?

Politicians are warming to the idea

July 17th 2025

Late in 2023 Jensen Huang, boss of Nvidia, began peddling a new idea. Every country, he said, should have its own artificial-intelligence (AI) system, trained on domestic data, aligned with national values and built using local infrastructure. Appealing to policymakers' fondness for manufacturing, the boss of the chip colossus described these systems as "AI factories", ingesting data and churning out intelligence. He called it "sovereign AI".

Politicians are warming to the idea. Earlier this year, the European Commission unveiled plans for a €20bn ($23bn) fund to build up to five "AI gigafactories". In just the past two months the governments of France, Germany, Saudi Arabia, South Korea and the United Arab Emirates (uae) have all been involved in deals to build local AI infrastructure (see chart). According to Nvidia, at least 20 countries are pursuing the idea of sovereign AI.

The reason for Mr Huang's enthusiasm is clear. For Nvidia, which recently became the first company to reach a $4trn market value, governments are a potentially lucrative source of new business. Jefferies, an investment bank, estimates that sovereign initiatives could generate some $200bn in cumulative revenue for the chipmaker "over the coming years"; Nvidia itself reckons spending could reach $1trn over an equally fuzzy period.

Sovereign ai could also serve as a welcome hedge for Mr Huang. His biggest customers—Amazon, Alphabet, Meta and Microsoft—are all developing their own chips, which could in time reduce their reliance on Nvidia. Saudi Arabia expects to purchase "several hundred thousand" of Nvidia's top-end processors over the next five years. The UAE, with perhaps the most ambitious plans of all, intends to import half a million annually.

But is sovereign ai good value for taxpayers? Despite growing enthusiasm, the concept remains woolly. Sovereign AI may help countries develop national models, protect sensitive information and widen access to the technology. But it will do little to reduce countries' dependence on America and, in many cases, risks wasting vast sums of money.

There are variations in how governments are pursuing sovereign AI. France's approach centres on Mistral, a domestic model-maker, which has teamed up with Bpifrance, a government bank, MGX, an Emirati state-owned investor, and Nvidia to build what has been touted as Europe's largest AI data campus. In the Gulf governments have taken more direct control. In May Saudi Arabia launched Humain, a firm tasked with building AI infrastructure in the kingdom. In the UAE that role has fallen to G42, an AI firm part-owned by Mubadala, a sovereign-wealth fund.

Governments justify these projects on various grounds. A few big spenders want to catch up to America: the European Commission hopes to propel Europe to the "forefront of AI development". Others, such as India, worry that AI models trained on foreign data will not incorporate local languages and values, a growing concern as AI systems come to shape everything from education to public services. Control over some domestic data is also viewed as essential. In areas such as health care, officials worry about patients' information flowing into foreign models. A homegrown system, some contend, makes it easier to protect such information while still allowing it to be harnessed for AI.

A final concern for governments is to widen access to AI. Nadia Carlsten, chief executive of the DCAI, which runs Gefion, Denmark's national AI supercomputer, says that smaller companies and research institutes are "always at the back of the line". A domestic offering, she argues, helps ensure cheaper and more reliable access for such users. Gefion, launched in 2024, is being used for applications such as drug discovery and weather forecasting.

Still, these projects will not offer anything close to self-sufficiency. Cutting-edge processors are the most important requirement for AI systems. Nvidia dominates that market, accounting for about 90% of all commercially available AI chips—which is why it has played a central role in nearly all sovereign-AI initiatives. Its only serious rival, AMD, is also American. The servers that house these chips are mostly built by another two American firms, Dell and Supermicro. Even China, which has built something close to a self-sufficient AI stack, has yet to develop an alternative to America's whizziest chips.

Sovereign-AI projects may well help governments achieve objectives such as keeping data secure and widening access to the technology. Yet America's cloud giants could probably do this more efficiently—not least because their scale gives them bargaining power over suppliers such as Nvidia (though the chipmaker disputes the idea). Amazon and Microsoft are already pitching sovereign clouds with enhanced controls over data and dedicated local infrastructure. National AI models could simply be built on top of these.

Kevin Xu of Interconnected Capital, a hedge fund, warns that many sovereign-AI projects risk creating something "more like a palace than a factory". That would be a poor use of taxpayers' money—but it might suit Nvidia just fine. ■

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Business | Red flag

The spectacular folly of Donald Trump's copper tariffs

Duties on the red metal will undermine the president's wider economic agenda

July 17th 2025

Nestled among the Oquirrh Mountains in Utah is the deepest open-pit copper mine on Earth. The Bingham Canyon mine, once owned by the Guggenheims and now run by Rio Tinto, has been in operation since 1903. Even now about 275,000 tonnes of the red metal are dug from it every year, nearly a quarter of America's annual production. Its rocks are sent down a five-mile conveyor belt to be crushed. The mineral is then separated out, smelted into liquid and refined into 99.99% pure copper plates. The vertically integrated mine is the last of its kind in America, which until the 1960s was the world's biggest producer of copper.

Donald Trump hopes to return to those glory days. On July 8th the president indicated that America would soon slap a 50% tariff on imports of the metal, having opened an investigation into them in February. "The idea is to bring copper home," Howard Lutnick, the commerce secretary, subsequently elaborated, noting that an official announcement could come as soon as the end of the month. Yet the levies are unlikely to stimulate much mining or processing in America, while the resulting surge in prices will undermine Mr Trump's wider economic agenda.

America is the world's second-biggest consumer of copper, after China, but produces just 5% of the global supply and processes only 3%. Around 45% of American demand is met by net imports, which primarily take the refined form of pipes, tubes and wires, rather than raw ore. Most of them end up in buildings, including the factories and data centres Mr Trump is eager for America to construct, and electronics, which he wants the country to make much more of.

The president's pronouncement has already sent the price for future copper supplies in America soaring—and overseas prices plunging. The divergence between the two had been widening since earlier this year. Copper inventories at the London Metal Exchange have declined as imports into America have surged amid stockpiling. All this has resulted in "intense volatility and speculation", note analysts at United Overseas Bank, a Singapore-based lender.

Higher prices in America suit miners with copper assets in the country just fine. The shares of Rio Tinto and Freeport-McMoRan, an American miner which accounts for 60% of domestic copper production, have risen. For the latter, a 50% duty could result in windfall profits of $1.6bn a year, reckons Deutsche Bank, another lender.

Higher prices, though, will not do much to boost domestic supply, at least not any time soon. Digging mines takes years, sometimes decades—and is around three times as expensive in America as it is abroad. Refining copper is no easier; smelters cost about $3bn and gobble up huge amounts of power. Bosses are loth to make such large capital investments on the basis of tariffs that could easily be withdrawn at a whim of the president.

There would be better ways for Mr Trump to stimulate production. “The main changes that need to happen are on the expediency of approvals,” and “support for projects...from communities and legislators”, says Iván Arriagada, chief executive of Antofagasta, a Chilean miner. The president could focus in particular on fast-tracking the huge but long-delayed Resolution Copper mine in Arizona, a joint venture between Rio Tinto and BHP, another mining giant. By one estimate, it could meet another quarter of America’s demand for the metal.

By turning instead to tariffs, Mr Trump will harm American businesses. Carmakers use over 20 kilograms of copper in each vehicle, and even more in electric ones. Data centres require at least 27 tonnes of the metal per megawatt of power, adding up to almost 3,000 tonnes for a large site. Nvidia’s popular NVL72 server rack links together 108 of the chipmaker’s cutting-edge processors with some two miles of copper wire. Significantly higher prices in America could deter businesses from building factories and data centres in the country. That would crush Mr Trump’s plan for economic greatness. ■

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Business | Raring to go

America throws big money at a small rare-earths mine

Challenging China's dominance will be a tall order

July 17th 2025

Not since the first world war, when America's government nationalised the railroad system, has it made the kind of investment it announced on July 10th. For $400m, the Department of Defence acquired a 15% stake in MP Materials, making it the largest shareholder in the country's sole producer of rare-earth metals. The money will allow the business, with operations including a mine in California and a factory in Texas, to dramatically increase production of the magnets needed for fighter jets, electric vehicles, smartphones and more. On July 15th Apple, the iPhone-maker, joined in with a $500m deal to buy magnets from the company and help build a rare-earth recycling facility.

America relies on China for around four-fifths of its rare-earth products, giving its rival a worrying chokehold over various industries. China has used this to its advantage in the current trade spat, slapping export controls on the products in April seemingly to force Donald Trump to ease tariffs.

To reduce this dependence, America is betting on MP Materials. Mountain Pass, the mine that gives the firm its name, was closed in 2002 owing to competition from cheap Chinese imports, wastewater issues and the cost of complying with environmental rules (separating rare-earth oxides from ore is a dirty business). It was bought in 2008 and restarted in 2012; three years later its owner went bankrupt. A pair of financiers took control in 2017, founding MP Materials. Production began at its Texas factory in January this year. Around 8% of the company's shares are owned by Shenghe, a Chinese rare-earth miner that helped it get off the ground and, until recently, was its biggest customer (MP Materials ceased shipments to China in April, though it has said its commercial arrangement with Shenghe remains "in effect").

Will the government's strategy work? Environmental rules pose a challenge, and may need to be loosened if rare-earth refining is to expand. Picking winners, moreover, is risky—as investors in Northvolt, Europe's failed battery champion, know well. The story of Mountain Pass is not over yet. ■

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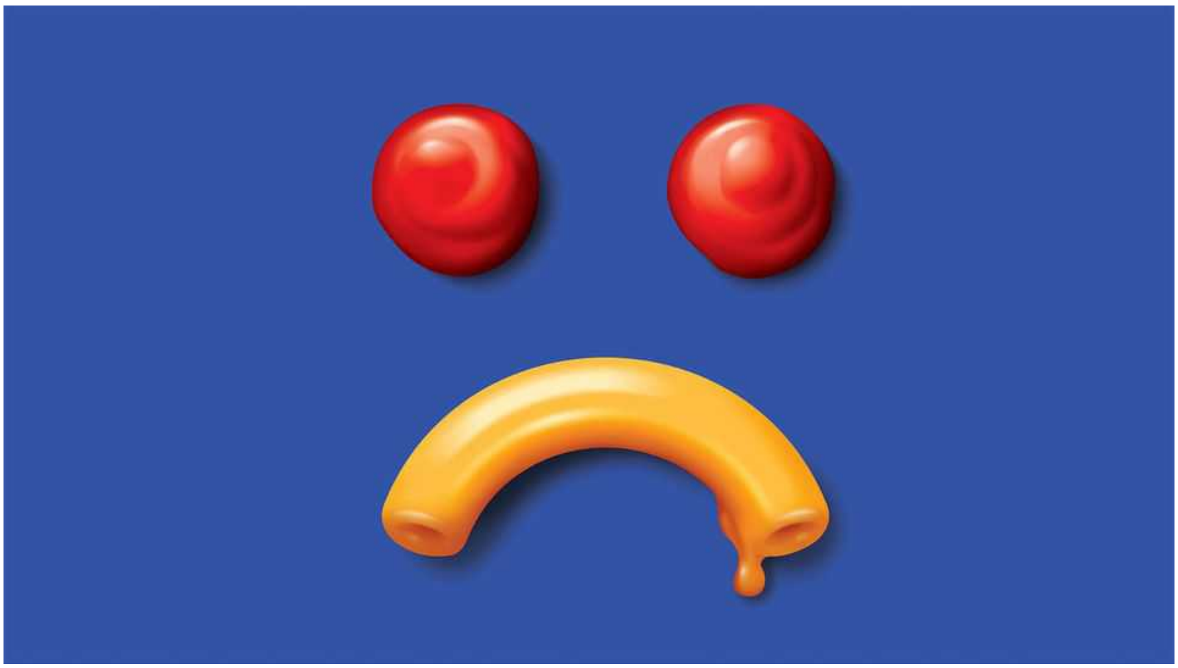
Business | Ketchup if you can

Kraft Heinz is not the only food giant in trouble

The industry is grappling with slowing demand, rising competition and new regulations

July 17th 2025



When Warren Buffett, a venerable investor, and 3G Capital, a private-equity firm, merged Kraft and Heinz in 2015 to create a packaged-food heavyweight, consumers' appetite for its colourful condiments, sugary snacks and processed cheeses seemed insatiable. The deal now looks to have been a big fat flop. Kraft Heinz's market value, at $32bn, is down by three-fifths since the tie-up. The company expects its operating profit to fall by 5-10% this year. It is now said to be exploring a break-up.

The dismal situation at the company, which owns brands from Oscar Mayer to Jell-O, is partly the result of a decade of mismanagement, including some overly enthusiastic cost-cutting. But it also shows the shifting fortunes of big food more generally. The shares of the 12 American packaged-food companies in the S&P 500 index, including Kraft Heinz, General Mills and Hershey, are down by a weighted average of 9% over the past year. After proving surprisingly resilient through the post-pandemic surge in inflation, sales are flagging. Competition from upstart brands and regulators' wariness of ultra-processed foods are starting to pose a threat just as shoppers are tightening their belts. Leaner times could beckon.

Starting in 2021, packaged-food companies jacked up prices to protect profit margins in the face of rising costs of ingredients and workers. While politicians railed against "greedflation", consumers in America, the companies' biggest market, continued to spend ever more on their goodies. Lately, however, sales for most of the firms have stagnated or are in decline. One reason is the cumulative strain on shoppers' wallets from stubborn inflation and a cooling jobs market. Donald Trump's Big Beautiful Bill, which eliminates food subsidies for perhaps 1.3m Americans, will not help. Nor will the rising adoption of weight-loss drugs, which lessen cravings for junk food in particular. According to one estimate, around 4% of American adults took these last year, double the share two years before.

Meanwhile, big food's higher prices have created an opening for smaller brands (particularly at the premium end of the market) and retailers' in-house labels (mostly at the cheap end). The top 20 producers of food, beverage and pet products in America—many big firms sell all three—have seen their combined market share slip from 42% in 2018 to below 40% last year, according to Robert Moskow of TD Cowen, a bank. What is more, big retailers including Walmart, Costco and Target have responded to Mr Trump's tariffs by forcing suppliers and consumers to swallow the increase in costs while bearing none of the burden themselves, notes Bernstein, a broker.

The final problem for big food is regulation. Robert F. Kennedy junior, health secretary and leader of the "Make America Healthy Again" movement, is leading a crackdown on the use of food dyes and other chemicals in ultra-processed foods. Tweaking recipes to remove them may not always be straightforward, and risks irritating consumers who are not yet ready to give up on beloved foods, even if there are doubts about their nutritional value. John Baumgartner of Mizuho, another bank, points to the uproar at breakfast tables when General Mills temporarily removed artificial colours from its Trix cereal a decade ago. "Food manufacturers will have to walk a fine line between satisfying regulators and consumers," he says.

As for Kraft Heinz, its plan seems to involve spinning off a chunk of its grocery business, including ready meals and packaged meats, leaving it with its well known sauces and spreads, which are more profitable. Such break-ups can turn out well for shareholders, particularly when acquisitions follow. A few years ago Kellogg's, another mainstay of supermarket shelves, split itself into WK Kellogg, containing its American cereal business, and Kellanova, with the rest of its portfolio. These are now being acquired by Ferrero and Mars, two more food companies, respectively. Shareholders have so far gained more than 40% since the firm was carved up. Even as some food giants shrink, others may bulk up. ■

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Business | Room boom

The hottest new travel destination for hotel brands: India

It has a China-size population with a UAE-size room supply

July 17th 2025

PATNA IS A day trip away from Bodh Gaya, where the Buddha is said to have attained enlightenment, and the ruins of Nalanda, an ancient monastery visited by the Chinese monk Xuanzang on his journey to the west. It is the capital of Bihar, a state of nearly 130m people, and a stopping point for pilgrims. Yet until recently it did not have a single premium hotel.

That changed a year ago, when the Indian Hotel Company Limited (IHCL), the country's biggest chain, opened a Taj-branded luxury hotel with rooms looking out on the sacred Ganges. At its restaurant one recent evening, a local couple celebrated their wedding anniversary while another family sipped overpriced lime sodas.

The hotel is one of around 50 that IHCL has opened in India since the start of 2024. Today it operates or is developing more than 350 across the country, which it plans to double to nearly 700 by 2030. Accor, a French company, and its Indian partner, InterGlobe, want to grow from 111 to 300 hotels in the same period. Other big global chains, including Radisson and Marriott, have similarly bold plans.

India's tourism and hotel industries saw a burst of travel after pandemic lockdowns. "But then the demand did not slow down," notes Puneet Chhatwal, IHCL's boss. Even as rates rose in response, people continued booking rooms, says Pushan Sharma of Crisil Intelligence, a research firm.

India's economy is at an "inflection point", argues Gaurav Bhushan of Accor. Economists reckon that discretionary spending starts to boom when GDP per person hits somewhere between $2,000 and $3,000. India reached the lower level during the pandemic and is within touching distance of the higher one.

Indians now jet across the country for concerts and cricket matches. "Spiritual tourism" is also in vogue, leading hotels to open in places like Ayodhya, the site of a grand new temple. "Suddenly everybody seems to be on some kind of religious pilgrimage all the time," says Mr Chhatwal.

The government's infrastructure push over the past decade has also fuelled the travel boom. Thousands of miles of new highways have opened up possibilities for driving holidays. Flight connections between cities have risen by more than a quarter since before the pandemic.

The supply of hotel rooms has struggled to keep up. The number of "branded" rooms, as those in the organised sector are known, rose to 200,000 last year, up from half that in 2014. But that is still only about as many as in the United Arab Emirates, which has less than one-hundredth the population of India. Another 100,000 rooms are expected to be ready by the end of the decade.

Although most cities—including trading hubs and the capitals of many states—still lack decent hotels, that is changing. Ten years ago 69% of India's branded rooms were in ten cities. That has dropped to 58% this year.

Horwath HTL, a hospitality consultancy, expects the figure to fall to 50% by 2029. Last year two-thirds of hotel openings were outside the top-ten cities.

These hotels are not aimed only at travellers. Second-tier cities are short of high-quality restaurants, spas and ballrooms in which to hold Indian weddings. “We learnt that if you open a basic hotel in a tier-2 town, it doesn’t do well. People want a banquet area, a swimming pool, lawns,” says Aditya Pande of InterGlobe.

What could slow the industry’s growth? Oddly enough, India’s weakness in attracting foreign tourists is a source of resilience for the hospitality business, insulating it from geopolitical shocks. India’s size also helps; natural disasters in one part of a large country simply push travellers to other destinations. The recent crash of an Air India flight to London has put off some customers, but they have other airlines to choose from. Falling interest rates and forecasts of low inflation bode well for discretionary spending.

The biggest risks are internal to the industry. One is the supply of skilled workers; attrition rates are high. Another worry is access to financing. But the biggest threat is from expanding too fast. Oyo, a once-hot hotel startup, is a cautionary tale. It grew too quickly to maintain standards, the primary attraction of a branded hotel. Travellers started to stay away.

Overexpansion can also be a problem if too many tourists arrive in a place that cannot handle them. Some spots in the mountains already suffer from gridlock, pollution, water shortages and hordes of jostling selfie-takers. Many Indians are exploring their country for the first time. Gung-ho hotel chains have a role to play in ensuring it is not the last. ■

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Business | Bartleby

Are superstars as good when they move jobs?

The AI-talent scramble raises an old question

July 17th 2025

The competition for the world's best AI talent is frenzied. Mark Zuckerberg, the boss of Meta, has personally taken charge of efforts to recruit for a "superintelligence" lab. The sums on offer are eye-watering: a rumoured $200m-plus to prise away the head of Apple's AI models. OpenAI executives are said to be "recalibrating" compensation in order to ward off Mr Zuckerberg. But hiring hotshots makes sense only if you believe that talent is portable, and that superstars will continue to shine in their new organisations.

That is debatable. On average, internal hires outperform external ones. People promoted from within have some obvious immediate advantages over new joiners. They know who to approach to ask dumb questions; they can actually log in. If these kinds of basic procedural issues were the only problem, then a star should quickly brush them aside. But the more profound issue is that a person's performance is not just a matter of their own brilliance. It is often inseparable from the context—the relationships, culture, processes and tacit knowledge—that surrounds a star.

A variety of studies have tried to tease out how much these firm-specific factors matter to the performance of hotshots. Perhaps the best-known research in this area has been done by Boris Groysberg of Harvard Business School. In one paper written with Linda-Eling Lee, of MSCI, and Ashish Nanda, also of Harvard, Mr Groysberg looked at the performance of the best investment analysts, as measured by external rankings, after they had moved firms.

In theory, a move ought not to have made much difference to how well they did their job: analysts often cover the same firms for the same clients. In practice, the stars' performance declined compared with colleagues who stayed put. More recent research, by Claudia Gabbioneta of the University of York and her colleagues, found the same thing. They looked at recruitment among British corporate-law firms between 2000 and 2017, and found that, on average, practice areas that hired a star underperformed those that did not in the subsequent year.

That may be because incoming stars disrupt the performance of existing employees. A study by Matteo Prato of ESADE and Fabrizio Ferraro of IESE, both in Spain, also looked at the movement of securities analysts to see if the arrival of an ace affected their new colleagues. They found that the performance of the existing team fell, particularly among lower-ranked analysts; that fits with the hypothesis that stars will gobble resources and attention which might have gone to less celebrated peers.

There are nuances. In another co-written paper, Mr Groysberg looked at the performance of top American football players who moved teams. Wide receivers, whose job entails complicated plans involving words like scrimmage, did worse if they switched teams than those who did not. Punters, who are very good at kicking a ball but don't have to interact much with their teammates, saw no such drop. If a job genuinely depends on individual prowess, talent can travel.

Alternatively, if high performance is caused by the interactions of a group of people, then one answer is to lift out an entire team. Changing employers did not greatly affect the performance of top-tier analysts who moved with their teammates, according to the study by Mr Groysberg et al. The personality of the new recruits also matters: a study of American biotech firms by Rebecca Kehoe of Cornell University and Daniel Tzabbar of Drexel University found that collaborative stars helped their peers become more productive.

A superstar strategy may make more sense when it comes to AI. This is a field where cutting-edge knowledge is at a premium. Small numbers of talented people can have a disproportionate impact. And there are fewer incumbent employees to disappoint. Equally, the research also suggests that stars do best when they move to a higher-performing firm; what they lose in organisational knowledge and relationships they make up for with an environment better able to harness their talents. Spraying money on stars in order to play catch-up, in other words, is a gamble that may not pay off. ■

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Business | Schumpeter

Move over, Tim Cook. Jensen Huang is America Inc's new China envoy

Nvidia's boss is proving to be a canny diplomat

July 17th 2025

AS A TEENAGER in Oregon, Jensen Huang was one mean ping-pong player. In 1978 his mentor, Lou Bochenski, described him in a letter to Sports Illustrated as "perhaps the most promising junior ever to play table tennis" in the American north-west. Had he been a bit older, who knows, he might well have joined Bochenski's daughter, Judy, who toured China in 1971 as part of Richard Nixon's "ping-pong diplomacy" initiative to improve relations between the capitalist and communist worlds.

What the co-founder and chief executive of Nvidia missed out on then he is making up for now, minus the table-tennis paddle. As America and China swap shots in the trade battle served up by Donald Trump, Mr Huang has pinged and ponged between Washington and Beijing to reassure both sides it is in their mutual interest to let his company keep selling some of its artificial-intelligence (AI) chips to Chinese buyers. In the past week he talked to Mr Trump and then jetted to China, for the third time this year.

On July 14th he notched up a big win. Nvidia said it would once again be permitted to sell its H20 AI processors in China. A de facto ban in April by the Trump administration on the sale of the chips, specially designed to comply with earlier export restrictions, may already have cost Nvidia around $10bn in forgone Chinese revenue. Its lifting may raise Nvidia's sales this year by $10bn-15bn, around a tenth of the previously forecast total, and its net profit by $6bn-9bn. The day after the announcement the firm's market value jumped by $160bn, to nearly $4.2trn. Its boss, who holds a 3.5% stake, scored nearly $6bn. Game, match, Huang?

Not quite. To see how things might play out differently for Nvidia, consider the experience of Tim Cook. For years Apple's boss has been the undisputed champion of Sino-American commercial co-operation. First he engineered a hyper-efficient China-centric supply chain. Then, during Mr Trump's first four years as president in 2017-21 and Joe Biden's equally China-wary tenure, he safeguarded this network while hooking millions more Chinese consumers on iPhones. In 2019 he personally persuaded Mr Trump to scrap a proposed 25% tariff on certain imports from China by promising to make more Mac computers in America (never mind that Apple was probably going to do this anyway).

For a time the quiet lobbying paid off. Between 2012 and 2022 Apple's sales and operating profits in China (and Taiwan) more than trebled, to $74bn and $31bn, respectively. In 2022 they made up 19% and 26% of the company's total, up from 15% and 18% ten years earlier. As for the supply chain, examine the back of your iGizmo and the odds are it was "Designed by Apple in California. Assembled in China."

Now, though, Mr Cook's powers of persuasion appear to be waning. In 2023 news reports surfaced that Chinese authorities had banned government employees from using iPhones. In part this was to reduce reliance on Western technology and promote domestic companies such as Huawei. It was also to spite America. Last year Apple sold just $67bn-worth of wares in China, down by 10% from its peak in 2022, even as its global sales grew.

In April Mr Cook helped secure an early exemption for electronics in Mr Trump's latest tariff ruckus. Yet his effort to preserve Apple's Chinese supply chain risks storing up more trouble for the future. Despite moving some production to places like India and Vietnam, one in five Apple suppliers remains Chinese. Its biggest contract manufacturer, Foxconn of Taiwan, has half its factories in China. This leaves the firm parlously exposed to the mood swings of Mr Trump and his Chinese counterpart, Xi Jinping. In today's bipolar geopolitics these are only a matter of time.

The effort Mr Cook has put into conserving the status quo may also have distracted him from more pressing concerns, such as coming up with a coherent AI strategy. The lack of one, combined with exposure to tariffs, is now hurting shareholders. Apple's market value has shed close to $800bn since late December.

Mr Huang is not Mr Cook. He may lack the Alabamian's disarming lilt but he seems more fluent both in MAGA and in Xi Jinping Thought. His company's blog post announcing his recent globetrotting and success in reversing the H20 ban included shibboleths of America First ("...support for the Administration's effort to create jobs, strengthen domestic AI infrastructure and onshore manufacturing, and ensure that America leads in AI worldwide") and of Mr Xi ("The discussions underscored how researchers worldwide can advance safe and secure AI for the benefit of all.")

Moreover, Nvidia is not Apple. Though it earns a sixth of its revenue from China, it is not reliant on suppliers there. None of its 20 biggest is Chinese, compared with four for Apple (which pays them $10bn a quarter not counting Foxconn, which gets $15.5bn). And in contrast to Apple, it has continued innovating relentlessly.

However, the chipmaker has more at stake—and not just because it is now the one defending the title of the world's most valuable company. Its products are much more geopolitically sensitive than smartphones and thus likelier to face curbs of one form or another. On July 15th Mr Trump threatened fresh tariffs on chips. He also has yet to officially confirm the H20 reversal.

If Nvidia were forced to forfeit China, that would deprive it of a growing market, unlike Apple's stagnating one. Worse, it would be a boon for Chinese rivals such as Huawei. The local tech giant already offers AI chips more powerful than the H20 (though not yet Nvidia's flagship processors). Having China all to itself would help it nurture a tech ecosystem to rival Nvidia's, and export this globally. This gives Mr Huang as strong an incentive as Mr Cook had to protect the status quo. He must be careful that guarding the playing field doesn't make him take his eye off the ball. ■

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Finance & economics

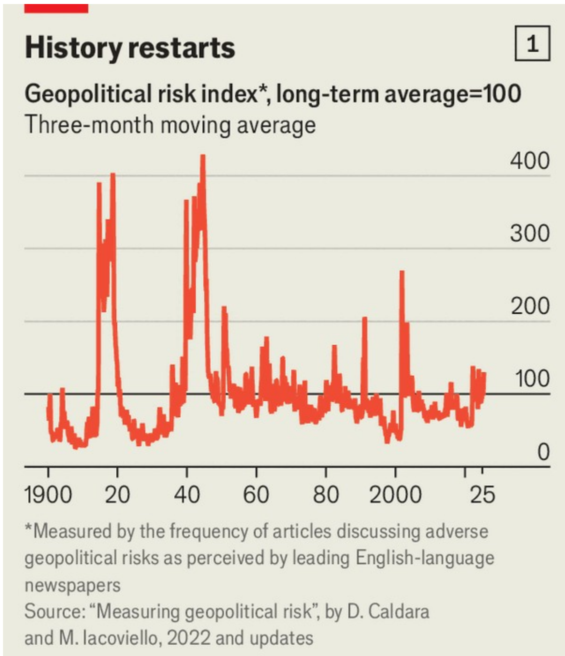
Finance & economics | Disaster-proof capitalism

War, geopolitics, energy crisis: how the economy evades every disaster

A new form of capitalism may explain its success

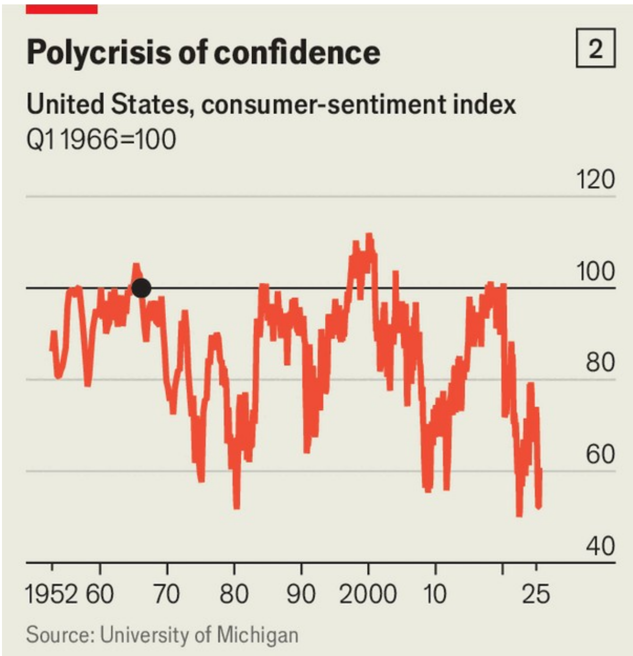
July 17th 2025

After Adolf Hitler's troops rolled into France in 1940, many feared the imminent destruction of Europe and its economy. British investors did not. In the year following the invasion, London's stockmarket rose; indeed, by the end of hostilities, British companies had delivered real returns to shareholders of 100%. The plucky investors must have seemed mad at the time, but they were proved right and made handsome profits.



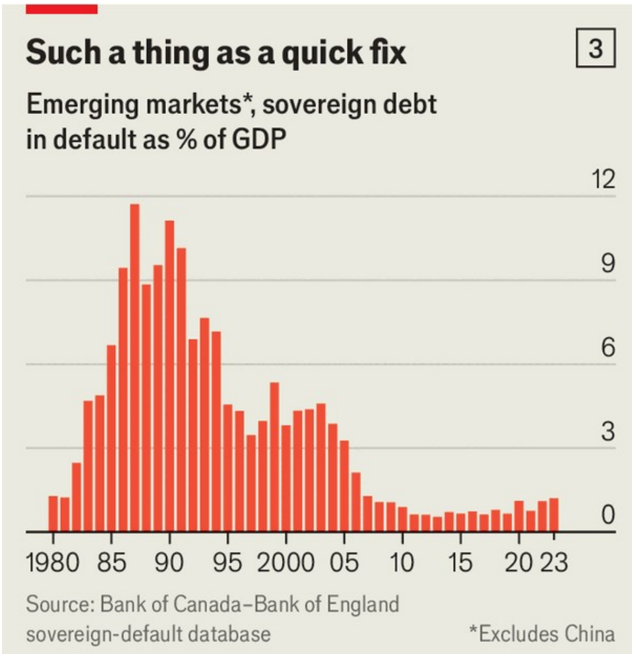
Although today's dangers are not in the same league as a world war, they are significant. Pundits talk of a "polycrisis" running from the covid-19 pandemic, land war in Europe and the worst energy shock since the 1970s to stubborn inflation, banking scares, a Chinese property bust and trade war. One measure of global risk is 30% higher than its long-term average (see chart 1). Consumer-confidence surveys suggest that households are unusually pessimistic about the state of the economy, both in America and elsewhere (see chart 2). Geopolitical consultants are raking it in, as Wall Street banks fork out on analysts to pontificate about developments in the Donbas or a potential Chinese invasion of Taiwan.

It is, in some ways, a repeat of 1940. In the face of chaos, the global economy powers on. Since 2011 growth has continued at around 3% a year. During the worst of the euro crisis in 2012? Around 3%. What about 2016, the year Britain voted for Brexit and America for Donald Trump, or 2022, when Russia invaded Ukraine? Also 3%. The exception was in 2020-21, during the pandemic. When governments introduced lockdowns, many feared a slump to rival the Depression. In fact, over the following two years the world ground out annual GDP growth of 2%; one year of contraction, followed by a storming recovery.



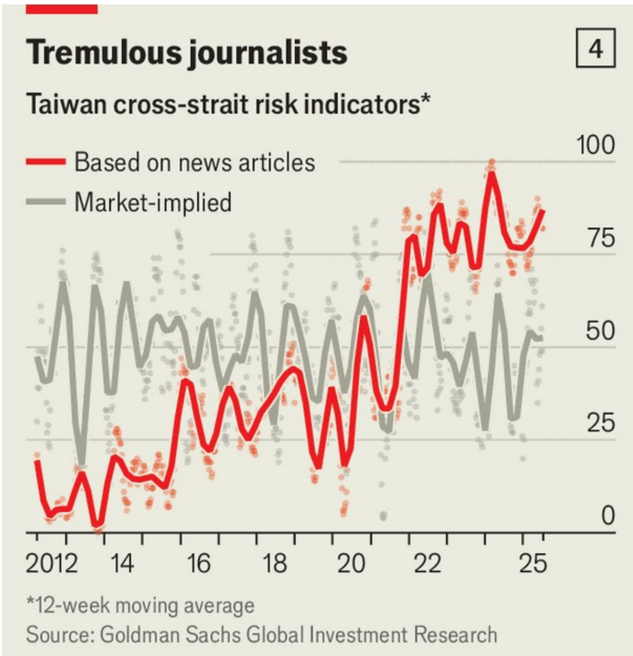
The world economy appears impressively and increasingly shock-absorbent. Supply chains in goods—widely believed to be a source of fragility—have shown themselves to be resilient. A more diverse supply of energy and a less fossil-fuel-intensive economy have reduced the impact of changes in the oil price. And across the world, economic policymaking has improved. According to the conventional narrative, the "great moderation", a period of steady growth and predictable policymaking, ran from the late 1980s to the global financial crisis of 2007-09. But perhaps it did not die alongside Lehman Brothers.

This year just 5% of countries are on track for a recession, according to IMF data—the least since 2007. Unemployment in the OECD club of rich countries is below 5% and close to a record low. In the first quarter of 2025 global corporate earnings rose by 7% year on year. Emerging markets, long prone to capital flight in times of trouble, now tend to avoid currency or debt crises (see chart 3). Consumers across the world, despite claiming to be down in the dumps, spend freely. On almost any measure, the economy is basically fine.



Little wonder that investors are optimistic. Over the past 15 years, as the polycrisis has built, American stocks have marched upwards. More than half the rich world's stockmarkets are within 5% of their all-time high. Wall Street's fear gauge, the VIX, an index of stockmarket volatility, is running below its long-term average. Markets fell in April, when Mr Trump announced his "Liberation Day" tariffs, but quickly recouped their losses. Many investors now follow a simple rule whenever markets decline: "Buy the dip."

They do not even seem to worry much about firms at the sharp end of geopolitical risk. American ones especially exposed to tariffs, such as sporting-goods businesses, are only mildly underperforming the market. When Vladimir Putin started his war in 2022, Ukraine's stockmarket collapsed. It has since made up ground, rising by 50% or so in the past year. Nowhere is there a starker divide between pundits and investors than Taiwan. Goldman Sachs, a bank, produces two indices of "cross-strait" risks. According to the one built using newspaper articles, the strait has rarely been so dangerous. By contrast, the market-based index, derived from share prices, hardly seems bothered (see chart 4). Either investors are naive—or, as in 1940, they have a more sophisticated intuition of how a conflict with China would play out.



So there is a puzzle: chaotic geopolitics and a placid economy. This may mirror events in 1940, but it is unusual historically. Economists suggest a link between geopolitical ructions and a worsening economy. Dario Caldara and Matteo Iacoviello, both of the Federal Reserve, find that higher geopolitical risk "foreshadows" lower investment and employment. Hites Ahir and Davide Furceri of the IMF and Nicholas Bloom of Stanford University find that increases in uncertainty tend to be followed by "significant declines in output".

Perhaps something has changed. Mr Ahir and his colleagues present evidence suggesting so. Since 1990 uncertainty has hurt growth less than before. Recent developments hint at further progress.

The emergence of a new form of capitalism, which could be called "the teflon economy", may be behind these shifts. On one side of the equation, firms are better than ever at dealing with shocks, meaning markets continue to function even at a time when politics breaks down. On the other side, governments offer their economies unprecedented levels of protection.

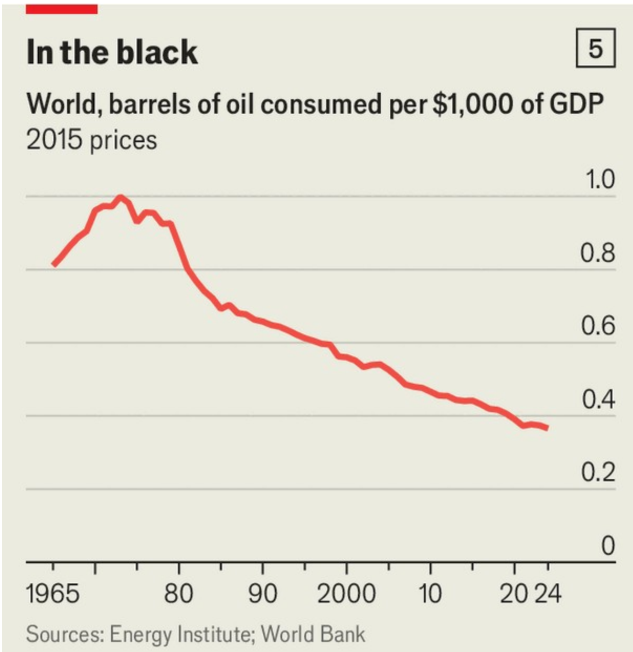
Start with supply chains. The conventional narrative that they are prone to "failure" is largely wrong. During the pandemic some commodities became a lot more expensive—but this was a consequence of an enormous surge in demand, rather than falling supply. Semiconductors are a classic example. In 2021 chipmakers shipped 1.2trn units, some 15% more than the year before. The industry did not really suffer a "supply crunch". Rather, it responded well to an extreme surge in demand.

According to the NewYork Fed's supply-chain pressure index, bottlenecks have remained in line with the long-run average, even in the face of Mr Trump's trade war. We find similar results in our analysis of 33,000 commodities that America imported from 1989 to 2024. For each year, we counted the number where imports declined from the previous year by more than 20%, even as the price of those imports rose by more than 20%. This hints at situations where a supply chain genuinely "fails". We calculate that the failure rate has been trending down over time.

Modern supply chains are resilient because they are professionally run. Specialised logistics firms have global reach, with cutting-edge warehousing and transport capabilities. Better communications enable rerouting when required. Lots of people have jobs that in effect amount to finding the most marginal of marginal gains. In America there are 95% more supply-chain managers than two decades ago.

Some investors believe structural changes to the economy are also playing a part. "A services economy is incredibly consistent," says Rick Rieder, chief investment officer for fixed-income markets at BlackRock, the world's largest asset manager. "They really do not go into recession except when there is a real major shock: a pandemic or a financial crisis." Since 1990, goods consumption in America has fallen on a quarter-on-quarter basis in 27 quarters. Spending on services, by contrast, has contracted in only five quarters.

Fast growth in American shale oil and gas production has made the world less dependent on both Russia and the Middle East, as became apparent after Mr Putin's invasion of Ukraine, which failed to produce the deep recession in Europe expected by many analysts. OPEC produced fewer than 33m barrels of oil a day last year, just 12% more than in 1973, when the cartel curtailed production and sent prices rocketing. At the same time, the rest of the world produced 64m barrels of oil a day, a figure that has more than doubled since the oil shock of the 1970s. Moreover, the global economy is becoming less dependent on the fuel: oil intensity, defined as the amount consumed per unit of GDP, has dropped by around 60% since 1973 (see chart 5). Hence why events such as the recent Israeli and American bombing of Iran barely dent the price of crude.



Excellent as supply-chain agility may be, it would matter less if consumer demand crashed every time sentiment soured. That does not happen, in large part because of government action. Politicians in the rich world have become extreme fiscal activists. During the pandemic, they spent over 10% of GDP on rescue packages. In 2022, during the energy crisis, the average European government spent another 3% of GDP. In 2023, in the middle of a banking scare, America hugely expanded its deposit insurance. When there is bad news, politicians are quick to spend big.

And even when there is no bad news, politicians spend big just to be sure. The average rich-country government now runs a fiscal deficit of over 4% of GDP, far above the norm in the 1990s and 2000s. Their support goes beyond budget deficits, which are simple to measure. Many countries now have vast "contingent liabilities"—off-balance-sheet commitments that nonetheless represent an enormous potential outlay. America's federal government is on the hook for contingent liabilities worth more than five times the country's

GDP. When the feds are backstopping the entire economy, it is hardly surprising that recessions are few and far between.

This approach has clear benefits. Is it not better to live in a world where joblessness rarely spikes? Even during the pandemic the OECD’s unemployment rate never exceeded 9%. Losing a job can scar someone for life; avoiding that fate boosts incomes and health. Persistently high asset prices, meanwhile, are good for anyone with a retirement account or stock portfolio. However, the system also has costs. If central banks and governments succeed in postponing financial crashes, they will simply encourage more reckless behaviour, sowing the seeds of a deep downturn.

Emerging markets have made progress, too. Flexible exchange rates are more common; policymakers are better at avoiding shocks. From 2000 to 2022, the number of emerging-market central banks targeting inflation rose from five to 34, as Gita Gopinath of the IMF has noted. Local bond markets are more established, meaning poor countries can borrow in their own currencies at respectable rates, leaving them less exposed to global fluctuations. Even the combination of a pandemic, surging commodity prices and rising American interest rates did not derail developing economies. As a share of emerging-market GDP, excluding China, sovereign debt in default rose to 1.2% in 2023, up from 0.6% in 2019. That pales in comparison with past crises. In 1987 the volume of emerging-market debt in default hit 11.7% of GDP.

Truly troubled countries, such as Egypt and Pakistan, today avoid default. Yet, as in the rich world, this comes with costs. As China has grown as a lender and entered negotiations, restructurings have almost ground to a halt. The IMF and official creditors are reluctant to force borrowers into default, instead preferring to drip-feed loans. Although few countries default, 59 were under strain in 2024 by the IMF’s and World Bank’s count, a record high.

Many aspects of teflon capitalism are here to stay, for better or worse. Policymaking in emerging markets is unlikely to regress. China is not about to make default talks any easier. Rich countries, which are rapidly ageing, want economic security; populist politics demands it. Investors now expect rescue packages at the first sign of trouble, and will keep buying the dip.

Two risks loom in the meantime. First, higher interest rates make profligacy expensive. This year America will spend over 3% of GDP on debt service, more than on defence. At some point, governments will have to cut back. Second, geopolitical shocks may yet escalate to a point where even today's robust supply chains cannot cope. A Chinese invasion of Taiwan could destroy, pretty much overnight, the West's supply of high-end semiconductors.

In 1940 investors in the City wagered that the war would not stand in the way of their profits. Investors in 2025 are making a subtler bet: that politicians, regulators and central bankers will continue to stand behind them when things go wrong. The danger is that, in the next crisis, the bill for perpetual protection could come due—and it could be steep. ■

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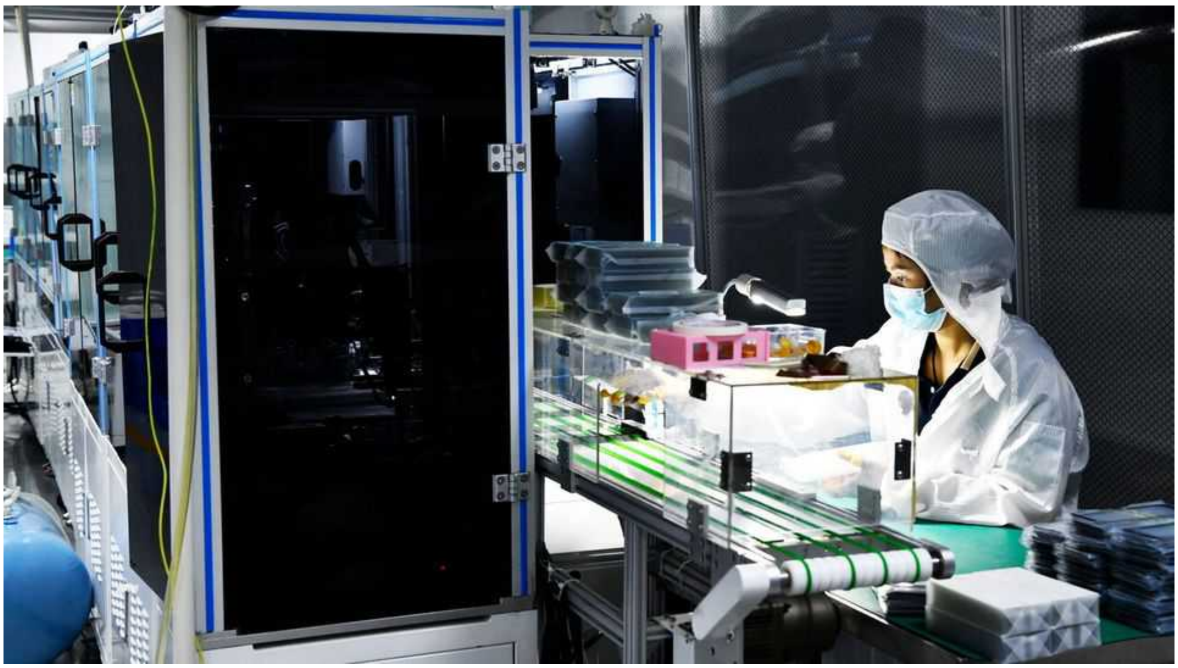
Finance & economics | American protectionism

Trump's real threat: industry-specific tariffs

Which countries would be hit hardest by levies on electronics and pharmaceuticals?

July 17th 2025



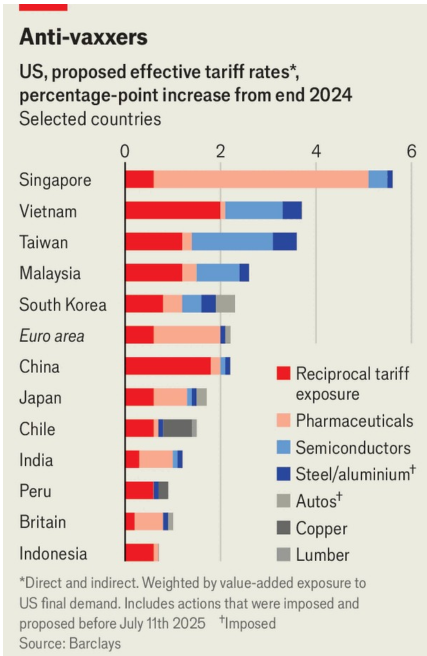
When Donald Trump's tariffs are mentioned, you might recall his "Liberation Day" duties on uninhabited islands, his on-again, off-again threats against Canada, or the curt letters he has sent foreign leaders informing them of imminent rates. These country-level tariffs dominate attention. So it is easy to forget that the steepest tariffs Mr Trump has thus far implemented are on products, not countries. And by all indications more of these "sectoral" tariffs are coming soon.

Mr Trump has already enacted some, including levies of 50% on aluminium and steel and 25% on cars. Details about tariffs on electronics and semiconductors will arrive at the end of the month when national-security probes have finished, according to Howard Lutnick, America's commerce secretary. At a recent cabinet meeting, Mr Trump pledged a tariff of 50% on copper, to come into effect on August 1st. On July 15th he added that America would "start off with a low tariff" on pharmaceuticals, probably at the end of the month, before making it "a very high tariff" within a year or so, having previously suggested it could hit 200%. Others, such as on critical minerals and lumber, may also be in the offing.

Shouldn't you just tune out? After all, a pattern of revoked threats and watered-down proposals has convinced investors of the TACO mantra (Trump Always Chickens Out). There is, nevertheless, reason to think that the president's industry levies might be a different matter.

For a start, here Mr Trump's threats are less hollow. They rest on section 232 of the Trade Expansion Act of 1962, which lets America restrict imports it deems a threat to national security, however defined. Other than a mandatory probe, of which nine are under way, few limits exist. Investigations will help the administration avoid chaos similar to that unleashed on Liberation Day, when a slapdash announcement triggered investor panic and, ultimately, a partial reversal. At least some markets are already heeding Mr Trump's warnings. His 50% copper-tariff announcement sent prices to a record high.

Rates for specific industries are generally higher than those for countries, seemingly because the administration expects them to induce reshoring in strategic sectors. Whereas "reciprocal" tariffs take aim at countries running trade surpluses with America, sectoral tariffs are more sweeping. They would curb American demand for a range of products that rely on global production processes. Any country with a foothold in the value chain would be hit.



In order to quantify the impact, Barclays, a bank, has calculated "effective" tariff-rate increases by estimating, for each country and product, how much domestic value added is exposed to American border taxes (see chart). This captures the direct impact of a decline in exports to America, and the indirect impact of falling demand for inputs that end up in products which Americans buy.

Countries that are home to advanced industries would suffer most. Consider Indian and Singaporean pharma exports to America. They both average $10bn or so a year. Yet Singapore would face an effective tariff hike six times as steep as India, since its industry's sophisticated products, such as vaccines, embed more domestic value-added than India's, which are often generic. Taiwan would face the biggest effective tariff hike on semiconductors; Japan and South Korea are already suffering on cars.

Sectoral tariffs are also less likely to be haggled down, since America's counterparty is less obvious for tariffs on copper than those on, say, Qatar. A few countries are still trying their best. Gan Kim Yong, Singapore's lead trade negotiator, has made winning concessions on pharmaceuticals his top priority. Japan's discussions with America broke down after reaching an impasse on car tariffs. America's deal with Britain, which cut levies on British cars from 27.5% to 10% subject to a quota, sustains hopes of wriggle room elsewhere. Some believe his ill-defined pharma-tariff timeline is a sign he is not serious. For now, that seems like wishful thinking. ■

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Finance & economics | Ground down

Our Big Mac index will sadden America's burger-lovers

Trump's tariffs have brought a double serving of pain

July 17th 2025

America's import duties just keep rising. On August 1st levies on more than 20 countries, plus the European Union, will take effect unless they negotiate deals in the meantime. On July 14th President Donald Trump said that he would impose "secondary tariffs" of 100% on countries doing business with Russia, should it fail to reach a peace agreement with Ukraine in 50 days. Such threats should be taken with a heavy pinch of salt: Mr Trump has form for backing down if markets become turbulent. But the trend is clear. America's average effective tariff rate has already risen to 17%, from 2.5% last year.

Among the wrongs Mr Trump hopes to right with his levies—from Russia's war on Ukraine to a "witch hunt" against Jair Bolsonaro, Brazil's former president—one looms largest. Other countries exploit America, in its president's view, by persistently selling more to Americans than they buy from them. Some maintain trade surpluses, thinks Mr Trump, by manipulating their currencies to make exports artificially cheap. Six months after his return to the White House, how successful has he been in curbing this foul play?

It is, perhaps, too meaty a question to be answered by studying burgers. Still, let us try. For almost four decades The Economist has been producing [the Big Mac index], which uses the prices of its eponymous delicacy around the world to construct a quick-and-dirty guide to exchange-rate distortions. The theory is that currencies should have "purchasing-power parity", meaning their exchange rates should adjust to ensure each can buy the same amount of stuff.

Comparing the prices of Big Macs is convenient because the burger is essentially the same in every country (notable exceptions include Israel, where it is served without cheese, and India, where the "Maharaja Mac" is made from chicken). Purchasing-power parity suggests that, with a Taiwanese Big Mac costing 78 Taiwanese dollars and an American one $6.01, the currencies' exchange rate should be the ratio of the two prices. Hence $1 should buy NT$13. In reality, it buys NT$29. The Big Mac index therefore concludes that the Taiwanese dollar is greatly undervalued against the greenback, by some 56%.

Few currencies are as undervalued as the Taiwanese dollar, though the Indian rupee (56%) and Indonesian rupiah (57%) are even more so. It might nevertheless seem surprising that so many have stayed cheap (see chart). The American dollar has, after all, fallen by 10% against a basket of other currencies since a peak in January, when we last updated the Big Mac index. To those, like Mr Trump, who might have hoped this drop would make American exports more competitive, the dollar's enduring expensiveness (in burger-purchasing-power terms) is dispiriting.

Particularly notable are the troublemaking countries that America's Treasury Department monitors for potential currency manipulation. It chooses these based on bilateral trade surpluses with America, broader surpluses with the world and one-sided intervention in the foreign-exchange market. Mr Trump will be cheered to see that the European countries on the list (Germany, Ireland and Switzerland) have seen their currencies become markedly more expensive versus the dollar. But the others are China, Japan, Singapore, South Korea, Taiwan and Vietnam. None of their currencies has become more than marginally less undervalued since January. Most are now even cheaper.

What explains the trend? Even as the dollar has weakened on the foreign-exchange market, the price of an American Big Mac has risen—from $5.79

in January to $6.01 today. Burger prices in the Asian countries on the Treasury's monitoring list, meanwhile, have remained constant. Their currencies might now buy more dollars than previously, but those dollars buy less stuff. In purchasing-power terms, that offsets the change in exchange rates.

There is a parable here for Mr Trump. His treasury secretary, Scott Bessent, used to say the dollar would strengthen after tariffs were imposed, offsetting the impact of higher duties on American consumers. Instead, it weakened, as international investors lost a measure of confidence in the White House's policymaking. The result is that Americans will be hit by the double whammy of higher taxes and a weaker currency when buying imports. Hints of this are already showing up in consumer prices, which rose by 2.7% in the year to June. Burger-lovers or not, Americans are being squeezed, while their currency becomes no more competitive. ■

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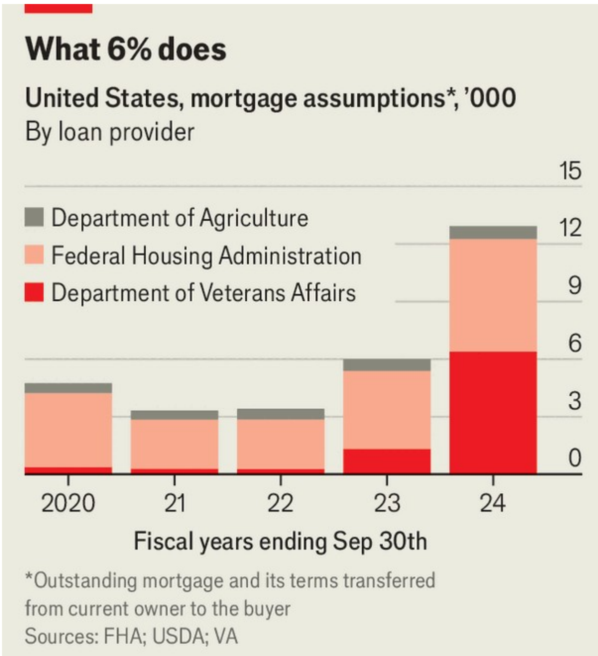
Finance & economics | The rate escape

Americans can still get a 2% mortgage

At a time of high interest rates, there are bargains to be found

July 17th 2025

WHEN ADNAN SABIC began looking for a home in 2023, he was shocked. The hotel executive, whose wife had just given birth to twins, could not believe how mortgage rates had rocketed. Then he found a four-bedroom house listed for $775,000 with a nice selling point. Rather than borrow at 6% and pay $4,500 a month, Mr Sabic could "assume" the seller's mortgage, at 2.6%, and pay just $3,100.



Assumable mortgages first gained popularity, with other creative financing methods, in the early 1980s, when rates exceeded 18%. Over the subsequent four decades, when rates were either falling or low, they were of little use. But in 2023 the average rate on a 30-year fixed mortgage was 6.8%, its highest in 22 years. Last year it was only slightly lower. And so the tricks of 40 years ago are back. Mr Sabic is among a small but growing band of homebuyers who have taken over their seller's mortgage. In 2024 some 13,000 loans were transferred to the buyer along with the property, nearly four times as many as in 2022 (see chart).

Estate agents say such mortgages have snags. Only loans backed by the Federal Housing Administration, Department of Veterans Affairs or the Department of Agriculture are assumable. Lenders tend to be reluctant. And buyers must pay the difference between the sale price and the mortgage balance. "For somebody that has the money…it's kind of a no-brainer," says Brooks Carveth of Perch Real Estate in Colorado. But not everyone has the cash (or the sterling credit needed to borrow it).

Buyers unable to find an assumable mortgage can try other tactics. "Buy-downs" occur when a property has been sitting unsold for a while: rather than drop the price, sellers pay a fee to cut the interest rate. They use part of the sale proceeds to cover the difference between the actual mortgage rate and the lower one. In a typical two-year deal, instead of paying the 6.7% market rate, the buyer will pay 4.7% in the first year, 5.7% in the second and 6.7% thereafter. Mr Carveth says that such deals were virtually "non-existent" five years ago; now they account for 80% of his sales.

Some strategies are less common, and more risky—especially for sellers. Those who own their homes outright, and are willing to wait for their money, may allow buyers to pay them directly in instalments, in effect cutting out lenders. Such "seller financing" might be used when the buyer cannot qualify for a conventional loan. If sellers offer below-market rates, they will typically demand a higher price.

The riskiest trick is the "subject to" transaction. As with an assumable mortgage, the buyer agrees to take over an existing mortgage in exchange for legal title to the property. Yet those who sell their home subject to an existing mortgage are still on the hook for the debt. This means the lender could call in the loan if it realises the property has changed hands, or foreclose if the buyer fails to make their payments. Mr Carveth says such deals are often arranged by investors trying to take advantage of situations where owners have fallen behind on payments and are desperate to sell.

With interest rates near two-decade highs, it is no wonder that homebuyers want to cut corners. In 1983 Leon Kendall, boss of a mortgage insurer, told the Washington Post that creative-financing techniques, then starting to fall out of favour, would not die but merely lie dormant. "They're fading into the background as the pendulum swings towards lower rates, but they're ready and waiting to be dusted off...whenever consumers need them." It seems that time has come. ■

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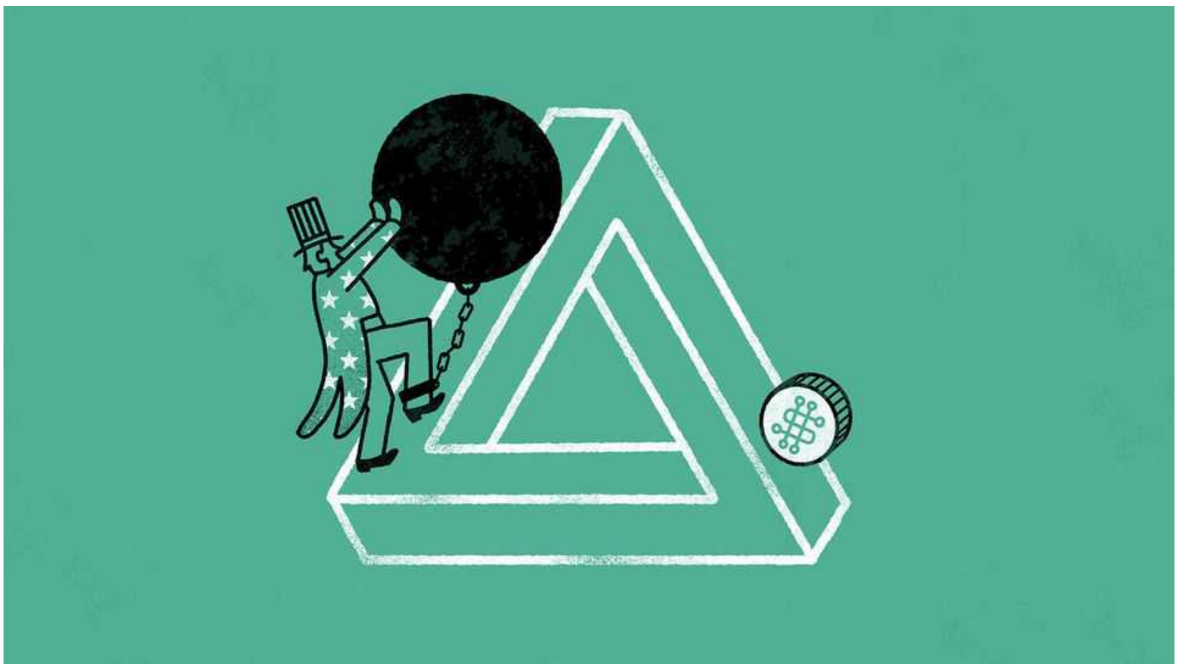
Finance & economics | Buttonwood

Stablecoins might cut America's debt payments. But at what cost?

The Trump administration will take any help it can get

July 17th 2025



A TRILLION DOLLARS. That number may keep Scott Bessent, America's treasury secretary, up at night. Next year his government's net interest payments will break the 13-figure mark. The combination of a bulging deficit, now worth 7% of GDP, and the sharp increase in government-bond yields over the past four years makes America's budgetary mathematics increasingly ugly.

Ideas for how to squeeze the country's interest bill, ideally without cutting spending or raising taxes, are thus at a premium. One has recently raised the hopes of Mr Bessent. Could stablecoins—cryptocurrency tokens backed by safe assets such as short-term Treasury bonds—drive up demand for American debt, and pull down borrowing costs?

The idea is not as outlandish as it seems. Regulatory certainty, which analysts believe is crucial to widespread stablecoin adoption, is on the way. The GENIUS bill, currently steaming through Congress, will allow Treasuries maturing in 93 days or fewer to be used as collateral. Tether, the biggest stablecoin, says it holds more Treasuries than all German investors combined. Citigroup, a bank, expects stablecoin issuance to surge from $257bn today to $1.6trn by 2030. Standard Chartered, another bank, is still more bullish: it thinks the coins will be worth $2trn in just three years.

Demand for dollar assets already helps the Federal Reserve keep down interest rates. In 2020 Thiago Ferreira and Samer Shousha, who worked at the central bank, estimated that the $6.1trn of Treasury bonds held overseas in 2015 reduced the neutral interest rate (that which keeps employment and inflation stable) by about 0.5 percentage points. If optimistic forecasts about stablecoin demand turn out to be correct, the volumes involved could be enough to significantly reduce America's interest costs.

Indeed, research suggests that stablecoins are already tamping down yields. Sang Rae Kim of Kyung Hee University finds that a burst in tether issuance causes Treasury prices to rise over the subsequent hour, even if the effect then quickly fades. Other studies suggest a much bigger impact. Rashad Ahmed of the Andersen Institute for Finance and Economics and Iñaki Aldasoro of the Bank for International Settlements estimate that a $3.5bn inflow into stablecoins trims three-month Treasury yields by as much as 0.05 percentage points over the next 20 days.

Good news, then, for Mr Bessent. Yet taking advantage of any boom will be very difficult. If stablecoins grow big enough to meaningfully cut borrowing costs, they will also threaten both America's government finances and the financial system.

An increase in the issuance of short-term government bonds would, for instance, create a new risk for Mr Bessent or his successor. At present, more short-term debt is an appealing idea. Investors expect the Fed to cut interest rates twice this year, which would lead quickly to lower borrowing costs.

The problem is that when rates next go up the impact will feed through just as fast.

More important is what a stablecoin boom would do to the rest of the financial system. Trillions of dollars in invested capital will not be magicked into existence. If dollars invested in the coins come from money-market funds, the effect for the Treasury will be a wash, with money transferred from one vehicle invested in short-term bonds to another. If coinholders instead transfer money from bank deposits, that could put pressure on funding for American lenders, in time limiting the credit they can extend to customers. In this scenario, a stablecoin boom would be robbing private-sector Peter to pay public-sector Paul.

Some demand will come from overseas, which will be less of a problem. Stablecoins may be most useful for people in emerging markets with capital controls; an easily acquired dollar asset will protect them from expropriation and inflation. Yet JPMorgan Chase, a bank, estimates that only 6% of demand for stablecoins is now attributable to such investors. And they seem less likely to care about the regulatory certainty provided by the GENIUS bill.

Mr Bessent's desire to hook the world on stablecoins is in some ways ironic. If foreign demand for the coins were to surge, then demand for the dollar would also climb. As a consequence, American consumers would gain purchasing power and American-made goods would become more expensive when purchased abroad. For a mercantilist administration, and a president who has long dreamed of reducing the trade deficit, that is quite a sting in the tail.■

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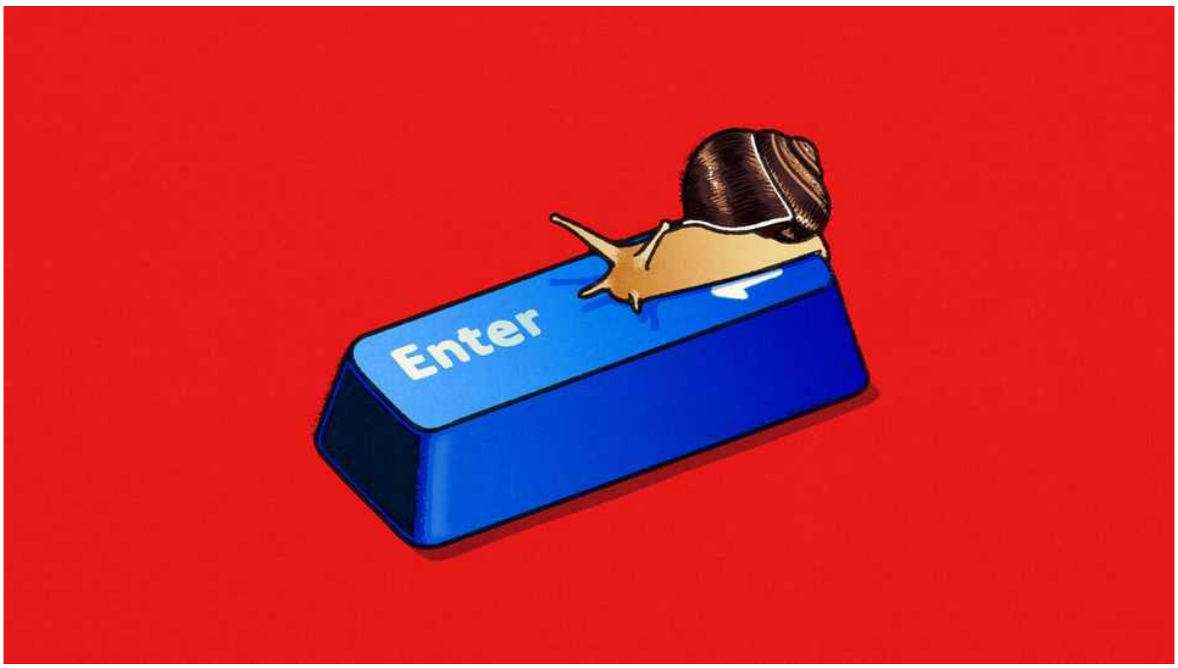
Finance & economics | Free exchange

Why is AI so slow to spread? Economics can explain

Businesses are ignoring the street of hundred-dollar bills

July 17th 2025



Talk to executives and before long they will rhapsodise about all the wonderful ways in which their business is using artificial intelligence. Jamie Dimon of JPMorgan Chase recently said that his bank has 450 use cases for the technology. "AI will become the new operating system of restaurants," according to Yum! Brands, which runs KFC and Taco Bell. AI will "play an important role in improving the traveller experience", says the owner of Booking.com. In the first quarter of this year executives from 44% of S&P 500 companies discussed AI on earnings calls.

Whatever the executives may say, however, AI is changing business much more slowly than expected. A high-quality survey from America's Census

Bureau finds that a mere 10% of firms are using it in a meaningful way. "Enterprise adoption has disappointed," notes a recent paper by UBS, a bank. Goldman Sachs, another bank, tracks companies that, in the view of its analysts, have "the largest estimated potential change to baseline earnings from AI adoption". In recent months the firms' share prices have underperformed the market. With its fantastic capabilities, AI represents hundred-dollar bills lying on the street. Why, then, are firms not picking them up? Economics may provide an answer.

Of course, it is still early days. Putting AI to use requires dealing with frictions, such as datasets that are not properly integrated into the cloud, meaning some lags were to be expected. AI diffusion has, though, disappointed even these more modest expectations. Analysts at Morgan Stanley once said that 2024 would be "the year of the adopters". That came to little. This year was supposed to be "the year of agents", involving autonomous systems that perform tasks based on data and predefined rules. But, according to the UBS paper, 2025 is instead "the year of agent evaluation", with companies merely dipping their toes in the water. Perhaps there are deeper reasons for the disconnect between C-suite enthusiasm and sluggishness on the shop floor.

Economists of a "public choice" persuasion have long argued that government officials behave in a manner which maximises their personal gain, rather than furthering the public's interests. Bureaucrats may refuse to implement necessary job cuts if doing so would put their friends out of work, for instance. Companies, especially large ones, may face similar problems. In the 1990s Philippe Aghion of the London School of Economics and Jean Tirole of Toulouse 1 Capitole University distinguished between "formal" and "real" authority. On paper, a chief executive has the power to mandate large-scale organisational change. In practice, the middle managers who understand the nitty-gritty and control day-to-day implementation of projects hold the real authority. They can shape, delay or even veto any change requested from above.

Public-choice dynamics are often at play when companies consider adopting new technologies. Joel Mokyr of Northwestern University has argued that "Throughout history technological progress has run into [a] powerful foe: the purposeful self-interested resistance to new technology." Frederick

Taylor, an engineer credited with introducing proper managerial techniques to America in the late 19th century, complained that power struggles within firms often jeopardise the adoption of new tech.

More recent research finds that these conflicts remain alive and well. In 2015 David Atkin of the Massachusetts Institute of Technology, and colleagues, published a paper examining factories in Pakistan that made footballs, discussing the fate of a new technology which reduced wastage. After 15 months, they found take-up remained "puzzlingly low". The new tech slowed down certain employees, who as a result stood in the way of progress, "including by misinforming owners about the value of the technology". Another paper, by Yuqian Xu of the University of North Carolina, Chapel Hill, and Lingjiong Zhu of Florida State University, found similar battles between workers and managers in an Asian bank that is trying to automate its activities.

Few economists have yet examined intra-company battles over AI, but it seems likely they will be fierce. The modern firm in a rich country is astonishingly bureaucratised. American companies have 430,000 in-house lawyers, up from 340,000 a decade ago (a growth rate much faster than that of overall employment). Their role is generally to stop people doing things. They may worry about the risks of introducing AI products. With little to no case law, who is liable if a model goes wrong? Close to half the respondents to UBS's surveys say that "compliance and regulatory concerns" are one of the main challenges for AI adoption in their company. Other legal eagles fret about the tech's impact on boring things such as data privacy and discrimination.

People in other roles have their own concerns. HR staff (whose numbers in America have swollen by 40% over the past decade) may worry about the impact of AI on jobs, and thus put up roadblocks in front of adoption programmes. Meanwhile, Steve Hsu, a physicist at Michigan State University and an AI-startup founder, argues that many people behave like Pakistani football-makers. Middle managers worry about the long-term consequences of adopting AI. "If they use it to automate jobs one rung below them, they worry that their jobs will be next," says Mr Hsu.

Over time market forces should encourage more companies to make serious use of AI. As with previous new technologies, such as the tractor and the personal computer, innovative firms ought to outcompete the holdouts and eventually put them out of business. Yet this process will take a while—too long, perhaps, for the big AI companies, which need to make huge profits on their investments in data centres. The irony of labour-saving automation is that people often stand in the way. ■

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Science & technology

- Will AI make you stupid?
- Why do people sleep? A new study points to the brain
- Should you take creatine?

Science & technology | Artificial stupidity

Will AI make you stupid?

Creativity and critical thinking might take a hit. But there are ways to soften the blow

July 17th 2025

AS ANYBODY WHO has ever taken a standardised test will know, racing to answer an expansive essay question in 20 minutes or less takes serious brain power. Having unfettered access to artificial intelligence (AI) would certainly lighten the mental load. But as a recent study by researchers at the Massachusetts Institute of Technology (MIT) suggests, that help may come at a cost.

Over the course of a series of essay-writing sessions, students working with (as well as without) ChatGPT were hooked up to electroencephalograms (EEGs) to measure their brain activity as they toiled. Across the board, the AI users exhibited markedly lower neural activity in parts of the brain associated with creative functions and attention. Students who wrote with the chatbot's help also found it much harder to provide an accurate quote from the paper that they had just produced.

The findings are part of a growing body of work on the potentially detrimental effects of AI use for creativity and learning. This research points to important questions about whether the impressive short-term gains afforded by generative AI may incur a hidden long-term debt.

The MIT study augments the findings of two other high-profile studies on the relationship between AI use and critical thinking. The first, by researchers at Microsoft Research, surveyed 319 knowledge workers who used generative AI at least once a week. The respondents described undertaking more than 900 tasks, from summarising lengthy documents to designing a marketing campaign, with the help of AI. According to participants' self-assessments, only 555 of these tasks required critical thinking, such as having to review an AI output closely before passing it to a client, or revising a prompt after the AI generated an inadequate result on the first go. The rest of the tasks were deemed essentially mindless. Overall, a majority of workers reported needing either less or much less cognitive effort to complete tasks with generative-AI tools such as ChatGPT, Google Gemini or Microsoft's own Copilot AI assistant, compared with doing those tasks without AI.

Another study, by Michael Gerlich, a professor at SBS Swiss Business School, asked 666 individuals in Britain how often they used AI and how much they trusted it, before posing them questions based on a widely used critical-thinking assessment. Participants who made more use of AI scored lower across the board. Dr Gerlich says that after the study was published he was contacted by hundreds of high-school and university teachers dealing with growing AI adoption among their students who, he says, "felt that it addresses exactly what they currently experience".

Whether AI will leave people's brains flabby and weak in the long term remains an open question. Researchers for all three studies have stressed that further work is needed to establish a definitive causal link between elevated AI use and weakened brains. In Dr Gerlich's study, for example, it is possible that people with greater critical-thinking prowess are just less likely to lean on AI. The MIT study, meanwhile, had a tiny sample size (54 participants in all) and focused on a single narrow task.

Moreover, generative-AI tools explicitly seek to lighten people's mental loads, as many other technologies do. As long ago as the 5th century BC, Socrates was quoted as grumbling that writing is not "a potion for remembering, but for reminding". Calculators spare cashiers from computing a bill. Navigation apps remove the need for map-reading. And yet few would argue that people are less capable as a result.

There is little evidence to suggest that allowing machines to do users' mental bidding alters the brain's inherent capacity for thinking, says Evan Risko, a professor of psychology at the University of Waterloo who, along with a colleague, Sam Gilbert, coined the term "cognitive offloading" to describe how people shrug off difficult or tedious mental tasks to external aids.

The worry is that, as Dr Risko puts it, generative AI allows one to "offload a much more complex set of processes". Offloading some mental arithmetic, which has only a narrow set of applications, is not the same as offloading a thought process like writing or problem-solving. And once the brain has developed a taste for offloading, it can be a hard habit to kick. The tendency to seek the least effortful way to solve a problem, known as "cognitive miserliness", could create what Dr Gerlich describes as a feedback loop. As AI-reliant individuals find it harder to think critically, their brains may become more miserly, which will lead to further offloading. One participant in Dr Gerlich's study, a heavy user of generative AI, lamented "I rely so much on AI that I don't think I'd know how to solve certain problems without it."

Many companies are looking forward to the possible productivity gains from greater adoption of ai. But there could be a sting in the tail. "Long-term critical-thinking decay would likely result in reduced competitiveness," says Barbara Larson, a professor of management at Northeastern University. Prolonged AI use could also make employees less creative. In a study at the University of Toronto, 460 participants were instructed to propose imaginative uses for a series of everyday objects, such as a car tyre or a pair of trousers. Those who had been exposed to ideas generated by AI tended to produce answers deemed less creative and diverse than a control group who worked unaided.

When it came to the trousers, for instance, the chatbot proposed stuffing a pair with hay to make half of a scarecrow—in effect suggesting trousers be reused as trousers. An unaided participant, by contrast, proposed sticking nuts in the pockets to make a novelty bird feeder.

There are ways to keep the brain fit. Dr Larson suggests that the smartest way to get ahead with AI is to limit its role to that of "an enthusiastic but somewhat naive assistant". Dr Gerlich recommends that, rather than asking a chatbot to generate the final desired output, one should prompt it at each step on the path to the solution. Instead of asking it "Where should I go for a sunny holiday?", for instance, one could start by asking where it rains the least, and proceed from there.

Members of the Microsoft team have also been testing AI assistants that interrupt users with "provocations" to prompt deeper thought. In a similar vein, a team from Emory and Stanford Universities have proposed rewiring chatbots to serve as "thinking assistants" that ask users probing questions, rather than simply providing answers. One imagines that Socrates might heartily approve.

Such strategies might not be all that useful in practice, however, even in the unlikely event that model-builders tweaked their interfaces to make chatbots clunkier, or slower. They could even come at a cost. A study by Abilene Christian University in Texas found that AI assistants which repeatedly jumped in with provocations degraded the performance of weaker coders on a simple programming task.

Other potential measures to keep people's brains active are more straightforward, if also rather more bossy. Overeager users of generative AI could be required to come up with their own answer to a query, or simply wait a few minutes, before they're allowed to access the AI. Such "cognitive forcing" may lead users to perform better, according to Zana Buçinca, a researcher at Microsoft who studies these techniques, but will be less popular. "People do not like to be pushed to engage," she says. Demand for workarounds would therefore probably be high. In a demographically representative survey conducted in 16 countries by Oliver Wyman, a consultancy, 47% of respondents said they would use generative-AI tools even if their employer forbade it.

The technology is so young that, for many tasks, the human brain is still the sharpest tool in the toolkit. But in time both the consumers of ai and its regulators will have to assess whether its wider benefits outweigh any cognitive costs. If stronger evidence emerges that ai makes people less intelligent, will they care? ■

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Science & technology | Bedtime story

Why do people sleep? A new study points to the brain

Experiments on fruit flies suggest tiredness could be caused by damaged neurons

July 17th 2025

IT IS HARD to overstate the importance of sleep. Regular hours of rest offer organisms of all sizes a chance to consolidate memories, repair cells and boost the health of their immune systems. But the source of the urge to sleep, known to scientists as sleep pressure (and everyone else as tiredness), has remained elusive.

Many theories have been put forward. One pins the blame on the build-up of a brain chemical called adenosine. Another points the finger at the brain's need to build synaptic connections. A study published in Nature on July 16th offers the strongest evidence yet that the urge to sleep is caused by a build-up of electrons in the mitochondria of certain brain cells. If true, sleep may have originally emerged as a way of repairing mitochondria, with its other benefits evolving later.

Mitochondria, which can be found in almost all human and animal cells, supply energy by stripping electrons from fuel molecules derived from food. But some electrons leak out of the mitochondria while this takes place, reacting with oxygen to produce toxic by-products that can damage the mitochondria, as well as other parts of the cell, if they build up.

The new study suggests that when too much mitochondrial damage is detected in brain cells known as sleep-control neurons, they trigger sleep. These neurons act like circuit-breakers, says Gero Miesenböck at Oxford University, one of the paper's lead authors, tripping the brain into sleep before too many electrons build up. Sleep simultaneously restores the balance of electrons and allows the mitochondrial damage to be repaired.

To reach their conclusions, the scientists conducted a series of experiments on fruit flies. They started by labelling the sleep-control neurons in the flies' brains, known as dorsal fan-shaped body neurons (dFBNs), with a genetically engineered protein that made them glow green. They then disrupted the flies' natural sleep cycles by placing them on a platform that was kept in constant motion for 12 hours.

When the fluorescent dFBNs were subsequently viewed under a microscope, the mitochondria within were found to have split apart, a sign of electron-related damage. After a period of sleep, however, they had fused back together.

This suggested that mitochondrial damage might drive the urge to sleep. To determine if the relationship was causal, the scientists then manipulated the balance of electrons in the mitochondria in several other ways.

Most telling was an experiment in which the researchers provided mitochondria in the dFBNs with an alternative power source: namely a protein that uses light for energy. When the researchers shone a flashlight on flies that were not sleep-deprived, their mitochondria could supply energy without needing to use their stash of electrons. This increased the chance of an electron leak. Within the first hour of exposure to the flashlight the engineered flies were much more likely to fall asleep than those in control groups.

Ivana Rosenzweig, a specialist in the neuroscience of sleep at King's College London who was not involved in the study, says that the findings represent a significant conceptual shift. Although electron imbalance in mitochondria had been suspected to correlate with a lack of sleep, she believes this study provides evidence that it may be the cause of sleep pressure.

As the way cells are supplied with energy is closely linked to sleep across many animal species, the authors say it is likely that electron build-up could cause sleep pressure in humans, too. They further note that humans with mitochondrial disorders often report a feeling of sleepiness unrelated to muscle fatigue. Professor Miesenböck hopes that a better understanding of sleep pressure will help shed light on a range of sleep disorders and chronic conditions that count fatigue as a symptom. ■

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Science & technology | Well informed

Should you take creatine?

The performance-enhancing drug is legal, safe—and may have benefits beyond sport

July 17th 2025

IF YOU are an athlete in search of a chemical boost your options are limited. Many of the drugs that are known to work—anabolic steroids to make you stronger, say, or erythropoietin to boost your endurance—are banned and come with nasty side-effects. Many legal supplements, meanwhile, seem not to do anything useful.

An exception is creatine, a staple of sports nutrition and one of the few supplements with a solid evidence base behind it. One review paper from 2017 concluded that creatine can give athletes a 10-20% performance boost in brief bouts of high-intensity exercise, such as sprinting past a defender or lifting heavy weights. It appears to be safe, too, with no worrying side-effects seen even in people who have been taking the stuff for years. Because there is no test that can distinguish supplementary creatine from the sort naturally produced by the body, or indeed the kind found in meat and fish, most sports do not consider taking it to be doping.

Creatine works mainly by increasing the amount of energy that muscles can produce. Cells use a molecule called adenosine triphosphate (ATP) as a carrier of chemical energy. Aerobic respiration, which uses oxygen to break down fats or sugar, is by far the most efficient way of making ATP. But it is relatively slow. When muscles need a lot of ATP in a hurry most of it is supplied instead by the phosphocreatine system which, as its name suggests, relies on creatine to work. (A third pathway, the glycolytic system, sits between the other two in both power and efficiency.)

When muscles contract, the ATP molecules used to power that contraction lose one of their three phosphate groups, turning into adenosine diphosphate (ADP). Phosphocreatine stored in the muscles can donate a replacement phosphate group, turning ADP back into ATP, which can then power more contractions. But those reserves are sufficient for only a few seconds of maximal effort (this is why it is impossible to run a marathon at the same pace as one would run 100 metres). Creatine supplements boost the amount of phosphocreatine that can be stored, allowing users to squeeze out a couple of extra reps or sprint at full power for a second longer.

That may not be the only benefit. A growing body of research suggests creatine may be good for brains as well as brawn. That makes sense: neurons need ATP just as muscle cells do, and the brain is hungry for energy. Despite accounting for about 2% of the body's mass, the brain is thought to consume around 20% of its calories.

As summarised in a review published in 2021 in Nutrients, some studies have suggested that creatine might sharpen things like short-term memory or reaction times. Others have reported it may lessen the symptoms of mental-health problems such as depression, and tentative evidence suggests it improves cognition in those with Alzheimer's disease. Both may be associated with a misallocation of energy within the brain.

In animals creatine seems to protect against the effects of concussions, which likewise seem to play havoc with the way brain cells are supplied with energy. In one study rats given creatine supplements showed a 50% reduction in damage after they were given an artificially induced brain injury. For now, the evidence regarding brains is not nearly as robust as that regarding muscles. But as sport is a common cause of concussions, athletes taking creatine might get two benefits for the price of one. ■

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Culture

Culture | Spooky stuff

Uncovering the foibles of the KGB and the CIA

Three new books look at the blind spots of the intelligence services

July 17th 2025

TO BE AN intelligence officer is to make sacrifices: to wear a mask, to deceive even those close to you, to persuade others to betray their countries. When answering the call of duty, some have to make greater sacrifices than others. In the early 1970s Yury Linov reported to a KGB clinic in Moscow, where he was circumcised. Mr Linov then headed for Israel, where he introduced himself as Karl-Bernd Motl, an Austrian Jew. The real Mr Motl was alive and well, living in East Germany. Mr Linov was a KGB "illegal"—an intelligence officer operating not only under a false name, but also a false nationality.

His remarkable story is told by Shaun Walker, a journalist, in "The Illegals", one of the most compelling and insightful books on intelligence of the past decade. It is one of a trio of new works, alongside Gordon Corera's "The Spy in the Archive" and Tim Weiner's "The Mission", which illustrate the foibles of different spy agencies: Russia's obsession with illegals and America's reliance on firepower at the turn of the millennium.

In the 1920s Soviet leaders feared that foreign powers would try to bring down their regime. They knew this was possible, since they had only recently helped overthrow the regimes that came before them. So they created some fake plots to smoke out counter-revolutionaries. Yakov Blyumkin, one illegal, pretended to be a Persian merchant, selling religious manuscripts stolen from Ukraine. Georgy Agabekov posed as an Armenian carpet salesman. There was a fishmonger in Paris and a bookseller in The Hague.

Many intelligence officers pose as diplomats, but use their real names. Illegals, by contrast, must speak, act and even think like a native. Slips are inevitable. Iosif Grigulevich—an illegal who attempted to assassinate Leon Trotsky, a revolutionary—was once asked at an exhibition whether he liked Marc Chagall's paintings. "Nyet," he replied, unthinkingly. On realising his mistake, writes Mr Walker, Grigulevich "recomposed himself and added with a chuckle: 'I believe that's how they say it in the country of the artist's birth'."

Mr Walker combines the methods of the journalist and the historian. He has tracked down not only Mr Linov, a spy who crops up in Ireland, Czechoslovakia and Israel at key moments during the cold war, but also Elliot Holar, the son of Rudi Herrmann, another illegal who defected to America in 1980. Mr Holar's case is fascinating in its own right. As a teenager, after learning of his father's true identity, he too was recruited by the KGB. When his father defected, Mr Holar changed his name and disappeared—until Mr Walker found and interviewed him.

"The Illegals" draws on another remarkable resource: a trove of archival material pilfered by Vasily Mitrokhin, a KGB archivist who defected to MI6, Britain's foreign-intelligence service, in 1992. The story of Mitrokhin's grievance towards the Soviet system and his decision to reveal its secrets is told in "The Spy in the Archive" by Mr Corera, a British journalist who has published several books on espionage.

Mitrokhin was haunted by his own role in the Soviet Union’s machinery of torture and repression in eastern Ukraine, where he worked in 1944. The KGB, founded in 1954, was both a spy service and a secret police force, a dual identity which profoundly shaped its espionage work. After a mediocre career in the field, including a stint babysitting Soviet Olympians in Australia, Mitrokhin was demoted and tasked with moving the archives of the First Chief Directorate, the KGB’s foreign-intelligence arm, to a new headquarters. He painstakingly studied the files and took copious notes in cryptic shorthand. His knowledge of the KGB’s methods gave him an edge. He knew, for instance, that the agency monitored people who purchased large quantities of ink ribbons for typewriters, which were used for underground publications. So Mitrokhin used concentrated fruit juice to type up his notes, which he hid in milk churns under his dacha.

Mitrokhin was arguably one of the most important agents of the late 20th century. His files exposed huge numbers of KGB operations and illegals around the world. Some 3,500 counter-intelligence reports were issued to 36 countries, with about 1,000 people identified as Soviet agents. He was also an irascible character, who would come to resent MI6. “There is a saying within the spy world which is rarely uttered outside,” observes Mr Corera. “Defectors defect because they are defective.”

But spy agencies can be defective, too. Mitrokhin had originally proffered his secrets to the CIA, which turned him down and would later have to pay $1m towards his resettlement in exchange for access to the files. “Most defectors went to the Americans first,” notes Mr Corera, as they had “more money and more influence”. (Britain proved nimble with limited resources.)

For Paul Redmond, deputy head of the CIA’s counter-intelligence centre at the time, it was an example of the agency’s post-cold-war “risible naiveté”: the belief that the KGB was dead and that recruiting Russian agents was no longer a priority. In the mid-1990s the CIA is thought to have had fewer than 800 case officers worldwide, down 25% from the cold-war peak.

Its subsequent transformation is the subject of “The Mission” by Tim Weiner, who won a Pulitzer prize in 1988 for his reporting on the CIA. Mr Weiner’s book covers the agency’s frantic post-9/11 years, including the distortion of its intelligence prior to the Iraq war. Mr Weiner meticulously documents a level of chaos, deception and politicisation in the upper echelons of the CIA that put in perspective current debates over Donald Trump's own efforts to reshape and purge the agencies. "The very survival of the agency" was in question in 2004, he recalls.

Mr Weiner also shows how the CIA's role in counter-terrorism changed the identity of the agency. The naiveté of the 1990s was replaced with machismo: in the early 21st century the CIA "looked much more like a paramilitary organisation than a spy service". The 500 CIA personnel in Baghdad were obliged to travel in convoys of three armoured vehicles, which "was not conducive to conducting clandestine meetings with Iraqis", remarks Mr Weiner. Incompetently designed covert-communication systems contributed to the collapse of agent networks in Iran and China.

Traditional human intelligence (HUMINT) would not return to the fore until after 2016, when American spies were blindsided by Russia's meddling in that year's presidential election. The CIA's "Russia House" doubled in size in two years. Recruitment of Russian sources surged. Intelligence was shared more freely with allies. Those efforts all bore fruit in 2021 when the CIA contributed to the exposure of Russian plans to invade Ukraine. That "triumph of HUMINT", as the agency's deputy director called it, exorcised at least some of the ghosts of the Iraq debacle.

Meanwhile, the KGB's descendants in post-Soviet Russia never abandoned their use of illegals. (The programme remains active today.) The spies acquired mythical status, feted publicly by Vladimir Putin and glorified in "The Americans", a popular American television show. But Mr Walker draws a contrast between their intricate cover stories and the paucity of their achievements. As the Soviet system closed itself to the world, the pool of people with knowledge of the West declined, making it harder to produce convincing fake Americans and Europeans. Despite that, the KGB's Directorate S would come to run "the most intense training regimen for any espionage programme in history", with legends built up over years in some cases.

Mr Walker vividly describes a system that churned out deep-cover spies who often cracked under the pressure. "Some illegals might have been callous sociopaths," he writes, "but many were victims of a KGB programme that made a normal emotional life impossible.” “The Illegals” and Mr Weiner’s account of the CIA’s militarisation diagnose the organisations’ pathologies. The lesson of both books is that agencies, regardless of their operational brilliance, can set up spooks to fail. ■

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Culture | Getup to get down

Feather boas and bald caps: the wacky world of concert fashion

Why dressing up is now an essential part of the live music experience

July 17th 2025

LIKE MANY pop stars, Pitbull exudes sexual confidence. In his hit song of 2009, “I Know You Want Me (Calle Ocho)”, the American rapper repeats that phrase no fewer than 16 times. Yet Pitbull seems to have got it slightly wrong. His fans do not want him: they want to look like him.

At every stop on his European tour, fans—most of them women—have been dressing as the artist. They have been donning suits, fake goatees and, crucially, bald caps (see picture). The fact that this looks ludicrous rather than stylish seems to only add to their merriment. In June, when Pitbull was performing in Britain, searches for bald caps surged by an estimated 760%.

The dressing-up trend is harmless fun. Yet it reveals a lot about fandom, and the way people enjoy concerts today. It is no longer the done thing to buy a ticket to a gig and turn up in any old kit: instead, the most committed fans demonstrate their affection for the artist by wearing the right stuff. That means parkas for Oasis, mini skirts for Sabrina Carpenter and cowboy gear for Beyoncé's latest tour.

This is not entirely new: people wore Ziggy Stardust face paint to watch David Bowie perform in the early 1970s and mimicked their favourite Spice Girl in the 1990s. But what has changed is the breadth and depth of fans' devotion to fancy dress. On TikTok hundreds of thousands of #ConcertOutfit videos show fans trading ideas for gigs of all genres. Many start preparing their outfits months in advance. Some talk about what they will wear to an event they have not yet acquired a ticket for.

Chappell Roan, an American singer-songwriter, sets themes for her shows and encourages followers to discuss their outfits on Discord, a messaging platform. Brands and fashion labels have curated concert-specific collections; Fanatics and Complex launched a range with Blackpink, a K-pop group, for the American leg of their tour. "It's a feedback loop," Lucy Bennett, a specialist in fan culture at Cardiff University, says. "Fans start it, artists amplify it and brands follow."

The pandemic provided an impetus. After months of being cooped up at home, people celebrated being in stadiums rather than on the sofa by wearing flamboyant apparel. When Harry Styles's "Love on Tour" gigs were able to go ahead in 2021 after delays, fans copied his outfits and turned up in a riot of colour. (Sales of feather boas, of the sort that he had worn to the Grammys that year, took flight.) By making a special effort, Mr Styles's admirers conveyed that they did not take the concert—or him—for granted.

The same was true of [Taylor Swift's Eras tour](). Tickets were so hard to obtain that many who managed to snag one felt the need to prove their Swiftie credentials. Some created detailed replicas of her past outfits or fashioned looks based on obscure lyrical references. The theme of the tour—a retrospective of the pop star's 11 studio albums—gave fans plenty of inspiration, from the pastel-hued "Lover" record to the snake-themed "Reputation".

Musicians are more likely than other kinds of entertainer to inspire such dedication. According to a study by Deloitte, a consultancy, 37% of people regard their love of a particular musician to be "extremely or somewhat important to their identity", more than their support of a sports team (35%), tv show (27%) or movie franchise (21%). The generations who most cherish their fandom, Gen Z and millennials, are also the generations who strongly value experiences. If you are paying handsomely to attend a concert—the average price of a ticket to Ms Swift's tour was $250, and climbed to $7,000 on resale sites—you may as well go all out.

Concerts today are immersive spectacles with custom-built stages, lavish digital designs, props and pyrotechnics. Clothes offer a way to participate in the extravaganza and feel part of a community of like-minded folk. When fans dress up, it "blurs the line between performer and audience, where the live music show is not just on stage any more, but instead, it's all around you", says Ms Bennett. Watching Pitbull, in short, is a lot more fun if you're surrounded by thousands of people in bald caps. ■

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Culture | Human trafficking

China's child-snatching business

For decades the country's officials turned international adoption into a money-making racket

July 17th 2025

China's one-child policy was not only cruel; it was a failure. Decades of shackling women to beds and forcing them to undergo abortions certainly reduced the birth rate. But it had been falling anyway; coercion may only have hastened a demographic crunch for which the country was ill-prepared.

Today China's problem is too few babies. The statistics worry officials: a working-age population in decline since 2011, and an overall population that has been shrinking since 2022. After a wrenching U-turn, the government now urges women to have more babies, but they pay little heed. Ten years after the one-child policy was turned into a two-child policy, and later a three-child policy, it is too easy to forget how much it still scars the lives of millions of ordinary Chinese. Besides the forced abortions and sterilisations inflicted on violators, there were also crippling fines. And illegal second children were often denied the identity papers they needed to enter public school.

In her book, "Daughters of the Bamboo Grove", Barbara Demick, a former China correspondent for the Los Angeles Times, describes how the policy also led to the widespread seizure of children for international adoption. Experts she quotes reckon 10% of the 160,000 children who were adopted by foreigners between China's legalising of this practice in 1991 and its banning last year were forcibly taken from their birth parents. Often the kidnappings were by family-planning officials, who would give the children—girls, mostly—to state-owned orphanages. As Ms Demick puts it, the orphanages would then "launder" these "trafficked babies", putting notices in local media with invented stories of them being abandoned. The newspapers were not sold in the villages where the children were seized.

Ms Demick's work is based on extensive reporting in China and America, the main destination for the children. It reveals how this trafficking worked and how its exposure in the 2000s devastated adoptees and their new families. Many "viewed China as the most ethical choice for international adoption, unlike Ethiopia or Haiti or Guatemala, where they would have been exploiting the abject poverty of birth parents". The Chinese children may have come from poor families, but the Americans believed they had been abandoned because of the one-child policy. They were saving them from institutional care.

In the first two decades of the policy, many baby girls were indeed abandoned because of harsh enforcement of family-planning measures. But as farmers became richer they could more readily afford the fines for exceeding the birth quotas (which sometimes allowed rural families to have two children anyway if the first was a girl). In the countryside, girls became more valuable: young women were in high demand as workers.

For the orphanages, the shrinking supply of healthy babies was a "catastrophe", the author writes. The $3,000 or more that adoptive families had to hand over to the institutions as a "donation" was a massive sum in rural China. (It had to be given in person in hundred-dollar bills, not added to the adoption fees paid by bank transfer or cheque to China's central adoption agency.) The orphanages, she says, had become dependent on the money—not least in order to look after disabled children being abandoned by families who could not afford medical treatment. Family-planning officials had an incentive to help: "confiscating" babies could induce people to pay fines on which, Ms Demick says, many rural jurisdictions had become "almost entirely dependent" for their budgets.

The author focuses on a case involving the abduction of a twin girl in 2002 and her adoption in America. An emotional reunion with her sister in 2019 (pictured), assisted by Ms Demick, is grippingly described. Such reconnections with birth families in China are increasingly common today. Far less so is China's willingness to acknowledge the outrages that occurred, and punish those responsible. ■

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Culture | Top dollar

What a football shirt can tell you about finance and geopolitics

Kits encode all sorts of information, Joey D'Urso argues

July 17th 2025

ON JULY 13TH Chelsea, a team in the English Premier League, put three goals past Paris Saint-Germain (PSG), of France's Ligue 1, to win the Club World Cup. As well as earning bragging rights—PSG were the tournament favourites—and a gargantuan gold trophy, Chelsea will take home around $110m.

They will be grateful for the payday. Eagle-eyed observers may have noticed that the front of Chelsea's shirt is blank. Since an American consortium bought the club in 2022, the owners have been searching for a lucrative sponsorship deal, with mixed success. Chelsea's peers, meanwhile, are flush with cash: PSG are reportedly paid around $70m a year by Qatar Airways. (Both club and sponsor are owned by the Qatari government.)

For Joey D'Urso, a journalist at the Times, such details matter. In "More Than A Shirt" he argues that football jerseys—and especially the brand names that appear on them—can tell you a lot about economics and geopolitics. Football's governing bodies have excelled at commercialising the sport, he argues, but failed to protect it from questionable ventures.

A generation ago, shirt sponsorship was simpler than the offside rule. Consumer goods companies paid clubs for the chance to reach local fans. At the start of the Premier League era in 1992, Liverpool was sponsored by a beer brand and Arsenal by an electronics company. But as football became more popular globally, the shirts of the most successful teams attracted a broader array of sponsors.

Mr D'Urso describes a deal made in 2006 when a top-flight German team, FC Schalke 04, switched their main sponsor from a local insurance firm to Gazprom, a Russian gas producer. This lucrative deal was a departure from the norm, for "Nobody watching...is going to go out and buy a cubic metre of Gazprom gas," the author notes. Instead, an energy expert says, Gazprom sought out Schalke to improve Russia's image as "the friendly neighbour". It worked. During the course of the deal, an increasing share of German's energy mix was given over to Russian natural gas.

The book's strongest material shows how some leading clubs have accepted sponsorship money without doing their due diligence. In 2021 Chelsea signed a deal with Leyu Sports, an Asian gambling firm. Players were corralled into speaking Chinese in promotional videos and the company's logo was displayed at the team's ground. But when Mr D'Urso tried to track down the firm that claimed to have brokered the deal, he could not prove its existence. Pictures of its employees were stock photos. "Simply put," he concludes, "nobody has any idea who is running these companies." Without this information, teams do not know what they are promoting, even if they are practising "ignorance rather than intentional deceit".

Football has embraced crypto schemes with a similar lack of scrutiny. In 2021-22, all but one of the 20 Premier League clubs advertised a crypto product to their fans. These clubs collaborated with crypto startups to create non-fungible tokens that were intended to be collectables. Mr D'Urso learns that the crypto industry locked onto football because it realised it was "the cheapest way of advertising to young men", a cohort who are more inclined to take financial risks. Prices soon crashed (though crypto has since rebounded).

Mr D'Urso speaks to angry and embarrassed fans. In the absence of sufficient regulation, some believe they have been exploited by their clubs.

Others are surprised that players they considered "legit" would endorse such risky schemes.

A few feel obliged to give sponsors a kicking. Earlier this year Arsenal fans called for the club to end its agreement with Rwanda's tourism board (see picture) after a government-backed rebel group invaded eastern Congo. (The countries have since signed a shaky truce.) Mr D'Urso argues that few, if any, supporters want "to wrestle with complex geopolitical issues". Yet "More Than A Shirt" shows why geopolitics keeps invading the pitch. ■

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Culture | Trickle-down economics

Water bottles, the accessory Gen Z is thirsting after

Oversize tumblers reveal more about fashion than wellness

July 17th 2025

IF YOU THOUGHT a reusable water bottle was a plain, boring receptacle—brought out of the cupboard only for long hikes—then you would be wrong. For Gen Z, a water bottle is both a necessity and a fashion statement. Social media are awash with videos of tumblers. The hashtag #WaterTok has 2.5bn views on TikTok.

Youngsters connect their water bottles “to their outfit and to their lifestyle”, says Matt Navarro, global president of Stanley 1913, a leading brand. They festoon their cups with all kinds of accessories, including stickers and keychains. Some buy straps, snack trays and backpacks for their beakers.

To tap into demand, companies such as Owala and Yeti make bottles in all sorts of colours. Stanley has released collections with pop stars including Olivia Rodrigo and Post Malone. On July 14th the firm announced a new range with Lionel Messi, an Argentine footballer, in a blue hue similar to his national team's kit.

An obsession with "self-care" helps explain the flood of interest, as many believe that water is the secret to glowing skin and mental acuity. This has led to people drinking more, a trend dubbed "hydration inflation". Stanley's most popular cup holds 1,200 millilitres of life-sustaining liquid. The hype is quenching brands' thirst for profit: the value of sales of portable drinkware in America reached $4bn in the year ending in May 2025; some 270m containers were sold in the country, up from 240m two years ago.

Drinking fashions ebb and flow. In the late 1970s bottled water became the cool thing in America, notes James Salzman, the author of a book about drinking water. Luxury brands sprang up; by the 2000s celebrities were naming their favourites. Rumours swirled that Mariah Carey bathed in French mineral water. (She actually performs her ablutions in milk.)

Gen Z is an eco-conscious cohort. Yet the reusable-cup trend is more about style than sustainability. The desire for Stanleys is so great that a secondary trade is thriving: limited-edition cups resell for as much as $800. Talk about liquid assets. ■

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Culture | If it ain’t broke

The rise of AI art is spurring a revival of analogue media

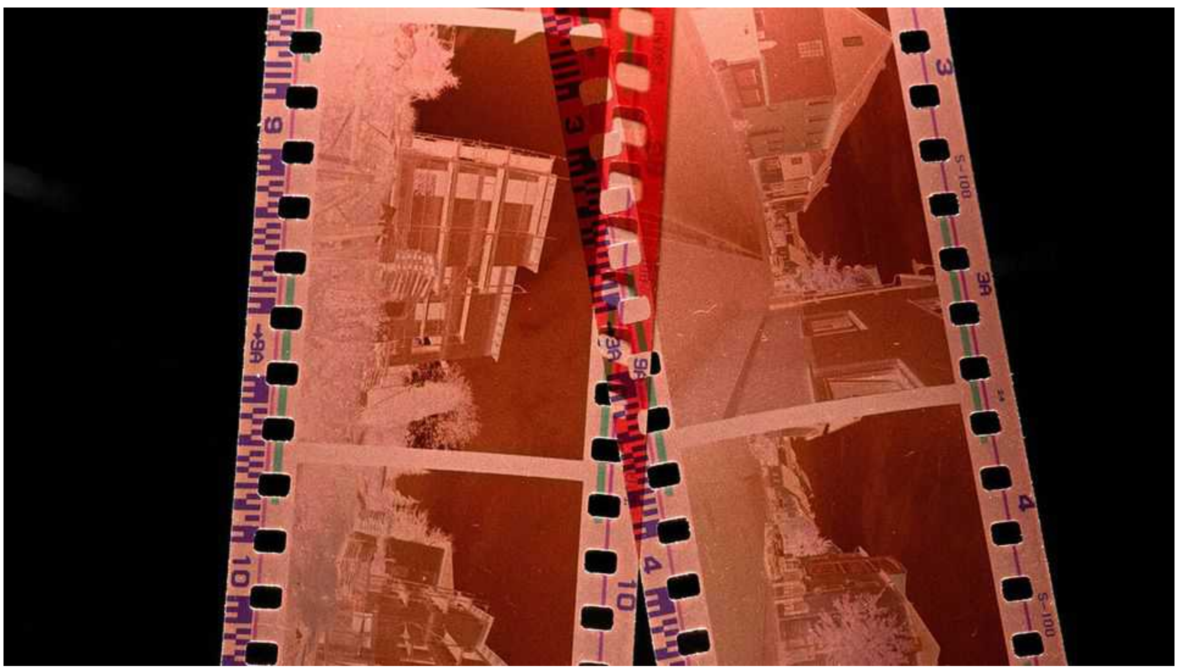
It is not just vinyl. Film cameras and print publications are trendy again, too

July 17th 2025

Walk into Torn Light Records, on Milwaukee Avenue, Chicago’s hipster corridor, and you may feel like you have stepped back in time. Jazz wafts through the speakers. On prominent display is a copy of “Remain in Light”, a cult album released by Talking Heads in 1980. Yet the shop opened last year, having relocated from Cincinnati. It is one of half a dozen record stores on the street, but competition is not a problem: sales have been brisk. “Having people being really interested in physical media again has been great,” says Daniel Buckley, the co-owner.

The vinyl revival has been under way for almost two decades. Sales of LPs and EPs are as high today as they were in the late 1980s, according to data from the Recording Industry Association of America. Last year sales in America rose by 7%, to $1.4bn, or 44m records. "The Tortured Poets Department", an album by Taylor Swift, sold 2.2m copies in the format. Much has been written about how vinyl records have become collectors' items and, particularly for Gen Z, proof of a fan's commitment to an artist. Yet the vinyl boom is only one part of a broader resurgence of analogue media.

Cassette tapes—admittedly a niche format compared with vinyl—are turning up the volume, too. In Britain in the first quarter of this year, sales of cassettes were up by more than 200% on the same period in 2024. (Perhaps buyers have forgotten, or are too young to remember, the frustrating experience of painstakingly winding the tape back to the beginning with a pencil.)



Walk round the corner from Torn Light to Bellows Film Lab, a film shop and processing lab which opened in 2022, and you will find that film photography is also hip again. Demand for film has doubled in the past five years, an executive from Kodak revealed last year, even though the price of film has risen by 50% since 2019.

Cinephiles, like photographers, are seeking out celluloid. Though multiplex cinemas may be struggling to compete with streaming services, arty venues that show 35mm movies using vintage projectors are thriving. Screenings at the Music Box in Chicago or the Metrograph in New York can sell out weeks in advance.

Even the written word is returning to the printed page. Playboy is setting pulses racing once again with its new annual edition. Joshua Kushner, a venture capitalist, and Karlie Kloss, his supermodel wife, hope to breathe new life into Life magazine and have relaunched fortnightly print editions. Umpteen other local or specialist publications in America and Britain—including NME, the Onion and Saveur—have fired up the presses after several years as digital-only titles.

What is driving this resurgence of old-fashioned media? Nostalgia undeniably plays a part. Many find the gentle crackle of a vinyl record or the soft glow of 35mm film to be alluring. And, in a world where everything is instantly available on a screen, tangible items become luxurious.

But the main reason is rage against the algorithm. The analogue trend is a celebration of the old ways of making things amid the artificial-intelligence revolution: consider, for instance, that the vinyl revival coincided with the launch of Spotify.

Jack Savoretti, an Anglo-Italian musician who has had two chart-topping albums in Britain, is a proponent of many analogue methods. One problem with modern technology, he reckons, is the way in which it encourages people to consume music. He draws a comparison with the Slow Food movement, which started in Italy in the 1980s in opposition to fast food: "I enjoy the occasional Big Mac, but it's not the reason I learned how to cook." Spotify's algorithm may be very convenient, but it leads people to listen lazily to unmemorable music. Picking up an LP means making an intentional choice.

The other problem is the produce itself, which often takes people out of the equation. Spotify has been accused of sneaking "ghost artists" onto its playlists: that is, music made by anonymous musicians that it owns the rights to, so as to reduce the share of its revenue it has to pay to record labels. There is a lot of ai-generated music about, too. One AI band called The Velvet Sundown is described by its creator as “an ongoing artistic provocation” and has already racked up millions of streams after being featured on several Spotify playlists this year. According to Deezer, around 20,000 ai-generated tracks are uploaded to its platform every day. To the ears of many, this is not music.

As for photography, most phone cameras already use AI to merge a burst of photos into one. New features offered by Apple and Google now allow users to delete unwanted people or features from a picture—rather like a Soviet propagandist, only for ex-boyfriends or blemishes. Film, by contrast, feels authentic. At the cinema, films on 35mm prints rarely have clunky visual effects or hideous colour grading.

How far will the backlash go? Analogue culture, for all its trendiness, remains a small market. Vinyl records account for just 8% of American music revenues. Kodak is selling more film, but it is far from recapturing its heyday. However, analogue aficionados are trendsetters: they are forcing the digital market to adapt. Fuji now sells digital cameras with “film simulation” modes. Qobuz, a French rival to Spotify, gets employees to write recommendations.

In a world of intelligent robots, the human touch is a selling point. Foodstuffs have long advertised the fact they contain “no artificial ingredients”—perhaps artworks will soon, too. ■

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Economic & financial indicators

Economic data, commodities and markets

July 17th 2025

Economic data

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	Gross domestic product % change on year ago: latest		quarter*	2025†	Consumer prices % change on year ago: latest		2025†	Unemployment rate %	
United States	2.0	Q1	-0.5	0.9	2.7	Jun	2.8	4.1	Jun
China	5.2	Q2	4.5	4.7	0.1	Jun	-0.3	5.0	Jun‡§
Japan	1.7	Q1	-0.2	0.6	3.4	May	3.2	2.5	May
Britain	1.3	Q1	3.0	1.0	3.6	Jun	3.4	4.7	Apr††
Canada	2.3	Q1	2.2	1.0	1.9	Jun	2.1	6.9	Jun
Euro area	1.5	Q1	2.5	1.2	2.0	Jun	2.0	6.3	May
Austria	-0.5	Q1	0.6‡	0.1	3.2	Jun	2.7	5.3	May
Belgium	1.1	Q1	1.6	1.0	2.9	Jun	3.0	6.5	May
France	0.6	Q1	0.5	0.6	0.9	Jun	0.9	7.1	May
Germany	nil	Q1	1.7	0.3	2.0	Jun	2.1	3.7	May
Greece	1.8	Q1	0.2	2.2	3.6	Jun	2.7	7.9	May
Italy	0.7	Q1	1.1	0.6	1.8	Jun	1.9	6.5	May
Netherlands	2.2	Q1	1.5	1.3	2.8	Jun	3.4	3.8	Jun
Spain	2.8	Q1	2.3	2.6	2.3	Jun	2.3	10.8	May
Czech Republic	2.4	Q1	2.8	1.9	2.9	Jun	2.0	2.5	Q1‡
Denmark	2.6	Q1	-5.0	2.6	1.9	Jun	1.8	2.9	May
Norway	-0.4	Q1	-0.3	1.3	3.0	Jun	2.3	4.5	Apr‡‡
Poland	3.2	Q1	2.8	3.0	4.1	Jun	4.0	5.1	Jun§
Russia	1.4	Q1	-2.3	0.9	9.4	Jun	8.7	2.2	May§
Sweden	1.0	Q1	-1.0	1.8	0.7	Jun	2.3	9.7	May§
Switzerland	2.0	Q1	2.1	1.3	0.1	Jun	0.1	2.9	Jun
Turkey	2.0	Q1	4.0	2.8	35.0	Jun	33.8	7.6	May§
Australia	1.3	Q1	0.8	1.7	2.4	Q1	2.1	4.3	Jun
Hong Kong	3.1	Q1	7.9	1.9	1.9	May	1.5	3.5	May‡‡
India	7.4	Q1	9.8	6.2	2.1	Jun	3.9	7.5	Jun
Indonesia	4.9	Q1	4.8	4.7	1.9	Jun	1.5	4.8	Feb§
Malaysia	4.4	Q1	5.1	4.0	1.2	May	1.8	3.0	May§
Pakistan	4.8	2025**	na	3.0	3.2	Jun	4.8	6.3	2021
Philippines	5.4	Q1	4.9	6.1	1.4	Jun	1.6	4.1	Q2§
Singapore	4.3	Q2	5.6	1.9	0.8	May	0.8	2.0	Q1
South Korea	-0.3	Q1	-0.9	0.6	2.2	Jun	2.0	2.8	Jun§
Taiwan	5.5	Q1	7.2	3.8	1.4	Jun	1.9	3.3	May
Thailand	3.1	Q1	2.8	1.8	-0.2	Jun	0.2	0.8	May§
Argentina	5.8	Q1	3.4	5.6	39.4	Jun	40.1	7.9	Q1§
Brazil	2.9	Q1	5.7	2.2	5.4	Jun	5.3	6.2	May§‡‡
Chile	2.3	Q1	2.8	2.8	4.1	Jun	4.3	8.9	May§‡‡
Colombia	2.7	Q1	3.2	2.3	4.8	Jun	4.9	9.0	May§
Mexico	0.8	Q1	0.8	-0.2	4.3	Jun	3.9	2.7	May
Peru	3.9	Q1	5.1	2.8	1.7	Jun	1.8	7.6	Jun§
Egypt	4.8	Q1	-23.0	4.1	14.9	Jun	15.9	6.3	Q1§
Israel	1.4	Q1	3.5	2.8	3.3	Jun	3.4	3.1	May
Saudi Arabia	2.0	2024	na	4.4	2.3	Jun	2.6	2.8	Q1
South Africa	0.8	Q1	0.4	1.1	2.8	May	3.6	32.9	Q1§

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

Economic data

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	Current-account balance % of GDP, 2025†	Budget balance % of GDP, 2025†	Interest rates 10-yr gov't bonds latest, %		change on year ago, bp	Currency units per $ Jul 16th	% change on year ago
United States	-3.7	-5.9	4.5		29.0	-	
China	1.7	-5.9	1.5	§§	-46.0	7.18	1.2
Japan	2.7	-4.8	1.6		54.0	148	6.8
Britain	-2.9	-4.5	4.6		44.0	0.75	4.0
Canada	-0.5	-1.9	3.6		24.0	1.37	nil
Euro area	3.1	-3.3	2.7		26.0	0.86	7.0
Austria	1.6	-4.5	3.0		9.0	0.86	7.0
Belgium	-0.1	-4.4	3.2		28.0	0.86	7.0
France	-0.1	-5.7	3.4		29.0	0.86	7.0
Germany	5.3	-2.7	2.7		26.0	0.86	7.0
Greece	-5.9	-0.2	3.4		2.0	0.86	7.0
Italy	0.9	-3.6	3.6		-13.0	0.86	7.0
Netherlands	8.5	-2.4	2.9		14.0	0.86	7.0
Spain	2.4	-3.2	3.3		3.0	0.86	7.0
Czech Republic	0.5	-2.4	4.3		47.0	21.2	9.7
Denmark	12.9	1.6	2.6		14.0	6.44	6.5
Norway	14.1	9.4	3.9		45.0	10.3	5.2
Poland	0.1	-6.1	5.4		-16.0	3.67	7.4
Russia	2.3	-2.6	14.3		-154	78.2	13.3
Sweden	5.8	-1.4	2.3		26.0	9.76	8.8
Switzerland	7.0	0.7	0.5		-9.0	0.80	11.2
Turkey	-1.7	-3.7	29.9		378	40.3	-17.8
Australia	-0.9	-1.8	4.3		-1.0	1.54	-3.2
Hong Kong	11.5	-5.4	3.2		-16.0	7.85	-0.5
India	-0.5	-4.4	6.3		-66.0	85.9	-2.8
Indonesia	-0.9	-3.3	6.6		-36.0	16,270	-0.6
Malaysia	1.8	-3.9	3.4		-39.0	4.25	10.1
Pakistan	-1.4	-5.2	12.1	†††	-195	285	-2.2
Philippines	-3.1	-5.4	6.2		nil	57.1	2.3
Singapore	14.4	0.2	2.1		-83.0	1.29	4.7
South Korea	3.5	-2.4	2.9		-28.0	1,386	nil
Taiwan	14.9	0.6	1.4		-27.0	29.4	11.1
Thailand	1.8	-5.8	2.1		-48.0	32.5	11.0
Argentina	-2.2	0.4	na		na	1,250	-26.2
Brazil	-2.4	-8.1	14.1		229	5.57	-2.9
Chile	-1.9	-2.0	5.6		-52.0	966	-5.8
Colombia	-2.6	-7.2	11.8		149	4,038	-1.5
Mexico	-0.2	-3.5	9.5		-28.0	18.7	-5.6
Peru	2.1	-2.8	6.2		-68.0	3.55	4.8
Egypt	-4.6	-7.5	na		na	49.4	-2.8
Israel	3.4	-5.7	4.2		-55.0	3.36	8.0
Saudi Arabia	-1.8	-2.9	na		na	3.75	nil
South Africa	-1.4	-4.8	9.9		33.0	17.9	1.1

Source: Haver Analytics §§5-year yield †††Dollar-denominated bonds

Markets

In local currency	Index Jul 16th	% change on: one week	Dec 31st 2024
United States S&P 500	6,263.7	nil	6.5
United States NAS Comp	20,730.5	0.6	7.4
China Shanghai Comp	3,503.8	0.3	4.5
China Shenzhen Comp	2,120.9	0.9	8.3
Japan Nikkei 225	39,663.4	-0.4	-0.6
Japan Topix	2,819.4	-0.3	1.2
Britain FTSE 100	8,926.6	0.7	9.2
Canada S&P TSX	27,153.0	0.7	9.8
Euro area EURO STOXX 50	5,298.1	-2.7	8.2
France CAC 40	7,722.1	-2.0	4.6
Germany DAX*	24,009.4	-2.2	20.6
Italy FTSE/MIB	39,762.5	-2.6	16.3
Netherlands AEX	902.1	-1.8	2.7
Spain IBEX 35	13,885.7	-2.6	19.8
Poland WIG	105,470.7	-0.8	32.5
Russia RTS, $ terms	1,122.2	-1.3	25.6
Switzerland SMI	11,910.8	-0.8	2.7
Turkey BIST	10,121.5	-0.4	3.0
Australia All Ord.	8,816.4	0.4	4.7
Hong Kong Hang Seng	24,517.8	2.6	22.2
India BSE	82,634.5	-1.1	5.8
Indonesia IDX	7,192.0	3.6	1.6
Malaysia KLSE	1,511.5	-1.2	-8.0
Pakistan KSE	136,380.0	2.9	18.5
Singapore STI	4,132.3	1.8	9.1
South Korea KOSPI	3,186.4	1.7	32.8
Taiwan TWI	23,042.9	2.3	nil
Thailand SET	1,157.6	4.3	-17.3
Argentina MERV	2,027,274.0	-4.8	-20.0
Brazil BVSP*	135,511.0	-1.4	12.7
Mexico IPC	56,503.0	-0.3	14.1
Egypt EGX 30	33,473.8	1.0	12.6
Israel TA-125	3,064.0	-2.1	26.3
Saudi Arabia Tadawul	11,038.7	-2.1	-8.3
South Africa JSE AS	97,064.3	-0.2	15.4
World, dev'd MSCI	4,035.8	-0.5	8.8
Emerging markets MSCI	1,239.5	0.9	15.3

US corporate bonds, spread over Treasuries

Basis points	latest	Dec 31st 2024
Investment grade	94	95
High-yield	347	324

Sources: LSEG Workspace; Moscow Exchange; Standard & Poor's Global Fixed Income Research *Total return index

Commodities

The Economist commodity-price index

2020=100	Jul 8th	Jul 15th*	% change on month	% change on year
Dollar Index				
All items	130.9	131.0	-2.0	-0.3
Food	143.2	142.8	-5.3	2.7
Industrials				
All	120.7	121.2	1.4	-3.0
Non-food agriculturals	122.2	121.8	-0.7	-9.2
Metals	120.4	121.1	2.0	-1.2
Sterling Index				
All items	124.2	125.6	-1.2	-3.6
Euro Index				
All items	127.9	128.8	-2.8	-6.6
Gold				
$ per oz	3,292.6	3,346.0	-1.2	36.2
Brent				
$ per barrel	70.2	68.8	-10.1	-18.3

Sources: Bloomberg; CME Group; FT; LSEG Workspace; NZ Wool Services; S&P Global Commodity Insights; Thompson Lloyd & Ewart; USDA; WSJ *Provisional

Obituary

Obituary | The joy of veg

Simon Groot scattered better plant seeds across the world

The seedsman from Enkhuizen died on July 6th, aged 90

July 17th 2025

What started him thinking was a cabbage. Not any old cabbage, but the variety, "Glory of Enkhuizen", which his family company, Sluis and Groot, had produced in that town in North Holland in 1899. It was a beautiful cabbage, round, compact, with a light-green head framed in darker leaves. It could weigh as much as three kilograms, had a sweet flavour, and was easy to grow, as it did all over Europe.

But not here. Simon Groot was walking in the highlands of Java, on a sales trip for the company in 1965, when he came across a field of them. They were a sorry sight, sparse and with misshapen heads. Clearly the seed was not quite right, messed up or mixed in, adulterated somehow; he hated nothing more than bad seed. But it was also clear that these cabbages, which shrugged off frost, did not enjoy a semitropical climate and could not cope with local pests and diseases. Meanwhile the farmers who had sown them, unable to sell them, remained as poor as ever.

For 16 years he brooded on this. It became his mission. In 1981, when Sluis and Groot was sold to Sandoz, he branched out on his own to improve the seeds, crops, trade and nutrition of the tropical parts of the world. The staple grains (especially wheat in India and rice in China) had been hybridised already, with great success, but lowly vegetables had been ignored. He, by contrast, loved them. Producing fine vegetable and flower seed had been the family business since 1867, when venerable, bearded Groots had pioneered the work in Enkhuizen. Seeds had been lucky for the town, too; because of close contacts with local farmers, it did not suffer the famine that followed the war.

For him the vegetables of tropical Asia were a cornucopia of species he had never met before. Amaranth, with grain-heads like huge catkins; kangkong, or water spinach, growing in any fresh water; mung beans, full of protein in both seeds and sprouts; daikon, tatsoi, choy sum. All were packed with vitamins and good nutrition. As a seedsman more used to cauliflowers and potatoes, he was fascinated. As a market man, here was a huge chance.

He surpassed his own expectations. By the 2020s the seeds produced by his company, East-West Seed, had improved the incomes of 20m small farmers in more than 80 countries, from Asia to Latin America to Africa. The company's red-arrow logo was as well-known to them as the sign for Coca-Cola. He also set up a programme in which successful farmers trained their neighbours. With better seed, farmers stayed in farming, market traders had more to sell and consumers had healthier diets. That simple formula lifted everyone.

Seeds came first, carefully bred by cross-pollination to produce the right traits. But the farmers were key. He talked to them constantly, a tall and almost colonial figure in his white clothes and sun-hat, to learn to think with them. Most of them had plots of only one or two hectares, so vegetables were an ideal crop. Routinely, though, the glossy packets they started with had bad genetics inside. They then saved the seed from their crop from year to year, because they were poor and it cost nothing. So, inevitably, their harvests declined.

Yet they were most reluctant to change. When he set up his first base in the Philippines in 1982 and, after many months, produced his first hybridised seed, farmers were loth to try it. The plant was ampalaya or bitter gourd, not unlike a fat, warty cucumber, astringent but useful to bulk out a stir-fry; so many farmers already grew it. The new variety was called “Jade Star”. It could resist downy mildew, its chief threat, but almost all the trial crops failed. Hence the importance of any farmer who had succeeded passing on his knowledge of how to handle the seeds, space them, fertilise and irrigate them. Seed was all about trust: trust that the tiny speck you sowed would grow into the plant you imagined. Both would take time to appear.

Over decades, though, the farmers were won over. When the crops did well, they were extraordinary: healthy, profuse and vigorous. As more vegetables were hybridised, tomatoes began to flourish in the Indonesian lowlands, where they could not grow before; productivity per plant of bird’s eye chili, a Thai favourite, increased by 30-40%, and long beans grew like forests. Farm incomes doubled and sometimes even tripled. Certain cases became famous. One woman did so well with chai sim, a leaf vegetable, that she built a kitchen and bought a motorbike. Another produced a pile of pumpkins worth $3,500 from $6-worth of seed.

Hybridisation meant that seed from the crop could not be kept, because the second crop would be unreliable. But he set the price of new seed as low as he could. In 2017 the company sold 24m “value-packs”, enough for a small plot, for the equivalent of a dollar each. Any profits went to growth and research. The farmers seemed to take this system in their stride. When he visited them in later years they cheered for joy and held parties for him.

In 2019 he was awarded the World Food Prize, a nutritional equivalent of the Nobel. His work, however, was far from done. In Asia he still hoped to shift more farmers away from rice; the world had plenty of that, and carbohydrates, as well as meat, were starting to feature too much in Asian diets. Plants needed constant fortifying to adapt to climate change. And he had barely made a start on Africa, where small farmers were struggling terribly and the potential for growth was so obvious.

In one of his late interviews he appeared with an array of home-grown vegetables in front of him. His tomatoes and French beans, laid out on a dark-wood table, looked as glossy and beautiful as a still life from the Dutch Golden Age. The vegetable he most often chose to pose with, however, was not the "Glory of Enkhuizen". It was the warty, bitter, ugly "Jade Star", which had transformed the lives of his farmer-friends 6,000 miles away. ■


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