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DECEMBER 13TH–19TH 2025

EUROPE'S POPULIST RIGHT

Can they be stopped?

December 13th 2025

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The world this week

The world this week

Politics

December 11th 2025

Cambodia and Thailand blamed each other for the latest spate of fighting along their disputed border, which has displaced hundreds of thousands of people in the affected area and killed 19 so far. The two countries exchanged artillery fire and Thailand sent fighter jets to attack Cambodian bases in the worst clashes since an agreement to cease hostilities was signed in October. Last month Thailand suspended its participation in the ceasefire, claiming Cambodia was still laying landmines.

Japan summoned China’s ambassador to complain about Chinese naval exercises that took place near Okinawa. Tensions are high between the two countries following remarks by Takaichi Sanae, the new Japanese prime minister, that Japan would respond if China attacked Taiwan. Japan also monitored Russian military aircraft in the area. American bombers flew with

Japanese jets in a show of support. South Korea also made an official complaint after Chinese and Russian aircraft entered its air-defence zone.

Hong Kong held elections to its legislature. The government tried to boost turnout with “thank-you cards” that could be used to get shopping discounts. But less than 32% of registered voters cast ballots, barely above a record low in 2021. Only vetted “patriots” were allowed to stand.

Australia’s ban on social media for children aged under 16 came into force. The first prohibition of its kind in the world will be watched closely by other countries considering whether to pass similar measures. The ten biggest platforms, including Instagram and TikTok, are now required to block accounts of the under-16s. Most will use age-inference technology that estimates how old users are from their online activity.

American farmers are to have access to a $12bn government aid package to help them cope with the disruption to food exports caused by the trade wars. The money will be offset by income that the government receives from tariffs.

Donald Trump denounced Europe’s leaders as “weak” and “so politically correct”. He said that mass migration had destroyed their countries, which won’t be “viable” for much longer. Mr Trump’s comments came soon after America published a new national security strategy, which contains the bluntest assessment yet of its divergence from European allies. The document talks of a “stark prospect of civilisational erasure” in Europe, and says America should help the region “correct its current trajectory”.

Volodymyr Zelensky held another meeting with the leaders of Britain, France and Germany, as he shores up European support to resist American pressure for him to concede Ukrainian land to Russia. Mr Trump’s envoys have reportedly told Mr Zelensky to agree to a deal before Christmas. The Ukrainian president did say he was willing to hold an election if America and other allies could guarantee its security at the polls. Mr Zelensky’s five-year term ended last year, which some people in Mr Trump’s circle are using to question whether Ukraine is a democracy.

Lithuania declared a state of emergency over the hundreds of balloons that have been launched from Belarus containing smuggled goods, such as cigarettes. The balloons have forced Vilnius airport to close for dozens of hours in recent weeks. Lithuania says the floating flotillas form part of a "hybrid attack" by Belarus, Russia's ally, aimed at disrupting its infrastructure.

Andrej Babis became prime minister of the Czech Republic after an election in October at which his populist-right party got the most votes. Mr Babis was also prime minister from 2017 to 2021 but has since tilted right. His cabinet will include politicians from the pro-Russia SPD and Motorists for Themselves, a party created to oppose the EU's phasing out of petrol-powered cars.

The French government narrowly won a vital vote in the National Assembly on the social-security budget. Sébastien Lecornu, the prime minister, made concessions to the Socialists to secure their support, such as agreeing to freeze Emmanuel Macron's pension reforms until 2027.

American federal agents seized an oil tanker off the coast of Venezuela. Pam Bondi, America's attorney-general, said the vessel had for years broken American sanctions by transporting Iranian and Venezuelan oil, and that the FBI and other federal officers, with support from the military, had served a warrant. The Venezuelan government described America's action as "theft" and "international piracy".

No winner has been declared in Honduras's election, which was held on November 30th, despite the count being all but complete. Nasry Asfura, the conservative candidate, who is supported by Mr Trump, holds a slim lead. His opponent, Salvador Nasralla, has alleged fraud and demanded a full recount. Left-wing politicians in Congress talked of an "electoral coup" and threatened not to validate the result. Meanwhile, the Honduran attorney-general sought the arrest on fraud charges of Juan Orlando Hernández, a former president who was serving time in the United States for conspiring to smuggle drugs until his recent pardon by Mr Trump.

Amid chaotic scenes Brazil's lower house of Congress voted for a bill that could potentially slash the sentence handed down to Jair Bolsonaro from 27 years’ incarceration to two. Mr Bolsonaro, a former right-wing president, was convicted of conspiring to launch a coup after his election defeat and is being held in a federal jail. The Senate still has to approve the bill and it would be challenged in the Supreme Court.

Less than a week after Mr Trump hosted the presidents of [Rwanda and the Democratic Republic of Congo] in Washington to sign a peace deal, fighters from M23, a militia backed by Rwanda, took control of Uvira, a key city in eastern Congo. It is the biggest escalation in the long-running conflict for months. Dozens of people have been killed and around 200,000 have fled.

Syria celebrated a year since rebel forces led by Ahmed al-Sharaa ousted Bashar al-Assad, the country’s long-time dictator. In a speech to the nation Mr Sharaa, a former jihadist who is now Syria’s interim president, vowed to build a Syria for all Syrians. Since taking control there have been a number of outbreaks of sectarian violence involving forces loyal to his government.

Yasser Abu Shabab, a militia leader in Gaza backed by Israel, was killed in a gunfight. He was the head of the Popular Forces group and had promised to wrest control of Gaza from Hamas, though his fighters were vastly outnumbered.

Israel carried out air strikes on southern Lebanon less than a day after both countries held their first direct talks in decades. The talks were between civilian envoys. Israel has conducted near-daily strikes on Lebanon since a ceasefire was agreed to in November 2024.

The Christmas tree in Bethlehem was lit for the first time since 2022. The tree stands in front of the Nativity Church in the West Bank town. Many Palestinians attended the ceremony and expressed hope that, as the ceasefire in Gaza has largely held, the new year will usher in better times. Bethlehem's mayor acknowledged that "It's been a bad two years."

The world this week

Business

December 11th 2025

Hollywood was enthralled as a blockbuster takeover battle began for Warner Bros Discovery. Netflix submitted a friendly proposal valued at $83bn for most of the company, only to see Paramount mount a hostile bid with a $108bn offer for the whole firm. Donald Trump seemed to pour cold water on Netflix's deal by raising antitrust concerns. Paramount is owned by David Ellison, backed by his father, Larry Ellison, a co-founder of Oracle, who reportedly called the president soon after Netflix made its announcement. For months Paramount had been the front-runner for Warner Bros, which has a huge movie back catalogue, including the Harry Potter films.

Oracle's latest earnings disappointed investors. The software company's outlook of revenue and profit for the current quarter came in below analysts' estimates, and it raised the amount it is spending on data centres by $15bn.

That stirred up market concerns again about the vast sums being splashed out on AI.

The Federal Reserve lowered its key interest rate by a quarter of a percentage point, to a range of 3.5% to 3.75%. Divisions emerged between those arguing for a cut because of weak job growth and those who wanted to leave rates on hold to curb inflation. It was probably the Fed's last meeting before Mr Trump chooses a successor to Jerome Powell as chairman. The president is said to favour Kevin Hassett, the head of the National Economic Council, and will make his announcement early next year.

Proving its success in pivoting to other markets to counter America's tariffs, China's yearly trade surplus in goods rose above $1trn for the first time. The surplus stood at $1.1trn for the first 11 months of 2025, beating the $992bn total for all of 2024. China's exports to America may have plunged, but it has tapped other countries for new business. Exports to the EU have increased significantly, causing Emmanuel Macron to complain about "unbearable" imbalances in trade, which is what Mr Trump used to gripe about.

Mr Trump said he would allow Nvidia to sell its H200 chip in China, providing the American government gets a 25% cut of the proceeds (he didn't say how this would work). The H200 is not as advanced as Nvidia's more recent Blackwell or forthcoming Rubin chips. Despite Mr Trump's loosening of export controls China's government is reportedly discussing ways to limit Chinese firms' reliance on Nvidia; it instead wants to boost its domestic semiconductor industry.

A federal judge struck down Mr Trump's ban on new wind-power projects, which he announced on the same day he took office in January. The order was "arbitrary" and not legal, said the judge, who chided the administration for not sufficiently explaining why there had been such a big shift in established policy. The ruling is a victory for the wind-power industry, though it still has to operate under a hostile American government.

In India the government ordered IndiGo, the country's biggest airline, to reduce the number of its flights by 10% to help stabilise operations. IndiGo has cancelled thousands of flights because of a shortage of pilots and has been criticised for failing to plan for new regulations that extend pilots' rest time. The government said it would temporarily relax those rules for IndiGo, to the fury of the pilots' union.

Guillaume Faury, the chief executive of Airbus, admitted that his company would probably lose the annual competition in orders for planes to Boeing this year for the first time in six years. Boeing has seen strong demand for its 787 jet and has benefited from Mr Trump's support in the trade wars. Airbus still leads in deliveries of aircraft to customers.

Facing pressure from an activist hedge fund to increase shareholder value, PepsiCo laid out plans to reduce costs and improve its core operating margin. The plan was approved by Elliott Management and avoids a drawn out proxy fight; the fund will now not have a seat on Pepsi's board.

Unilever completed the divestment of its ice-cream assets in an initial public offering of shares in the business. Magnum Ice Cream ended up with a valuation of $9.2bn after its IPO on the Amsterdam stock exchange, which is less than had been expected. Investors may be unsure about the prospects for a company that sells sweet, high-calorie food given the craze for weight-loss drugs.

SpaceX is planning to launch an IPO, according to reports, possibly in the second half of 2026. The rocket startup apparently wants to raise at least $25bn from the listing, which would make it one of the biggest IPOs ever. The timing of the potential stock offering could change.

The world this week

The weekly cartoon

December 11th 2025

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

A crisis over using frozen Russian assets to help UkraineEnough dithering. Europe must pay to save UkraineWhat do you do with 191bn frozen euros owned by Russia? [February 2024]

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

Leaders

Leaders | On the rise

Can anyone stop Europe's populist right?

Apocalyptic warnings by mainstream politicians are doomed to fail

December 11th 2025

FOR THE respectable men running western Europe's three biggest countries, misery is heaped upon misery. All are presiding over stagnant living standards and declining global influence. In Britain and France their rivals from the populist right are itching to take power (even the Alternative for Germany, or the AfD, may win a couple of state elections next year). And America, their key ally, has just accused them of hastening Europe towards what it calls "civilisational erasure".

Those three leaders also warn of a catastrophe—if the parties of the populist right should triumph. Friedrich Merz, Germany's chancellor, describes his government as centrism's last chance. After his coalition lost European elections last year, Emmanuel Macron, the French president, spoke about the danger of civil war. This month Britain's prime minister, Sir Keir Starmer, told The Economist that Reform UK was a challenge to "the very essence of who we are as a nation".

The doctrines of the populist right do indeed contain much to condemn. Yet talking about them in apocalyptic terms is doomed to fail. For their own sake, and for the good of their countries, mainstream politicians and their supporters urgently need a different approach.

For one thing, all this doom-mongering smacks of an attempt to draw attention away from their own failures. In Britain, after 14 stagnant years under the Conservatives, Sir Keir's Labour government is spending more on welfare and will impose record taxes even as rapid growth eludes it. In France Mr Macron's law raising the state pension age has been ditched, as his fifth prime minister in three years inches a budget through the National Assembly. In Germany Mr Merz's plan for an "autumn of reforms" came to almost nothing. If the fate of Europe is at stake, why aren't its leaders getting more done?

For another thing, their threats are not credible. Some populist-right administrations are dangerous, others are not. Giorgia Meloni has run Italy much as a conventional politician would. Reform councillors in Britain have so far been fairly normal. True, Viktor Orban's party captured and milked Hungary's institutions, but it may soon be booted out. That doesn't sound like the death of democracy.

No wonder that predicting calamity is not working. As the populists' strength in opinion polls makes clear, a huge number of European voters simply do not believe what they are being told. Meanwhile the elites, alive to the ebb and flow of power, are cosying up to the populists they once shunned. Jordan Bardella of National Rally has been quietly meeting French business leaders. Tory politicians are defecting to Reform, bringing Nigel Farage badly needed legislative and ministerial experience. Only in Germany does the mainstream rule out working with the AfD. Its MPs, the second-largest group in parliament, are even banned from Bundestag vice-presidencies.

All this helps explain why the strategy of demonisation is self-defeating. Mainstream politicians say they defend tolerance and working people, but when they dismiss a large part of the electorate as bigots, they come across as intolerant and smug. And when they warn that populism will destroy their vision of what Europe should be, it encourages those voters who are desperate to shake things up.

If demonisation is failing, what is the alternative? The answer starts with that impatience for change which the populist right harnesses so successfully—and which this newspaper shares. The next step is to scrutinise how likely the populists are to jolt Europe out of its complacency. Engagement can improve bad policies if populists are willing to change them—and if they refuse, it exposes their folly.

The most promising populist project is the economy. When National Rally, Reform and the AfD speak to businesses, they focus on deregulation at both the national level and, for France and Germany, in Brussels. They say they want leaner government and lower taxes. They look to the power of technology. And they complain that the state penalises initiative and risk-taking while spending too much on welfare.

All that is welcome, but it is only half the story. For Britain, France and Germany, European economic integration is the most obvious source of growth. Yet the populists are set on a collision course with the European Union, which would lead to growth-destroying degradation of the single market. The fiasco of Elon Musk's DOGE shows how hard it is to shrink the state well. Mr Bardella wants a wealth tax and was opposed to raising the pension age. After criticism for fantastical spending pledges, Mr Farage now promises more realistic budgeting, but details remain elusive.

On other issues, populists latch onto discontent, but propose solutions that are foolish. Many Europeans worry about immigration, fearing that it will harm public services and change national cultures. But populists, and America's warnings, are out of date: legal immigration has peaked and, with the exception of Britain, illegal immigration into Europe is half what it was in 2023. The populists are also cruel. Talk of mass deportation or language designed to make immigrants feel despised is xenophobic.

Most Europeans do not worry about geopolitics, but they should. At a time when America is ever-less willing to lead the collective defence of Europe, populists echo Donald Trump's dangerous belief that the continent will be safer if it is less united, and if each state pursues its national interests. They also show a blinkered weakness for the autocrats in Russia and China. Vladimir Putin must be cheering them on.

National elections are 18 months away in France, due in March 2029 in Germany and as late as August 2029 in Britain. Much can change in that time. If mainstream politicians spend it shrilly demonising populists, they will doubtless make themselves feel better, but they will not help their countries. They would be wiser to subject governments-in-waiting to the democratic scrutiny they deserve. ■

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Leaders | The national security strategy

More reasons for America's friends to plan for the worst

A strategy that scorns Europe, bullies Latin America and is vague on Asia

December 11th 2025

THE WORLD is becoming used to startling news from Washington. The Trump administration's national security strategy (NSS), abruptly posted on its website in the middle of the night on December 4th/5th, once again left many policymakers, especially in Europe, in a panic. How worried should they be?

Unfortunately, the answer is very, for two reasons. First, because America's foreign policy, although still contested, seems more likely to move in a worse direction than a better one; and second, because the erratic way in which policy is made means that allies cannot depend on anything that they are told, even by President Donald Trump himself and certainly not by his squabbling courtiers.

The 32-page document gives America's oldest and closest friends plenty of scope for alarm. It declares the West's greatest threat to be "mass migration". To prevent it, the document pledges not just to secure America's own borders, but also to support populist-right parties in Europe which promise to secure borders there. It fails to mention even the possibility that Russia might be a threat.

On its worst reading, you could see this as an American suggestion that Europe should fall within Russia's sphere of influence. That is also the logic behind Mr Trump's latest plans to stop the war in Ukraine by using frozen Russian assets to help revive business ties between Europe, Ukraine and Russia (and make money for American firms). This includes Europe once again buying Russian energy, a dependency the Kremlin exploited in 2022. Europe's leaders are rightly sceptical.

Other regions also have cause to worry. The NSS announces that America will redeploy troops to ensure that America remains top dog in the western hemisphere, which will go down very badly in Latin America. The continent still resents 20th-century American campaigns of political interference and gunboat diplomacy. Even so, the "Donroe doctrine", the idea that America must be pre-eminent in its own backyard, has been a feature of its foreign policy since January 20th.

On Asia the picture is more nuanced. The document is much less clear about the threat posed by China than the first Trump administration's NSS, in 2017. Official thinking today seems to be guided by commerce and a desire to preserve a planned April summit between Mr Trump and Xi Jinping, China's leader. News that America will allow Nvidia to sell one of its more advanced chips in China suggests that the administration is ready to sacrifice some of its technological edge over China in exchange for goodwill, however fleeting. Fortunately, the NSS renews America's commitment to deterring attacks on Taiwan, which some had feared was wavering. And yet who can be sure what that reassurance is worth?

The fear among America's allies is that the administration may indeed be moving in the direction the NSS lays out. Washington is abuzz with speculation that those insiders most supportive of America's allies will be out in the coming year or so—among them, Marco Rubio, the secretary of state. More radical MAGA figures are ascendant. But there are limits to what hawkish Republicans in Congress will support. And the intelligence agencies and top military brass are likely to resist or slow down changes they see as rash or unwise. The strategy's slapdash drafting suggests that, unusually for an NSS, it is not the settled view of the administration.

Then there are the views of the boss himself. Asked about the NSS on December 8th, Mr Trump at times appeared unfamiliar with its contents. He is notoriously transactional, and often changes his mind. A document he may not have read is an unreliable indicator of what he will do. But hope is not a strategy. Better for America's friends to plan for the worst. ■

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Leaders | The global economy

Don’t fear China’s trillion-dollar trade surplus

It is a problem not for the rest of the world, but for China

December 11th 2025

Last year the gdp of only 19 countries exceeded $1trn. That puts the latest news from China’s customs administration into stark context. On December 8th it reported that the country’s net exports of goods in the first 11 months of the year had already exceeded $1trn, more than any previous surplus. Even as America whacked tariffs on China, its enterprising manufacturers have expanded into alternative markets and discovered roundabout routes past America’s trade barriers.

The size of the surplus is causing anxiety around the world. “The imbalances we see accumulating today are not sustainable,” said Emmanuel Macron, France’s president, on a visit to Beijing this month. A recent report on China’s export muscle by Goldman Sachs was titled “Beggar thy neighbour". And on December 10th the imf called on China to fix its imbalances. As with many things to do with China's economy, however, a degree of perspective is just as valuable as a sense of awe. The monster surplus is not as scary as it looks. Moreover, it causes problems not for the rest of the world, but for China itself.

For a start, the trillion-dollar surplus counts only physical goods passing through customs. It does not include services, which would subtract about $180bn from the total. It also fails to capture some transactions between multinational firms and local contract manufacturers in free-trade zones on China's territory, but outside its customs border.

A broader measure of China's dealings with the rest of the world is its current-account surplus. This has reached $650bn over the past four quarters (although some analysts have doubts about how it is measured). That is still a big number. But China—trust us—is a big economy. Its surplus amounts to about 3.4% of its GDP. According to the IMF, there were 45 economies with a surplus bigger than that last year. Eight of them are in Mr Macron's European Union.

The focus on imbalances also misdiagnoses Europe's true concern, which is the hollowing out of its domestic industry. The real problem is that European manufacturers now struggle to compete with Chinese carmakers and electronics firms. That would be the case even if China spent much more on commodities and other imports and its trade surplus fell to zero.

Furthermore, China's reluctance to buy foreign things does not extend to foreign assets. In return for its exports, it has bought bonds, extended loans, acquired equities and built factories overseas. These assets represent claims on the future. China is thus selling stuff today in return for stuff in the future. Trade is an exchange. But the exchange does not have to be simultaneous.

China's eagerness to save was once hard for the world to accommodate. After the global financial crisis of 2007-09, everyone wanted to retreat into their shells and spend less than they earned. Central banks cut interest rates towards zero. But there was not enough demand to go round. In that world, China's surpluses could be accused of beggaring its neighbours. Its net exports "drained" demand from countries that were suffering from a shortage of spending.

Things are different now. In many big economies, inflation is at or above the central bank's target. Spending is strong enough to keep unemployment low at home with a bit left over to purchase China's excess production, too. If central banks are worried about a lack of demand, they have room to cut rates, as America's Federal Reserve did on December 10th.

Indeed, China's surplus is more a problem for itself than for the rest of the world. It is the only big country where inflation looks dangerously low. Hiring is weak, consumers lack confidence, and the property market has entered the fifth year of a seemingly intractable slump. The central bank is worried that lower interest rates will hurt banks' margins. And the government is reluctant to do whatever it takes to turn things round.

China's policymakers have instead relied on unexpectedly strong exports to keep growth on track. That could prove to be a mistake. If the trade war spreads to Europe, or the global economy suffers from an ai bust, foreign demand could easily falter. China would then be forced to make a big fiscal push to revive domestic spending.

Its task could be all the harder for having been delayed. The longer gloomy sentiment persists, the less easy it is to dispel. And China could find itself trying to revive the confidence of consumers and homebuyers just as the world economy is wilting. China has become dependent on the spending of foreigners to stabilise its own economy. It is not being anti-social. But it is being unwise. ■

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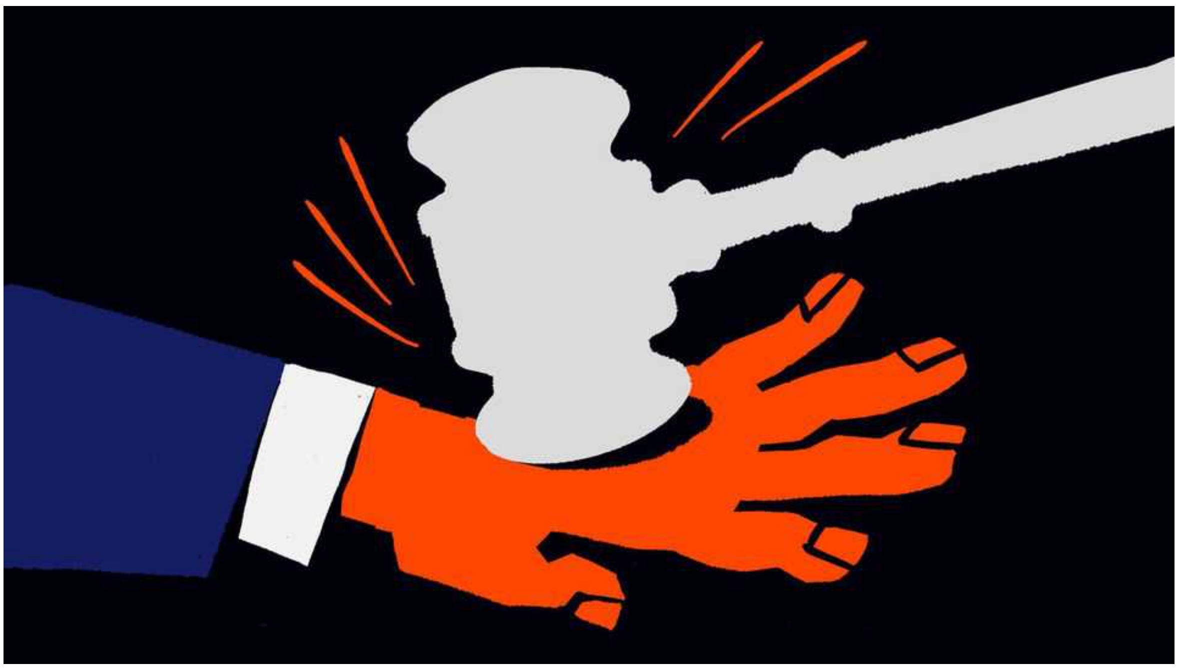
Leaders | A major question

America's Supreme Court should strike down Donald Trump's tariffs

The judges' credibility is at stake

December 11th 2025



America's trade policy might seem to have settled down since the spring, but it could soon take another dramatic turn. The Supreme Court is expected to rule imminently on the legality of roughly half of President Donald Trump's tariffs—those imposed under the International Emergency Economic Powers Act (IEEPA) of 1977. By means of this law, the president claims to have the discretion to set tariffs as he pleases, having declared America's trade deficit and the influx of fentanyl to be national emergencies. Yet three courts have ruled the tariffs illegal. The Supreme Court could concur.

If the tariffs are struck down, the administration will try to use a panoply of other, fiddlier legal authorities in order to tax imports. The trade "deals" Mr

Trump has struck—which are not treaties but just agreements made by the White House—would wobble. Tariffs might be lower overall, but uncertainty and complexity would follow. And if, as is likely, the court authorises refunds to importers who were unlawfully charged, America's economy could receive an unplanned fiscal stimulus of about 0.5% of GDP. Despite all this disruption, though, the judges should rule against Mr Trump.

The case for illegality is strong and straightforward. Under the constitution, the power to levy tariffs belongs to Congress. The administration says IEEPA also grants the president this power in emergencies. Yet the word "tariff" does not appear in the law, which only lets the president "regulate" imports.

Richard Nixon used a similar authority to impose a near-blanket 10% tariff for about four months in 1971. This survived the courts because Congress had, at that time, not adequately specified tariff powers in other laws. The judges who scrutinised the policy denied they were giving the president the carte blanche Mr Trump now claims. Congress then passed the Trade Act of 1974, specifying tariff powers—and imposing on them time limits and procedural requirements, with which Mr Trump would rather not have to bother. But those constrained powers are the ones upon which presidents must rely.

There are further arguments for striking down the tariffs: Mr Trump's trade-deficit "emergency", for example, is a sham. Yet the wording of the law is the most important, because it offers a stress test for the integrity of the Supreme Court. The conservative majority on the bench has spent years arguing that vague language cannot be used to smuggle in vast executive powers—that "Congress does not hide elephants in mouseholes." The more profound the effects of the policy, the clearer Congress's authorisation of it needs to be.

It was on the basis of this idea, known as the "major-questions doctrine", that the court struck down Barack Obama's Clean Power Plan and Joe Biden's forgiveness of student loans, among other policies. The doctrine protects Congress from an imperial president, who could otherwise veto any attempts by legislators to reclaim powers a White House asserts as its own.

The justices may be tempted to argue that the doctrine does not apply to foreign policy, which is the president's terrain. Yet that would not be credible. Mr Trump's tariffs, including those set by other laws, are a tax of huge domestic significance; they are expected to raise $2.5trn over a decade, which would be paid by American firms, and much of the bill would be passed on to American consumers. If the court carves out an exception for them, the major-questions doctrine will seem to apply only to the power wielded by Democrats. That will be especially damaging given that in recent cases, such as whether the president can sack the heads of independent agencies like the Federal Trade Commission, the court's jurisprudence favours the administration.

The consequences of striking down the tariffs would be disruptive in the short term, but failing to rein in Mr Trump would be worse. It would concentrate power dangerously in the White House. Allowing a single individual to set taxes on a whim is a recipe for grubby favouritism. And IEEPA could then be used by future administrations in ways that Republicans will not like. Imagine a future Democratic president declaring an emergency over racial injustice, and placing tariffs on products with insufficiently diverse supply chains, or using a climate emergency to impose a carbon border tax.

Optimists say the Supreme Court is one of the few institutions where politics does not outweigh everything. Left-wingers doubt this, seeing conservative jurisprudence as little more than a front for the president's priorities. This newspaper hopes the optimists are right. If the conservative majority is committed to its principles, it will quash IEEPA tariffs and send Mr Trump back to the drawing board. ■

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Leaders | Entertainment

The battle for Warner Bros is a prelude to the real streaming war

Professionally made shows face tough competition from independent makers

December 11th 2025

Hollywood has produced another gripping drama. Netflix's and Paramount's $100bn battle to buy Warner Bros Discovery has juicy plot ingredients, from an ambitious billionaire to mysterious Saudi investors and even a cameo from the president's son-in-law. As the studio weighs its options, expect weeks of entertainment.

The sale promises to shake up the streaming wars, in which Hollywood studios are fighting for subscribers. Paramount, a smallish studio, craves scale to compete with the big dogs. Netflix, far in the lead, wants more content for its huge library. But the focus on the streaming wars misses a bigger storyline.

For all the billions lavished by studios on new films and TV shows in recent years, audiences are spending ever more time watching stuff made outside Hollywood, often by amateurs. The most popular source of video distraction in America is not Warner Bros or any of its suitors, but YouTube. The Google-owned platform accounts for 28% of streaming on TVs in America, against Netflix's 19%. This is before you include the hours spent scrolling on mobile phones.

Hollywood honchos say their business is different from the slapdash online videos made for watching while on the toilet. They are right, but the difference is shrinking. First, consider technology. Social platforms are suited to mobile screens, but their videos are increasingly viewed on TV: Americans spend longer watching YouTube on tv than on their phones. At the same time Hollywood is relying less on cinemas in favour of TV, and moving to even smaller screens. In poor countries where viewers are more likely to watch long-form video on their phones, they offer mobile-only plans.

Second, business models are converging. As streaming platforms seek new audiences, they are moving beyond subscriptions into advertising, once the turf of social media. At the same time, those social platforms are pushing into subscriptions; YouTube's no-ad plans (which include music) have more than 125m subscribers, around the same as Warner Bros.

The third area of overlap is the most contested: content. Streaming platforms are getting into formats popularised on social media. Amazon Prime Video has a series starring MrBeast, YouTube's biggest star; Netflix plans to show video podcasts from Spotify; Chinese studios are producing "micro dramas", two-minute episodes in series 90 episodes long. Meanwhile social platforms are showing more television-like content. YouTube chatshows such as "Chicken Shop Date" are stealing audiences from the traditional man-on-sofa format of late-night TV; and they are now stealing A-list guests, too. Artificial intelligence is helping narrow the gap between professional visual effects and amateur ones, and making things like foreign-language dubbing available to all. Professional media firms increasingly use social channels for their distribution (you can find Economist videos on TikTok and the like).

This new competitive landscape means that trustbusters should not rule Netflix out of the Warner race, as many in Hollywood argue. It may be dominant in streaming, but under the broader market definition it is a smaller actor. For the same reason, Paramount is stronger than it looks. It may be only a supporting actor in Hollywood, but the Ellison family, who control it and support Donald Trump, have been named by the president as part of a group that will run the promised American version of TikTok. Having a hand in both professional and social media promises to make them powerful, too.

Hollywood says its premium content will prevail in this new war. The bids for Warner, which reflect a high valuation of its back catalogue and intellectual property, suggest the professionals are putting their money where their mouth is. But whoever wins the battle for Warner faces a bigger contest ahead. ■

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Letters

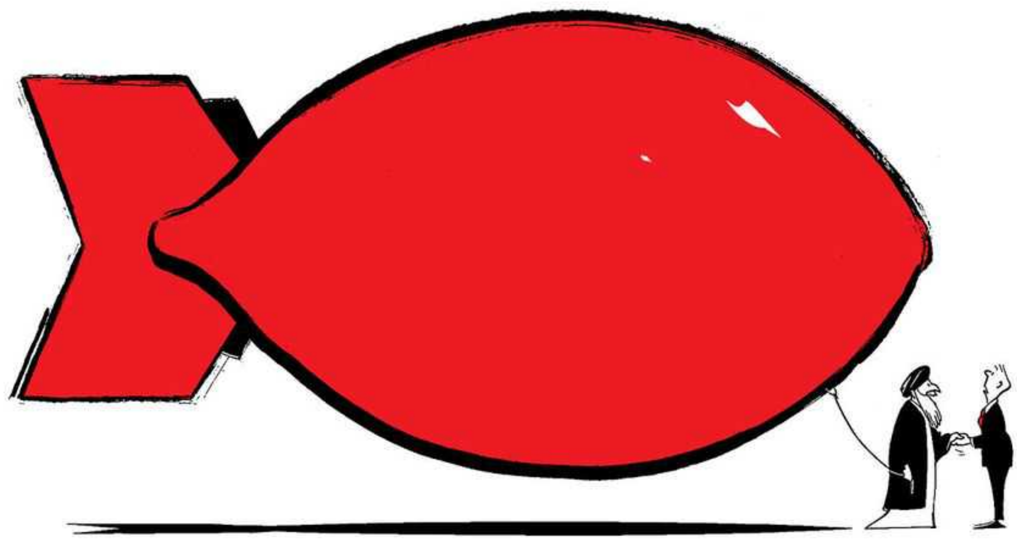
- Has repression in Iran been curtailed?

Letters | A selection of correspondence

Has repression in Iran been curtailed?

Also this week, Germany and China, child care, quantum computing, carrier pigeons, trees, smiling at work

December 11th 2025



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Your briefing on Iran claimed that the morality police have curbed their efforts, and that the country's leaders want a "fair and balanced deal" with America ("Emollient mullahs", November 29th). You seem to want the West to heed these overtures and resume negotiations. Unfortunately, the version of Iran that the regime wants you to see is far from the truth on the ground.

Repression has not been curtailed. Executions in Iran in 2025 are at the highest level since the purge of communists in the 1980s. Arrests of journalists and critics have if anything increased since the 12-day war with Israel. And misogynistic, patriarchal laws continue to be passed in parliament.

Contrary to your claim that Iran feels defeated, regime insiders genuinely believe that they won the war, and that Iran's missiles forced Israel into a ceasefire. Those close to the government claim in private that the symbolic attack on an American base in Qatar took out a key radar installation that will hinder future Israeli operations. In the false belief that the next Iran-Israel war will look like the last one, the regime is already busy producing missiles, dispersing assets and making contingency plans for the death of key commanders. A country that believes it can win a war will not seek peace.

Ali Khamenei and his clan have never been serious about negotiations, or opening up to the world. Even after the Joint Comprehensive Plan of Action with the West, orders were passed down that the deal should not "bear fruit". Donald Trump's withdrawal from the JCPOA was a gift to the Iranian hardliners, and they have since used the North Korean negotiating strategy of pretending to negotiate in good faith, while deliberately making sure no deal is ever reached.

Taking Abbas Araghchi at his word ignores the truth that the foreign minister and the government hold no true power. All decisions are made in the leader's household. The regime presents a false front to the world in the hope of buying legitimacy, attention, and more time to repress the Iranian people and loot Iran's riches.

Yasin KayLondon

I enjoyed your Drum Tower episode on Germany's China policy (November 18th). You wondered if there was a German term for "counter-strategies against de-risking". May I suggest Risikominderungsgegenstrategien? One may quibble that de-risking and risk mitigation are not entirely the same. But Germany will never be able to shed China-related risks entirely. Even in a hypothetical scenario of complete decoupling there would be the risk of missing out on the Chinese market. So, risk mitigation/Risikominderung essentially captures the idea of de-risking quite well.

Prof. Dr Björn AlpermannChair of contemporary Chinese studiesUniversity of WürzburgWürzburg, Germany

As the leader of the non-profit association of for-profit child-care providers, I was disappointed with your article on private equity and child care in America ("Pay to play", November 22nd). You placed a large focus on one of our providers, KinderCare. After one year at the company, Connecticut employees' salary rises to $19.35 an hour and will increase in the new year. They offer their employees in Connecticut, and nationally, a comprehensive benefits-package of health, dental and vision insurance, a retirement plan, continuing education benefits and discounted child care.

In the spirit of comparison, note that KinderCare's tuition costs nearly $500 less per month per infant than the competitor you cite in Greenwich. Additionally, 30% of KinderCare's students are served by the state government's subsidy program, Care4Kids. Finally, it is worth pointing out that KinderCare does not even operate in Greenwich, which is one of the state's most affluent communities, and probably has higher salary rates as a result.

We are proud that nationwide, one-third of our providers exceed baseline provider-to-child ratio requirements and nine in ten of our providers exceed licencing requirements for safety. Such factors matter to parents as they search for the right child-care options.

It is no secret that our providers draw funding from diverse sources: family investments, bank loans, public investments, and long-standing or new private equity. These investments enable growth, innovation and family choice.

Radha MohanExecutive directorEarly Care and Education ConsortiumWashington, DC

You reported that Britain is well positioned to take a lead on quantum computing globally because of its strong research base and vibrant startup community ("Quantum reap", November 22nd). Britain has also been pioneering a unique government-funded national laboratory, the National

Quantum Computing Centre, which is nurturing seven firms developing quantum-computing testbeds across various hardware technologies.

Quantum computing is still perceived to be at a relatively nascent stage, so firms might be reluctant to invest in the technology because of the uncertain returns. Our pilot study of the NQCC testbeds showed that formulating a common vision of quantum computing and building a business ecosystem are essential for scaling up. The government, acting as a customer through the NQCC programme, offers a unique opportunity to de-risk the technology's development. This programme could demonstrate how quantum computing can address grand challenges such as climate resilience and financial stability. This framing will facilitate co-ordination and align incentives among firms to develop quantum-computing applications.

Once the "proof of concept" is demonstrated, it will catalyse private-sector innovation. This will enable Britain to accelerate the benefits of quantum computing to enhance society and contribute to economic growth. The time for Britain to lead is now.

Chander VeluProfessor of innovation and economics University of Cambridge

If we can't trust the BBC to report the news, who can we trust (Letters, November 22nd)? When Paul Reuter started his news agency in the 1850s he used 45 pigeons to convey news and share prices between Brussels and Aachen, to fill the gap between the endpoints of the telegraph service. During the war a pigeon named Gustav was in the service of the RAF. On D-Day he was loaned to Montague Taylor, a Reuters correspondent accompanying the allied invasion.

Under radio silence it was Gustav who brought the news of the first allied landings. The message strapped to his leg read: "We are just 20 miles or so off the beaches. First assault troops landed 0750…no interference from enemy gunfire on beach. Passage uneventful…Formations Lightnings, Typhoons, Fortresses crossing since 0545. No enemy aircraft seen." Gustav's message from the English Channel was relayed to London and then on to a delighted American president.

ROBIN LAURANCEOxford

Your discussion of Indonesia's fiscal policy mentioned that the government plans to spend more than half of the Saldo Anggaran Lebih, or accumulated budget surplus ("Raiding the rainy-day pot", November 8th). The placement of SAL in state-owned banks (Himbara) is not the same as spending those funds. It merely represents a placement of state cash balances from the central bank (Bank Indonesia) to commercial banks ensuring that the overall level of SAL remains unchanged.

The move has been carried out prudently with the aim of stimulating credit growth. The government also affirms that the shift will not undermine the availability of funds required for budget execution toward the end of the 2025 fiscal year. The government can withdraw these funds whenever needed.

Deni SurjantoroHead of the bureau of communicationIndonesia Ministry of FinanceJakarta

The Free exchange column on "tree murders" (November 15th) among America's coastal gentry reminded me that even the humblest trees fare no better. The Sahara's solitary Tree of Ténéré survived centuries of caravans, drought and shifting dunes only to be struck by a passing truck. Britain's Sycamore Gap tree fell to two vandals with a chainsaw.

Zubin AibaraBülach, Switzerland

Regarding Bartleby's question of whether retail workers should be instructed to interact with customers (November 15th), many years ago I worked as an executive at a large international retailer. On a visit to a new store in Russia I asked the local manager why none of our people, at any level, smiled at customers. She replied that if you smile, people think you are an idiot.

Tony WilliamsBeaconsfield, Buckinghamshire

By Invitation

- It’s time Europe got to grips with the MAGA challenge, writes Mark Leonard

By Invitation | Make Europe Centrist Again?

It's time Europe got to grips with the MAGA challenge, writes Mark Leonard

How Donald Trump can be used as a weapon against his ideological allies on the old continent

December 11th 2025

Many European leaders are in a bind. They find themselves dependent on security guarantees from an American president who supports the political parties that pose the greatest threat to their own political survival. Deft diplomacy, increased defence spending and flattery have so far averted a catastrophe in Ukraine. But Europe's leaders, by concentrating on the short-term policy emergencies stoked by the White House, are missing a deeper and longer-term maga challenge: the ideological one.

To talk to the thinkers and politicians of the "new right" movement is to know that it's transatlantic, and a politics of today. The Trump administration’s recently published National Security Strategy accuses mainstream European governments of inviting “civilisational erasure” and “subversion of democratic processes”. It signals its determination to “cultivate resistance” in Europe by working with maga’s fellow travellers across the continent, from Reform uk to the Alternative for Germany (afd).

In Europe, as in America, the starting-point of this movement is a critique of liberalism and the globalisation unleashed after the cold war. It claims this has left citizens at the mercy of a series of crises: the 2008 financial crash, the migration crisis in 2015, the pandemic in 2020 and the cost-of-living spike after Russia’s invasion of Ukraine in 2022. Each successive crisis damaged the standing of the liberal centre by overwhelming the state and raising questions about whose side it was on.

The new right on both sides of the Atlantic has sought to build a new social base by courting those on the wrong side of these crises: often working-class voters who have suffered from a relative loss of status and wealth. This appeal is enshrined in a radical policy agenda—on immigration, trade, foreign policy and the reinvention of the state—linked to the idea of recreating a national identity. Border control can be used to determine who is an authentic citizen, and who should be expelled. Tariffs can be used to recreate a national production economy around the dignity of work. Foreign policy is recast around a very narrow definition of the national interest. And it is all made possible by waging war on the “deep state” and the “experts” who upheld the liberal agenda.

To get its message across, the new right has exploited the fragmentation of the public sphere into disconnected digital tribes. New parties bypass establishment media and have come to dominate the new information space, whether on TikTok or Telegram. Figures like Elon Musk and J.D. Vance use social media as a megaphone to support far-right parties or figures once considered beyond the pale, from the afd to Tommy Robinson. They use a weaponised definition of “free speech”, which doesn’t distinguish fact from falsehood, to “flood the zone” with their causes.

So in Europe, as in America, the new right has the narrative, the social base, the policy agenda and the communications channels to thrive. And the

European and American new right are co-operating in forging that new politics.

How should Europe's mainstream leaders respond? First, they must develop a counter-narrative, social base, agenda and communications strategy of their own, geared towards working-class voters. There is no perfect answer, but there are a number of positive examples. In Denmark Mette Frederiksen, the Social Democrat prime minister, has mapped out solid ground to counter the right on migration. Rather than mimicking right-wing attacks on race, she turned the question of migration into an argument about how best to defend the welfare state. In the Netherlands Rob Jetten took his left-leaning D66 party from fifth place to pole position by winning over centrists and conservatives with a message of hope and reclaiming the Dutch flag from the populists.

Second, the European mainstream can exploit the fact that it is possible to break the transatlantic membrane by using Donald Trump as a weapon against the Euro-maga crowd. Mark Carney and Anthony Albanese showed the path in Canada and Australia, respectively. They were quick to realise that populist tribunes can no longer simply pose as nationalist challengers when they are part of a transnational revolutionary movement.

Some populists, including Reform UK's Nigel Farage and National Rally's Jordan Bardella in France, have already begun to disassociate themselves from Mr Trump—though the fact that their politics is similar to that of the most powerful leader in the world gives them some of the disadvantages of incumbency, and they need to explain where they stand in relation to his policies. Brexit became a millstone round the necks of Europe's hard right as the self-harm of leaving the eu was revealed. Polling by the European Council on Foreign Relations shows that the same could be true of the movement's bonds with Mr Trump, with large majorities across Europe thinking his re-election is bad for their countries.

Smart European leaders explain that the measures they are taking to please Mr Trump—from increasing defence spending to reducing energy dependence on Russia—are things they would need to do anyway. They're right. But the same is true of what they need to do to respond to maga in Europe. The European new right may take inspiration from Mr Trump, but its long-term challenge to the continent's establishment has grown on home soil, from real European needs. By defending national sovereignty from the American leader's attacks, liberal European leaders can rebuild support in communities that have long felt left behind and find answers to problems that have long been allowed to fester. If they do that, Mr Trump will not be just a populist firecracker. He will also be a catalyst for a new centrist European politics. ■

Mark Leonard is the director of the European Council on Foreign Relations. He has spent the past year talking to leading new-right politicians and strategists in a dozen countries.

Briefing

Briefing | Right riveting

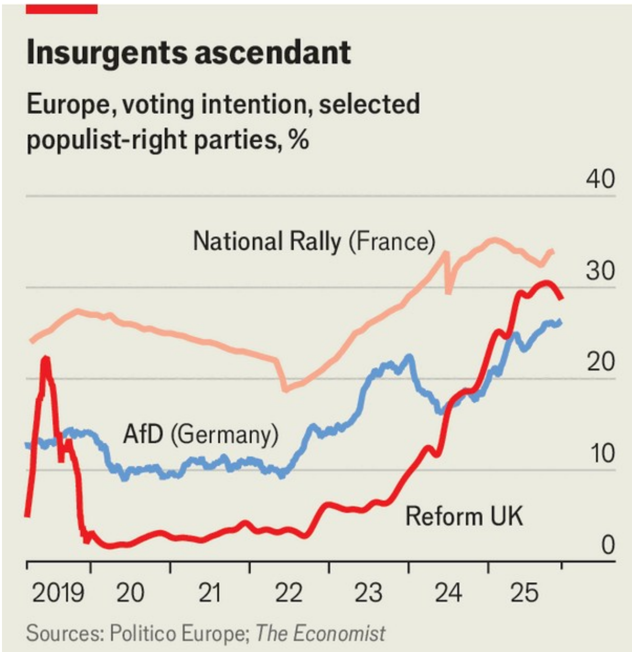
The populists of Reform UK, already topping the polls, may climb higher

Claims that it has hit a ceiling are probably wishful thinking

December 11th 2025

REFORM UK, the right-wing populist party led by Nigel Farage, won just five of the 650 seats in Britain's parliament in last year's elections. Yet it has since become the country's best-polling party, with almost 30% support (see chart). If an election were held tomorrow, it would have a roughly 75% chance of winning the most seats. In a matter of months, in other words, it has raced from the periphery of politics to its very core.

Some, especially in Britain's embattled mainstream parties, cling to the hope that Reform's support has reached a ceiling over the past six months. It is, after all, plagued by scandals. Nathan Gill, a former Reform bigwig, was jailed for over ten years last month for taking bribes to make pro-Russian speeches. Mr Farage has appeared shifty and evasive over claims that he subjected classmates at school to racist taunts. Yet new research suggests that Reform still has lots of scope to grow.



Jane Green of the Nuffield Politics Research Centre at the University of Oxford and Marta Miori of the University of Manchester have looked at data from the British Election Study, which interviews the same people over time to track how political attitudes change. Most of Reform's gains have come from voters who previously supported the Conservative Party, Britain's main right-wing party for over a century. Almost 40% of the remaining Conservative voters say they may also switch to Reform. In addition, there is a pool of former Conservative voters who claim to be undecided but appear open to Reform.

The proportion who will actually switch is unknowable, but the researchers note that defectors to Reform tended to underestimate how likely they were to switch before they did so. Only 69% of those who broke ranks in the year after the election had indicated that they might do so. Some eventual defectors had claimed they were very unlikely to switch.

This is not a forecast, stresses Dr Green, but a best-case scenario for Reform. Potential defectors may sour on Mr Farage if the scandals grow. Above all, a further mass migration of Conservative voters hinges on the perception that Reform is more capable of ousting the current Labour government. The cues that voters take from Reform's performance in elections in May for the Welsh and Scottish parliaments and for local councils in much of England will be vital. Success may beget electoral success. "We could see Nigel Farage saying, 'You're wasting your vote with the Conservatives, if you want to keep out Labour,'" says Dr Green.

That would constitute a revolution in British politics. Labour won the election last year in a landslide because the right was divided. If Reform were to reunite it, it could sweep to power while sidelining the Conservatives, hitherto one of the world's most successful political parties.

How different would that world be in practical terms? In some respects, radically. Mr Farage's electioneering already owes much to the fireworks and thundering music of Donald Trump's stadium rallies. He would also govern in a more presidential style, appointing a cabinet of business executives, generals and doctors since Reform has so few tested MPs to call on.

Some policy reversals would be jarring. Reform wants to deport an average of 120,000 people a year that it says have no right to be in Britain, a plan it dubs "Operation Restoring Justice". It would also like to deregulate cryptocurrencies and create a "sovereign Bitcoin reserve". Zia Yusuf, its head of policy and Mr Farage's right-hand man, insists the party would remain "strong supporters" of Ukraine, but other figures speak disdainfully of mainstream politicians suffering from "Ukraine brain".

Yet Reform still has much in common with the Conservatives. Its ranks are slowly filling with defectors from them. There is Malcolm Offord, a former minister; Danny Kruger, once a speechwriter for David Cameron, a former prime minister; and a raft of jobless former MPs. Reform's biggest recruit is Christopher Harborne, a businessman and former Conservative donor, who has given the party £9m ($12m)—a fortune by the shoestring standards of British politics.

Reform's ideology reflects the synthesis on the right in Britain, as the old ideas of the Conservative Party fuse with Mr Farage's nationalist populism.

In a bid to stem the loss of voters, the Conservatives have adopted Mr Farage's main ideas, including hostility to immigration, the European Union and the European Convention on Human Rights, disdain for the civil service and suspicion of greenery. The Conservatives have also embraced populist gimmicks: when last in government, the party toyed with installing wave machines in the English Channel to repel migrant boats.

Reform, meanwhile, is looking more like the Tories as it seeks power. Mr Farage's past promises of lavish tax cuts have been dropped for a pledge of fiscal responsibility. The party's staff are more professional. In Mr Yusuf's telling, what has failed is not conservative causes such as support for the family, free enterprise and national defence, but the institution of the Conservative Party in living up to them. "Those ideas live on through us," he declares. The resulting agenda—fiscally conservative, tech-friendly, hawkish on migration and shrill on culture—describes the most recent Conservative government. To see where Reform would begin, look at where the Tories ended. ■

Briefing | Growing without restraint

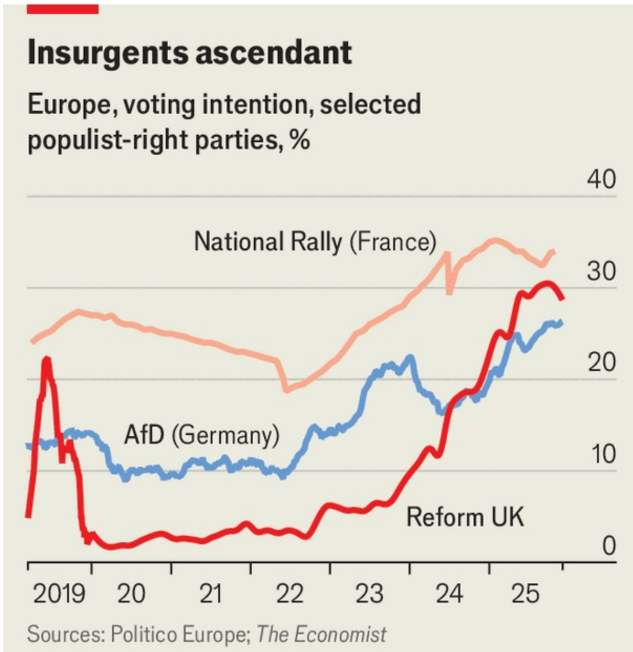
The Alternative for Germany is the leading party in some German polls

Despite retaining its far-right positions

December 11th 2025

YOU DO NOT need a short back and sides, a razor-sharp side parting and half a tub of hair gel to join "Generation Germany", the youth wing of the populist-right Alternative for Germany (AfD) party, but it certainly helps. In late November these haircuts abounded in Giessen, a student town near Frankfurt, at an event to mark the group's founding. And if the description seems to exclude women, that is apt, for very few were there.

The youth branches of German political parties are always dominated by purists. But Generation Germany goes further. Speaker after speaker takes to the stage to urge the "mass remigration" of foreigners away from Germany. A race-baiting story about a violent Muslim boy in a school playground wins the day's biggest cheer. Another speaker tosses out Hitler Youth slogans. Stalls outside the conference hall, meanwhile, offer visitors a diet of far-right red meat, from maps celebrating the Reconquista of Spain to "Defender Protein", an "unwoke" brand of protein powder.



The whiff of extremism in Giessen highlights a puzzle. In many parts of Europe populist-right parties have moderated as they have grown, shedding unpopular policies and personnel. The AfD, which is polling around 25%, as much or more than any other party, is certainly professionalising. Generation Germany takes over from a rowdier outfit the party had struggled to control. "We've long since outgrown our infancy, and must act and behave accordingly," says Sebastian Münzenmaier, an MP and one of the chief architects of the AfD's smartening-up. In Giessen your correspondent hears nothing but praise for the party's leadership from the disciplined young delegates he meets. The speech of Alice Weidel, the party's co-chair and best-known leader, is received with a hearty cheer.

But, adds Mr Münzenmaier, "professionalising structures, organisation and strategy doesn't mean watering down our positions." In substance the AfD is, if anything, growing more radical. In May Germany's domestic intelligence agency formally labelled it extremist, a decision on hold while the party appeals. Björn Höcke, its leader in the east German state of

Thuringia and its most outspoken firebrand, has twice been convicted of knowingly using a Nazi slogan. Party leaders have been forced to make peace with him and the voters he attracts, especially in east Germany. Senior figures in the AfD who were uncomfortable with this have quit or been forced out—several have given lachrymose interviews lamenting their failure to keep the extremists at bay. By accident or design, the party now has figures like Ms Weidel, a former banker at Goldman Sachs, who can attract more moderate voters, as well as the likes of Mr Höcke. The two "look like a division of labour to me, not a disagreement on substance," says Kai Arzheimer of the University of Mainz.

At any rate, all strands within the party are united by its focus on "migration and nativism", says Anna-Sophie Heinze at the University of Trier. Party leaders insist that their ever shriller talk of remigration is merely a call to follow the law in the case of Germany's many failed asylum-seekers. Yet to attend the party's events and to read its literature is to observe a political movement high on racial fury, raging against the multicultural society Germany has become. A speaker in Giessen urges deportation on such a scale that "the runways glow red hot". Ms Weidel may not use this language, but nor does she curb it.

Beyond this, however, tensions on policy are easy to find. Small-state Eurosceptic liberalism, present at the AfD's creation as an anti-euro outfit in 2013, remains dominant. Its manifesto this year promised big, regressive tax cuts. It opposes the government's heavy, debt-funded spending on defence. But this wing of the party, more or less represented by Ms Weidel, coexists with a "welfarist" strain, especially in its eastern branches, that rails against globalisation and financiers. The AfD promises to raise the "pension level"—the proportion of an average salary an average worker can expect in retirement—to a ruinous 70%, up from 48% today, itself a level that most economists regard as unsustainable. The German Economic Institute estimated that the AfD's election promises would raise the deficit by four percentage points.

"At the moment the party can live with these contradictions, but in a few years it may start to matter," says Reiner Becker of Philipps University in Marburg. It helps that Donald Trump has all but endorsed the AfD. "It feels good to know that the most powerful country in the world backs Christian values, fighting Marxism, globalism and wokeism," says Beatrix von Storch, the deputy leader of the AfD's MPs.

The AfD won 21% of the vote in February's federal election. It is now neck-and-neck with the CDU/CSU, the biggest party in the governing coalition and hitherto the main force on the right. Its base is the 10-12% of radical-right voters, but it also won lots of defectors from almost every political party bar the Greens and the hard left. The AfD has eaten into conservative support in the wealthy south and hurt the Social Democrats in the post-industrial west.

Its staunchest support comes from middle-aged men, typically without a university degree and living in a small town. It has started to make inroads with younger male voters; it struggles to attract women but has begun to close the gap. Ominously for mainstream parties, a growing share of the AfD's voters seem to back the party from conviction rather than desperation: 61% of AfD voters in February said their decision was "very easy", a higher share than any other party. "We have changed from a party of protest to one of hope," says Maximilian Krah, an AfD MP.

There is plenty more scope for growth. A recent paper by Julius Kölzer at Humboldt University and colleagues finds that the AfD does well in places "where manufacturing levels are historically high and industrial decline is looming", a description that applies to large parts of western Germany. Industrial production is tanking, the economy is flat and American tariffs and Chinese oversupply threaten to devastate local exporters. An important test will come in March, when Baden-Württemberg, a rich manufacturing state in the south-west, goes to the polls. The AfD hopes to run the CDU a close second. In later elections in the eastern states of Saxony-Anhalt and Mecklenburg-Vorpommern, it is aiming for an outright majority.

Yet beyond the east the AfD will have to persuade other parties to work with it if it is to win power. Thus far they have all kept it behind a "firewall", refusing to join it in government at the state or federal level. The firewall extends to the business world and civil society, too. An association of family businesses recently declared its willingness to speak to the AfD. So furious was the backlash that it soon retreated.

Can the firewall last? The AfD argues that it leads to wan coalitions of the mushy centre—a view shared by some on the centre-right and in business. The bigger the AfD grows, the more incoherent the coalitions needed to keep it from power. But the commitment of most of the CDU to the EU, NATO and Ukraine would make formal collaboration with the AfD wrenching, even if agreement could be found on cutting taxes or welfare rolls. Were the CDU to ally with the AfD in an eastern state, it might lose millions of votes in the west.

Unlike many other parties on Europe's populist right in Europe, the AfD still inspires a backlash. In state elections it often falls short of expectations as voters, especially older ones, vote tactically against it. The event in Giessen drew 30,000 protesters. The AfD is mobilising more and more Germans—for it, and against it. ■

Briefing | Preparing for power

Once a pariah, the National Rally is now France's most popular party

It could win the presidency in 2027 or parliamentary power even sooner

December 11th 2025

Two giggling teens are poring over a selfie they took with Jordan Bardella, after a five-hour wait in the southern French town of Perpignan. What is it they like about the 30-year-old leader of the populist-right National Rally (RN)? "His ideas," one grins. The other jabs her friend: "Rubbish, you think he's hot!" A middle-aged man waiting in line points to the way Mr Bardella "says what everybody thinks". A retired woman adds, "He looks like a president: he's tall, he's well dressed and polite. He makes me think of [ex-president Jacques] Chirac." Her husband, a retired civil servant, concurs: "I see in Bardella the Gaullism we've lost. He's the only one who can give us hope."

That 1,500 fans have turned up on a weeknight for a book-signing hints at how far the RN has evolved: from an untouchable extremist movement into a party that could win the presidency in 2027, or enter government before then. There are no shaven heads or jackboots in sight; instead, families with children, a young couple with a baby, pensioners, a hairdresser, a town-hall employee, a winemaker, students. Over the past decade the party co-founded in 1972 by Jean-Marie Le Pen and a former member of the Waffen-SS has morphed from an antisemitic pariah into the most popular party in France.

The question today is not whether the RN can replace the mainstream conservative party, the Republicans, as the chief opposition on the right to President Emmanuel Macron's centrists. That has already happened. With 123 seats, up from eight in 2017, the RN is the single-biggest party in the 577-seat lower house; the Republicans hold just 49. The real question is whether it can win a presidential run-off (it has lost the past two), and what it would do if it did.

Much can happen in 18 months. Marine Le Pen, who took over the movement from her father in 2011 and now leads its parliamentary bloc, has been barred from running for elected office for misuse of European funds. The courts will rule on her appeal next year. If the ban is upheld, she and Mr Bardella have agreed that he will stand instead. A poll suggests that Mr Bardella would beat every one of four likely rivals in the run-off.

So mainstream has the RN become that the profile of its voters is today "much closer to that of the general population than are the other big political parties", notes Mathieu Gallard, in a paper for the Fondation Jean-Jaurès, a left-leaning think-tank. The RN's support has expanded from its former heartlands in the south and the north-eastern rustbelt into small towns and rural and semi-rural areas across the country. At European elections last year the RN topped the ballot in 93% of France's 35,000 communes. This was not a mere protest vote. In first-round voting in last year's snap legislative election, the party came first in 259 out of 577 constituencies, including in places such as Brittany that had previously had little appetite for it.

This expansion, says Luc Rouban of Sciences Po university, represents both the "normalisation" and the "embourgeoisement" of the RN's vote. The party has coupled its established working-class vote to a new white-collar following. In 2017 only 7% of those with a degree voted for the RN in the first round of legislative elections. By 2024 that had leapt to 22%—the same share that voted for Mr Macron's centrists. "It's no longer a shameful vote," says Mr Rouban. The RN has become the most popular party among 60- to 69-year-olds, who used to shun it. Even the gender gap has closed. In 2010 three times more men (9%) than women (3%) voted for the party. By 2024 the difference had narrowed to two points: 32% for men, 30% for women.

The RN has pulled this off in part through its "necktie strategy": a bid to dress smartly in parliament, clean up the party, evict its toxic elements (Ms Le Pen kicked out her own father), and look ready to govern. Small hostile groups clutching banners still gather outside Mr Bardella's events. One protester recently threw an egg at him; another a bag of flour. But the duo are treated courteously on talk shows—and enthusiastically by the ascendant right-wing media, including CNews, a sort of French Fox News. A former leader of the Republicans, Eric Ciotti, has defected to Ms Le Pen with a dozen-odd fellow legislators. Others no longer rule out working with it. The cordon sanitaire that used to keep the party ostracised has sagged.

The RN's expanded appeal is also due to the tempering of some policies. It has ditched its plans to withdraw France from the euro and NATO's integrated military command. Smoothly coached, Mr Bardella has been leading a boardroom charm offensive, promising "pro-business" policies that support growth (although he is still in favour of a wealth tax, and would lower the pension age for those who start work young). The party's pledges to curb immigration, defend borders, fight drug-trafficking, and reinforce a strong centralised state all fit the national mood. Public opinion has shifted to the right.

In its quest for respectability the RN has not abandoned red-meat identity politics, however. Its underlying reflex—France first—carries a distinct MAGA-like resonance. The party does not invoke Donald Trump, who is even less popular in France (18%) than in Britain (22%) or Italy (28%). Nor does it preach family values (a poll says nearly a third of gay men would back Mr Bardella). But the RN falls squarely into the group of "patriotic" parties the American president wants to see prevail in Europe. A noxious anti-foreigner undertone continues to inform policy. Mr Bardella says the

“European people” fear “disappearing” under pressure from “migratory waves”. At rallies supporters chant, “This is our home!”

The RN does not want France to leave the European Union (EU), but is radically hostile towards its underlying principles. It would pull the country out of the union’s electricity-pricing mechanism, so that France can benefit more directly from its cheap nuclear power. It is suspicious of France’s closest friend, Germany: the EU, says Mr Bardella, is an “association in defence of Germany’s interests”. It rails against pesky rules from Brussels, and wants a rebate on France’s contribution to the EU’s budget.

Several senior figures in the RN remain instinctively sympathetic to Russia, even though the party has condemned the invasion of Ukraine and repaid a loan from a Russian bank. It rejects the idea of sending Ukraine long-range missiles and of putting French boots on the ground as part of a peace deal. It does not want Ukraine to join NATO or the EU.

Moreover, there are hints that some extreme elements still lurk within the party. This month, and only after an awkward delay, Ms Le Pen disowned David Rachline, the mayor of the city of Fréjus and a vice-president of the party. He was under investigation for corruption, and had posted a photo on Instagram of himself with two extreme-right figures. In 2024, as the party scrambled to field candidates, some toxic contenders slipped through. A photo emerged of one wearing a Nazi cap; the party quickly ditched her.

Such incidents, says Patrice Hubert, the party’s new director-general and a former businessman, are mere “growing pains”. Since 2022 membership has surged from 40,000 to 150,000. The RN has expanded from a family-run enterprise, which used to meet in the Le Pen mansion, into a national organisation with a headquarters in Paris. Mr Hubert says there is now a drive to “professionalise” management, as well as to ensure thorough vetting and training of candidates.

That may not be enough to prepare the party for power. The closer it gets, the more its competence will come under scrutiny. Behind closed doors, party officials are reaching out to civil servants, diplomats and conservative figures they hope to recruit. But the RN has no experience of national government. A corporate boss finds it woefully ill-informed on economic policy. After Mr Bardella told The Economist of his plan to talk to the European Central Bank about buying French sovereign debt, Jean-Claude Trichet, a (French) former ECB president, retorted that the bank "is not Father Christmas".

There is also speculation that relations between Ms Le Pen and her protégé may come under strain. If she remains disbarred, the RN will be betting its future on a young man who has never run anything except the party. Back in Perpignan, between mouthfuls of chocolate crêpe during a pause, Mr Bardella says the thought does not keep him awake at night: "Every day that goes by, I am preparing myself to exercise responsibility." ■

United States

United States | The war over independence

The Supreme Court is handing Donald Trump more power

What overturning one case of dismissal means for the presidency

December 11th 2025

As an indicator of the condition of antitrust regulation in the United States, the timing could not have been better. On December 8th the Supreme Court heard arguments about the fate of Humphrey's Executor, a New Deal-era precedent that limits the president's ability to fire members of the Federal Trade Commission (FTC) and, by extension, many other independent agencies. Three days before, Netflix, a media giant, announced that it was to acquire most of Warner Bros Discovery, another media giant, in a deal valued at $83bn. That was swiftly followed by a hostile $108bn bid for all of Warner Bros Discovery by Paramount Skydance, which is much smaller than Netflix.

Given the power of regulators like the FTC to make or break such deals, in the past Netflix and Paramount Skydance would have competed by means of arguments about the law, market power and shareholder value. The people they would have tried to persuade would have been technocrats, largely independent of the administration. Now, the man who will ultimately decide who buys Warner Bros is the president of the United States. "I'll be involved in that decision," said Donald Trump at an event at the Kennedy Centre on December 7th. Nobody doubts it.

Mr Trump's sway over this deal will come with a ruling in Trump v Slaughter, a case that seems bound to cement his control over who runs the FTC. In March Mr Trump fired Rebecca Slaughter, one of five FTC commissioners, whose service was "inconsistent with the administration's priorities". By 90-year-old precedent, this ought to be illegal. In 1935 the Supreme Court ruled that Franklin D. Roosevelt's firing of an FTC commissioner, William Humphrey, had been illegal (Humphrey died while the case was being decided). In the original ruling, Justice George Sutherland wrote that commissioners may be removed only for cause, lest the "mere will" of the president "thwart" Congress's aims when it established the oversight body.

America has had agencies of various sorts that operate independently of the president since its founding. Christine Chabot, a law professor at Marquette University, identifies two from America's early history: the Sinking Fund Commission (Alexander Hamilton's programme to manage the national debt) and the Revolutionary War Debt Commission. Congress gave and gives organisations freedom from presidential meddling to ensure they operate impartially and follow expert advice, she says. At least that's the theory.

Today's Supreme Court is more sympathetic to the "unitary executive theory", a conservative vision that emerged in the 1980s. The late Justice Antonin Scalia was a proponent, arguing that Article II of the constitution grants "all of the executive power" to the president. In this view, supreme executive power derives from a mandate from the masses. At the hearing for Trump v Slaughter, John Sauer, the solicitor general, argued that Humphrey's Executor has tempted Congress "to erect at the heart of our government a headless fourth branch insulated from political accountability and democratic control." He warned that without change, a future Congress could make entire departments, like the Department of Labour, unanswerable to the president.

Defending the idea of independent expertise, Justice Elena Kagan noted that undoing the precedent would instantly put two dozen other independent agencies under direct control of the president. Regulating everything from nuclear power to credit cards to transport would become political, and the idea of technocratic expertise in any part of government would vanish. "Once you're down this road," she said, "it's a little bit hard to see how you stop." Even legislative courts, like the Tax Court, which resolves disputes between taxpayers and the government, could be deemed to be part of the "executive branch" with their employees subject to instant political dismissal.

In the short run, the consequences of Humphrey's Executor being overturned will be slight. This is because the president has already been acting as though it never existed. Andrew Ferguson, who became chairman of the FTC when Mr Trump took office, has given up the pretence of independence, and has taken to referring to his body as the "Trump-Vance FTC". Ms Slaughter is hardly the only person the president has summarily fired. Others he has deemed to be executive-branch employees and dismissed include the heads of the National Labour Relations Board and Consumer Product Safety Commission; the president and half the board of the Kennedy Centre; and even the Librarian of Congress.

Yet in the longer run, the sanctioning of such power creates huge risks. "It opens up the possibility of outright corruption," says William Kovacic, a Republican who served as a commissioner and then chairman of the FTC under George W. Bush and Barack Obama. Vastly consequential negotiations over antitrust power will now be "based not on substantive policy considerations, but on the preferences of the head of state, who's quite fond of being given things", he says. Big regulatory decisions were of course always somewhat political, Mr Kovacic acknowledges. But they were not made straightforwardly on "the commands of political overseers who say, reward my friends and punish my enemies".

The obvious result of making regulation so nakedly political is that businesses respond by finding ways to butter up the president rather than building a case that their deals serve the public interest. An excellent example of how this might work is the proposed deal over Warner Bros Discovery. Mr Trump insists he is impartial. "None of them are particularly great friends of mine," he said on December 8th. He gestured at antitrust rules by saying he would look at "what percentage of market they have". But outsiders cannot help but note that Jared Kushner, the president's son-in-law, is organising the financing of Paramount Skydance's bid, and the investors include a number of sovereign-wealth funds from countries that are on cordial terms with Mr Trump.

There is already "a pervading sense that being a friend of the president or knowing who to pay off is the key to success in US business", says Timothy Wu, a former adviser to the FTC, who helped write President Joe Biden's antitrust policy. Ms Slaughter recently recounted how, watching Mr Trump's inauguration in January, she realised that nearly every big tech CEO present was from a company in litigation with the FTC. Max Stier, president of the Partnership for Public Service, points out that not only regulatory decision-making is at stake from unitary executive theory. All civil servants could be fired without any legal protections at all.

Perhaps the most astonishing part? The decision cannot be undone, at least by Congress. The Supreme Court is poised to hand Mr Trump a right to fire agency heads that is grounded in the constitution. Courts will still be able to rule particular actions illegal and perhaps reverse them. To punish presidential overreach, Congress has but two options: withholding funding and, if that does not work, impeachment and trial. They were powers, historians note, that England's parliament established over the monarch after the 17th-century civil war. ■

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United States | Paradise lost?

Miami elects a new mayor at a pivotal moment

Her challenge is to make dizzying growth last

December 11th 2025

THE ELECTION marked many firsts. On December 9th voters chose Eileen Higgins to become Miami's first female mayor and the first Democrat to hold the job this century. But in south Florida the county bureaucrat's win signals something more: the end of decades of dynastic rule. For nearly 40 years a handful of powerful families have run the city like a grift. This year Ms Higgins won in a 13-candidate field full of them. She will take office halfway through a decade that is remaking Miami faster than it can handle, amid an affordability crisis that threatens its identity. The city's residents crave stability. Can a new leader turn staggering growth into a city that works for everyone?

She might start by cleaning up corrupt city politics. Francis Suarez, the outgoing mayor whose father ran to succeed him, is under federal investigation for dubious dealings with developers. Since the job of Miami mayor is technically part-time, during his eight-year tenure he continued to practise law—most recently at a firm where the government of Saudi Arabia is his client—while his net worth ballooned. Joe Carollo, a former mayor who also ran against Ms Higgins, was caught weaponising the city code against his enemies while serving as a commissioner. Residents dubbed him "the $100m man" after lawsuits against him racked up costs for taxpayers and led the city commission's legal insurer to pull its coverage. Their cases signal what has long been broken in Miami: the wealthy and well-connected prosper; for the rest there is bureaucracy.

That imposes a high cost on a city that is racing to build. At the start of the pandemic Florida's politicians wooed northerners with the promise of good weather, no income tax and relief from Democratic lockdown policies. What began as a temporary escape from cities like New York and San Francisco became transformational when people chose to stay in Miami. Between 2020 and 2024 the city's population swelled by nearly 45,000, a 10% increase. Developers built luxury high-rises; pilates studios proliferated. Locals will tell you that air-conditioning made Miami viable, but remote work has made it vibrant.

Mr Suarez was determined to draw the companies they worked for, too. In 2020 he replied to a tweet musing about moving Silicon Valley to Miami with a one-liner that went viral: "How can I help?" Already a hub for Latin American commerce, the city used lax regulations to lure domestic tech startups and finance firms. In a few dizzying years Miami recast itself as a young city with untapped potential—one that anyone with enough money could shape. In six years nearly 30,000 new businesses opened. Today Brickell, the city's financial centre, is a glitzy maze of skyscrapers, billboards and sushi joints. An empty plot on the waterfront will soon become Florida's tallest tower, a 54-storey headquarters for a hedge fund run by Ken Griffin, a Chicago billionaire who has moved his empire to Miami.

There is perhaps nothing more emblematic of the "Magic City" than that entrepreneurial spirit. Miami has always been a place where people came to chase the American dream. Boatloads of Latinos fleeing authoritarianism built middle-class lives here, and today the Miami-born son of a Cuban bartender is America's secretary of state. Shadier characters took advantage, too. In the 1980s "cocaine cowboys" got rich and paid judges and politicians to look the other way. In the decades that followed, the black market fuelled economic expansion and corruption became ingrained, says Fernand Amandi, a political strategist. Last spring the Federal Trade Commission reported that the Miami metro area leads the country in fraud cases. "Everyone's a Great Gatsby here," says Billy Corben, a filmmaker.

The past few years of rapid growth have frayed the magic for ordinary people. The roads are clogged with traffic and the sewage system is so dated that faeces spill into the streets when it pours. Since 2020 Miami has been hit with the worst inflation in America: real wages have fallen by 10%, housing costs have soared by 40%. The average Miami resident spends a higher share of their income on rent than in any other city, including Los Angeles and New York. (The cost of flood insurance exacerbates that.) People now talk about "two Miamis", one for the ultra-rich and another for the workers who serve them.

Ms Higgins sees the influx of newcomers as a "mixed blessing". Although the mayor's role is not a traditionally powerful one, the budget her administration will have to work with is more than triple what it was five years ago. She plans to be a full-time mayor, reform the permit process and build affordable housing. Backing her is a business community sprinting to "catch up", says Alfred Sanchez, the head of the Greater Miami Chamber of Commerce. Miami Dade College, America's biggest community college, is scrambling to teach students the tech skills that new firms pay big salaries for.

Locals joke that the state bird of Florida is a construction crane. Miami has never had a lasting industry beyond hospitality and property and has always relied on new waves of immigrants to keep it humming. Now the mayor's job description is different. Ms Higgins is not in charge of selling Miami, but of making it work for the people who have already arrived. ■

Balance, a weekly note from our Lexington columnist that examines the state of American democracy and the issues that matter to voters.

United States | Spies and narcos

How much does America know about its boat-strike targets?

Controversies about the lethal strikes touch on intelligence operations

December 11th 2025

The boxy beige building nestled on the tip of Florida's Key West could easily be mistaken for a shoddy beach resort. Encircled by palm trees and poles bearing flags of the world, its true function is hinted at only by the uniformed military personnel milling around: making sense of intelligence about drug smugglers. The building is home of the Joint Interagency Task Force South (JIATF-S), an intelligence group that monitors narco-trafficking across the Caribbean and Latin America.

The task force has kept a low profile for much of its 36-year existence. The Trump administration's bombing of suspected drug boats has lifted its veil. A campaign claiming at least 87 lives is prompting bipartisan inquiries, animated by questions about whether a war crime was committed against shipwreck survivors on September 2nd. Nearly all of the controversies roiling Washington touch on the intelligence operations that support the campaign. How much do America's spies really know about who is being killed?

JIATF-S is a linchpin of America's anti-drug spying apparatus. Comprising US Navy, coast guard and federal law enforcement detachments, it fuses diverse strands of intelligence into a coherent picture. Its ground-based radars and surveillance aircraft hoover up signals-intelligence (SIG-INT) such as radio chatter, to locate vessels suspected of ferrying drugs. Tip-offs from human intelligence , mostly gleaned by the CIA and DEA, are also fed through.

One question spooks seek to answer is who is aboard suspect vessels. "We knew exactly who was in that boat, we knew exactly what they were doing and we knew exactly who they represented," Pete Hegseth, the secretary of war, claimed after the September 2nd strike. Allies have their doubts, though. In November it was reported that Britain suspended its intelligence-sharing agreement with JIATF-S, apparently concerned that it was being used to violate international law.

It is unlikely that America possesses specific information on who exactly is in all of the boats, say intelligence officials familiar with past operations. That would present a nearly impossible technical hurdle. Besides, for years agencies typically identified passengers only after a boat was stopped. "I don't ever recall having names until a boat was interdicted and boarded," says John Feeley, a former American ambassador who specialised in counter-narcotics. "They're not trying to figure out the identity of the people on the boats," says a former senior CIA official. "It's a very circumstantial case."

In the age of drone surveillance and pervasive SIG-INT, presidents often decide how much evidence is required to launch a lethal strike. The drug-boat attacks are redolent of the controversial "signature strikes" carried out by America along the Afghanistan-Pakistan border starting around 2007. Then, American forces did not always know whom they were killing, but attacked based on a target's "pattern of life", jargon for behaviour judged to mirror that of a known enemy combatant. In 2013, facing criticism over reports of high civilian casualties, Barack Obama demanded that agencies only strike if there was “near certainty” that no civilians would be killed or injured. The Trump administration is unlikely to be so careful.

Years of drug-interdiction missions mean American officials have mapped most of the smugglers’ ruses, routes and vessels. Traffickers are generally easy to spot. A boat zipping along the Caribbean isthmus with multiple 300-horsepower engines rigged to its stern would make for a rather unusual fishing vessel, after all. Such signs are probably a “good enough” intelligence threshold for many in the current administration, worries a former Pentagon official who worked on counter-narcotics.

Democratic and Republican lawmakers alike are growing impatient. On December 9th Mr Hegseth, accompanied by the secretary of state and chairman of the joint chiefs of staff, briefed congressional leaders in the “Gang of Eight”—members who can receive the most sensitive intelligence—about the killing of survivors on the September 2nd strike. That seems to have created little consensus. Most lawmakers are calling for the release of the full video. Mr Hegseth has warned that may compromise intelligence-gathering methods. For a campaign supposedly built on clear intelligence, the picture of the facts only seems to be getting blurrier.■

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United States | Point of contact

College campuses have become a front line in America's sports-betting boom

The fun is undeniable, but so is the toll it is taking on young men

December 11th 2025

WATCHING SPORTS in America has changed. Pancho O'Malley's, a bar in Narragansett, Rhode Island, offers a glimpse of the past. On a rainy Saturday afternoon the crowd is mostly older men watching their local University of Rhode Island (URI) basketball team face in-state rival Providence College. During commercial breaks they saunter over to a lottery machine to buy tickets.

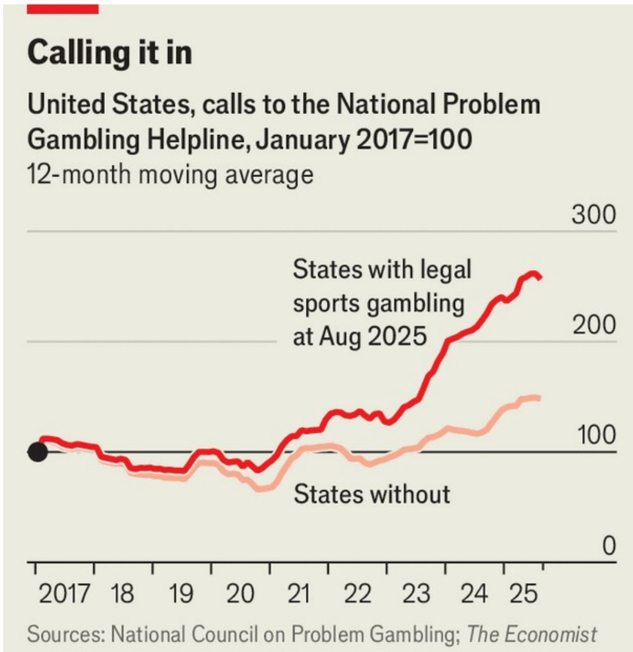
A few minutes down the road the bar at Boon Street Market thumps with a younger, again mostly male crowd. Rows of flatscreens broadcast the game, but here the action is not only on the televisions. Phones light up with notifications from sports-betting apps, alerting students to the fate of their wagers—and to new promotions. A 22-year-old shrugs when asked whether he worries about getting hooked. "First off, we already are," he says. "But second off, no, because for the most part I make money on this." He offers up his betting history: "I'm up on DraftKings right now, want to see my stat sheet?"

Sports betting has boomed since 2018, when the Supreme Court ruled that a federal prohibition against it was unconstitutional. Since then 39 states have legalised the activity (on December 1st Missouri became the latest to do so). The effects have been intense on college campuses, where sport is like ambient noise and clusters of young men are living away from home for the first time. Universities also play host to a multi-billion dollar college-sports industry that turns student-athletes themselves into the subjects of enormous wagers. What could go wrong?

Staples of the young male media diet such as College Game Day, ESPN's popular pre-game show broadcast live from campuses each Saturday during the football season, now weave gambling odds into their segments. Other corners of the manosphere, such as Barstool Sports, the "Pat McAfee Show" and Theo Von, form partnerships with sports-betting firms and offer promo codes. A survey conducted in 2023 by the National Collegiate Athletic Association (NCAA), the governing body of college sport, found that 60% of college students have gambled on sport. The share is even higher for those living on campus. Young women bet ocasionally. Young men are far more likely to wager routinely.

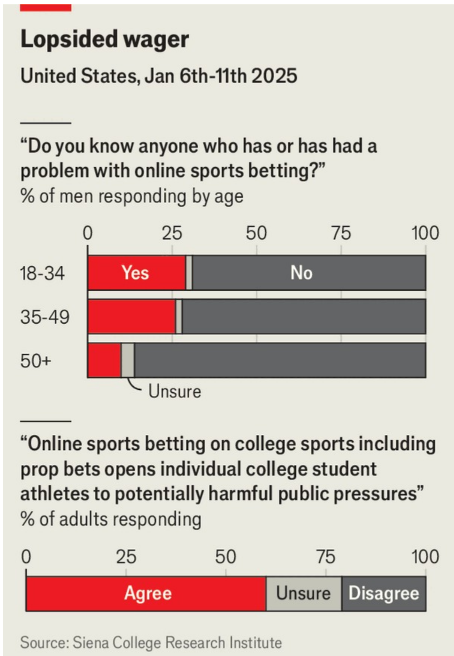
Legalisation has virtues. It has brought a vast illicit gambling economy into the open where it is subject to oversight and taxation. But the costs are hard to ignore. The NCAA survey found that 16% of 18-to-22 year olds engage in problematic sports gambling. A poll conducted by Siena University in January found that a quarter of men who have gambled on sports say a friend or family member has expressed concern about their betting habits. Some 28% of 18-to-34-year-old men who use sports-betting apps said that they have had trouble meeting a financial obligation because of a lost bet.

At Pennsylvania State University, which has 64,000 undergraduate students, Stephanie Stama, an assistant director at the student psychological services centre, reports that "it is increasingly common for us to hear that students have lost a significant amount of money” in sports betting and that it “is interfering with basic needs like eating and sleeping”. An 18-year-old student at URI confesses that he can no longer feel enjoyment when watching sports without the high from betting.



Timothy Fong, a professor of psychiatry at the University of California, Los Angeles sees a similar pattern. Every one of his clients of late has been an 18-to-24-year-old man seeking help for a sports-betting or cryptocurrency addiction. The financial wreckage can be severe, too. John Simonian, a personal-bankruptcy lawyer in Rhode Island, says he never used to see young men filing for bankruptcy, “but now it’s not surprising”. Sports betting, he notices in young clients’ bank statements, is often one part of the equation.

Institutions have offered an uneven and clunky response. Between 2021 and 2023 a handful of universities joined up with sports-betting firms directly, receiving cash for sponsorship and naming rights. Most have since ended the agreements. But in America there is the added complication that many campuses are filled with both bettors and those being bet on. March Madness, the annual basketball tournament played by college athletes, is by some accounts the most-bet-on event in the country, with more than twice as much wagered on it as the Super Bowl.



As online sports betting has ballooned, the NCAA has had to build a sprawling enforcement operation to police the integrity of games and stem harassment of students by gamblers. This requires working with the gambling operators to identify suspicious wagers. "We're unlikely bedfellows," says an official. But, "they have what we need…they know who's placed the bet."

The risks are not hypothetical. On November 7th the NCAA announced that it had uncovered three separate betting scandals in men's basketball where athletes intentionally played poorly in games in which they or a friend had placed wagers. And there is petty opportunism, too. NCAA officials mention a team bus driver who noticed injured players boarding and used that insider information to profit.

Student-athletes now face a torrent of abuse from losing gamblers. Last year the NCAA recorded 740 instances of harassment directly attributed to sports gambling, with thousands more suspected cases. Charlie Baker, the head of the NCAA and former Republican governor of Massachusetts, has lobbied state governments to ban prop bets on student athletes, meaning wagers on individual performances, in an effort to relieve these pressure points.

Regulation of America’s new betting ecosystem is more permissive and less consistent than in some other rich Western countries. But even if the rules were tighter, determined gamblers can usually find a way, including wagering on prediction markets. Though betting on local teams is technically illegal in the state, at a bar near URI’s campus a 22-year-old complains of losing money on the school’s basketball team. “But I’m making back $1,200 tonight with some UFC bets,” he adds, confidently describing his three-leg parlay. All three legs struck out. For a young man used to wagering hundreds of dollars every single day, there is always tomorrow. ■

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United States | Dr Feelbad

American doctors are rich and miserable

A recent study shows they are world leaders in burnout

December 11th 2025

Look around a physicians' car park in Dallas, Texas, and the rewards from years slogging away in training are evident. "It looks like a German-car dealership," says Scott Yates, a doctor, from behind the wheel of his BMW. He reels off all the luxury-car brands he can see. Yet he worries that his peers are still unhappy. "We all went to medical school to practice medicine," he says, "not to deal with insurance companies, not to fill out paperwork." This burden lies at the heart of a confounding statistic: American family doctors are among the best paid in the world and also some of the most miserable.

In a recent international survey by The Commonwealth Fund, a think-tank, of 11,000 doctors, 43% of American respondents reported feeling burnt out, more than in any of the other nine peer-countries polled (see chart). In Britain, just over a third of general practitioners in the bedraggled NHS reported being "physically or emotionally exhausted", despite earning about half of the $242,000 taken home by the average American primary-care doctor. "Burnout is sometimes like a dirty little secret," says Revathi Ravi, an internist and paediatrician in Boston. The American health-care system has all "the ingredients for it". Her own experiences of burnout were so intense she considered quitting.

Paperwork is the driving force behind this misery, says Celli Horstman, one of the Commonwealth study's authors. "There are just so many administrative tasks—on top of spending time with patients—that US physicians are expected to do." Ms Hortsman cites elaborate charting, in-boxes teeming with patient messages and fighting with insurance companies.

Doctors are particularly aggrieved by the rise of electronic health records. Studies show that family doctors spend, on average, just under an hour every day answering patient messages alone. The use of remote-contact and communication apps spiked during the covid pandemic, reports Tait Shanafelt, a doctor at Stanford who studies burnout, "leading to a tsunami of inbox messages for physicians". Although he emphasises their potential for improved treatment, "it's all just extra work."

This angst is not just a problem for doctors. Burnt out physicians are twice as likely to make a mistake. They are also more likely to quit, which can produce staggering costs. One analysis from 2019 found that turnover and hours lost to burnout costs roughly $7,600 per employed doctor, or $4.6bn each year.

Some solutions to burnout are straightforward. Researchers point to Australia, which created a centralised platform for health bureaucracy, cutting down endless form-filling. Jen Brull, the chair of the American Academy of Family Physicians, a trade association, hopes that artificial intelligence might help too, especially for "routine tasks like charting, coding and note-taking". "A decade ago, maybe people would have said, 'the clinician should do more mindfulness practices'," says Dr Ravi, the Boston physician. Now there is more recognition of the need to reduce workloads. In the meantime, she leads classes and coaches doctors to avoid and withstand burnout, just as she did. ■

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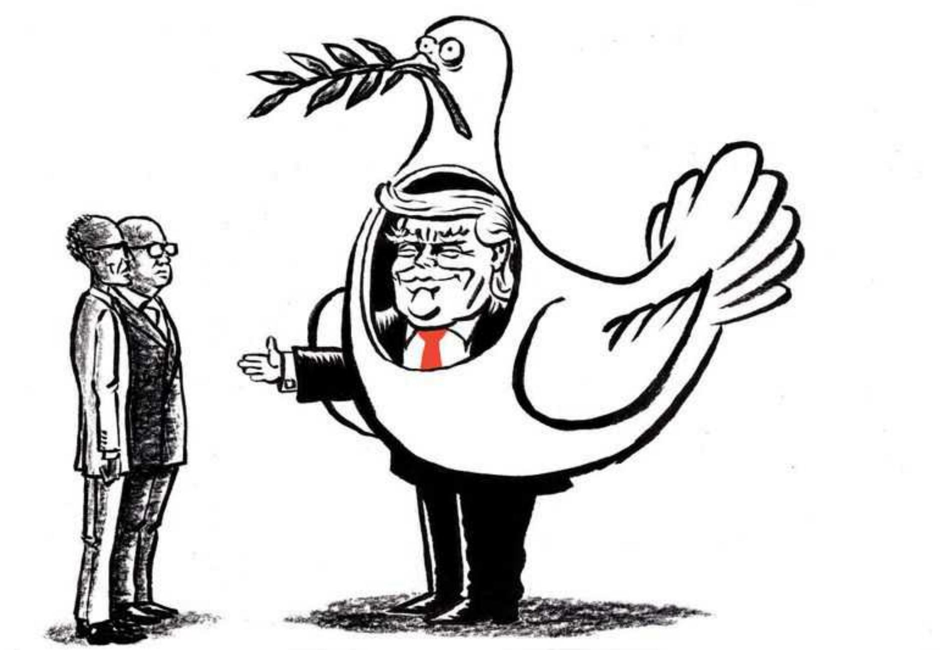
United States | Lexington

All hail “The President of Peace”

But hold the prizes until Donald Trump actually delivers on his new branding

December 11th 2025



The words “United States Institute of Peace” are carved into the stone, so in contrast the new raised silver letters spelling “Donald J. Trump” look pasted on. But the aides to Mr Trump who slapped his name on the institute’s building earlier this month had the right idea, pragmatically and metaphorically: pragmatically, because anything that excites Mr Trump to keep chasing his self-image as a peacemaker is useful; and metaphorically, because, though Mr Trump may not in the end bring peace for our time, he is certainly bringing an Institute of Peace for his time—a performance space for gestures at peace, bereft of the seldom-celebrated bureaucrats who used to labour towards its realisation.

Indeed, the story of the Institute of Peace, at the north-west corner of the National Mall in Washington, is shaping up as the story of Mr Trump's diplomacy. It is a tale of reasonable concerns over how things had long been done coupled with radical, often clumsy or cruel attempts to transform them, driven by an egotism so insatiable and insistent that it could, possibly, result in some good. If it does not, Mr Trump has no hope of being remembered as a peacemaker as successful as Jimmy Carter, let alone as the "President of Peace", as his new National Security Strategy tries to brand him. And a future president will have little trouble, with a flathead screwdriver and some elbow grease, popping those silver letters back off the façade.

For months the building stood vacant, after an armed standoff in March with Elon Musk's DOGE wrecking crew ended in the dismissal of all but a handful of the institute's 300 staff. But on December 4th, a day after his name materialised on the building, Mr Trump hosted leaders there from Africa's Great Lakes region for the signing of what he called "a historic agreement that will end one of the longest-running conflicts anywhere in the world". Presidents Paul Kagame of Rwanda and Félix Tshisekedi of the Democratic Republic of Congo affirmed a deal for economic co-operation signed by their foreign ministers at the White House in June.

That Rwandan-backed rebels in eastern Congo are not party to the pact and that violence still rages there did not cloud Mr Trump's view that he had "ended" the conflict. Nor did the two leaders' silence about each other in their own remarks, or their failure to shake hands after signing. "Everybody's going to make a lot of money," Mr Trump said, in the signature promise of his peacemaking. He noted that for his efforts America would receive spoils of peace in the form of critical minerals. Then he luxuriated in the tongue-bath of praise from foreign leaders that has become the embarrassing ritual at every such public event he convenes.

Pleased to see his name on the building, Mr Trump called it "brand new", though it is 14 years old. Maybe he does not know much about the institute: how veterans of war led Congress to create it during the administration of Ronald Reagan as an independent organisation, with a board appointed by the president and approved by the Senate; how the institute's area-experts came to function not only as analysts but as arms-length intermediaries for the American government in conflict zones such as Iraq, Colombia and the

Horn of Africa; how even close Republican allies of Mr Trump used to praise its work.

Did Mr Trump notice the five stone doves on the atrium wall, memorialising staff members who died in the line of duty? Even if he did, he would have been right still to think the institute, like any federal programme, merited scrutiny for waste. Yet he probably did not know, as George Foote, the institute's lawyer who is suing the administration to reverse the DOGE assault, likes to say, that the organisation's budget, at about $55m, was "one-half of 1% of 1%" of the $900bn defence budget, which DOGE hardly glanced at. Had he known that, the President of Peace might have wondered about Mr Musk's priorities, or his moral seriousness.

One can hope that Mr Trump noticed the words from Eleanor Roosevelt inscribed above the doves. "It isn't enough to talk about peace, one must believe in it," they read. "And it isn't enough to believe in it. One must work at it." Mr Trump boasted at the institute of having "ended" eight wars in less than a year. "Such an exciting thing to do," he said. This claim, also made in the National Security Strategy, is so self-satirising that it demeans his real accomplishments. The administration's list of conflicts in which he has achieved "unprecedented peace" includes not just the continued killing in Congo, but two areas of tension—between Serbia and Kosovo and Egypt and Ethiopia—where there was no violence.

The list also includes a ceasefire between India and Pakistan in which India says Mr Trump had no role. It includes a ceasefire on the border of Cambodia and Thailand, where fighting resumed on December 8th. And it includes the ceasefire Mr Trump brokered in Gaza, which remains, well, Gaza. Israel continues to fight Hamas there. The list does not yet include Ukraine. Mr Trump's avidity to add it has inclined him to reward the aggressor and sacrifice stability in Europe for a pantomime of peace.

Mr Trump pursues peace in much the way he has waged war in places such as Yemen and Iran: loudly, dramatically and quickly, with little evidence of sustained attention. This wham-bam-thank-me-ma'am approach may pause, but cannot end, the world's conflicts. He will also have to do the hard work Mrs Roosevelt had in mind. Maybe he will. It is ground for hope that his name is on the Institute of Peace rather than the "Department of War", and the world can rest easy on one point: he will not be satiated by the creepy trophy that FIFA, football's grovelling—sorry, governing—body, lavished on him as its inaugural "peace prize" on Dec 5th. But the Nobel Committee would be wise, for now, to keep dangling its own prize just beyond his grasp. ■

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The Americas

The Americas | The future of Chile

José Antonio Kast is Chile’s probable next president. How will he govern?

With a hyper-conservative president the country may be a test case for deportations, security crackdowns and spending cuts

December 11th 2025

“I’m voting for José Antonio Kast,” says Edgar Casanova, a 31-year-old from Venezuela who is entitled to vote in Chile’s presidential run-off on December 14th. Many other Venezuelans will do the same, even though Mr Kast says every irregular migrant in Chile, most of whom are Venezuelan, must leave or be deported. This is partly because the alternative is Jeannette Jara of the Communist Party. “I feel sorry for people who are undocumented,” says Mr Casanova, “but communists scare me a thousand times more.”

Mr Kast's measured tone and studied vagueness also help to soothe fears. He claims to The Economist that those who have come to Chile illegally have a free choice: they can leave now with their belongings, or later without them. He conspicuously avoids mentioning deportations directly. "Everyone has to make their own decisions freely," he says. "I know it is difficult, but we have to enforce the law."

Mr Kast is almost certain to win the election, thanks largely to fears of crime and immigration. He is polling about 15 points ahead of Ms Jara. The outgoing president, Gabriel Boric, has been Chile's most left-wing leader since its return to democracy in 1990. Mr Kast would be its most right-wing. He promises deportations, maximum-security prisons and spending cuts. In other countries, such policies have often heralded an erosion of democracy and the rule of law. Mr Kast promises to show this need not be the case.

Chile is emerging from a period of political flux. In 2019 huge street protests erupted, sparked by increased subway fares and sustained by anger over inequality. This propelled Mr Boric to victory in 2021 promising to "re-found" Chile with a new constitution. A constitutional assembly produced a draft so utopian that Chileans roundly rejected it. A second attempt, led by conservatives, was rejected too.

Meanwhile immigration, crime and a sluggish economy have pushed voters right. Among Chile's 20m residents are 2m immigrants. About 337,000, almost all of whom have arrived since 2018, are undocumented. Crime has risen sharply, especially the gruesome sort carried out by gangs. That has made Chileans more fearful of crime than almost anywhere else surveyed in the world, to an exaggerated extent. In a survey of 144 countries they are the sixth most fearful of walking alone at night, far more alarmed than Mexicans or even Malians, who are in the midst of a civil war. Chile is about as safe as the United States. Murders are concentrated in a few communes. The homicide rate is now falling. Immigrants are often—with little evidence—blamed for the rise in crime.

This is Mr Kast's third run at the presidency. He has ties with right-wing leaders around the world, but remains distinctly Chilean. His conservatism is typical of a section of the country's elite. He is against abortion without exception and has opposed his wife taking birth control. He once said that

Augusto Pinochet, Chile's former military dictator, "would vote for me if he were alive". His free-market instincts are classically Chilean. Still, on immigration he follows Donald Trump's lead.

He promises an "emergency government" concentrating not on his social values, but on immigration, crime and the economy. Expect soldiers and drones to try to close the border to irregular migrants; deportees are likely to be photographed as they are dragooned onto planes.

Venezuela refuses to accept deportees from Chile. Unless Mr Trump succeeds in ousting Nicolás Maduro, its entrenched dictator, that is unlikely to change. Mr Kast insists that it will. In any case, if that obstacle is overcome, deporting so many people will be tricky. In 2024 Chile issued over 12,000 expulsion orders but managed to deport only 1,100 people—about three a day. Even if Mr Kast succeeds in speeding the pace ten-fold, it would still take 30 years to deport all 337,000 irregulars. He suggests that many will leave before he takes office, easing his task. Perhaps.

He plays down the element of force in deportations: "Our approach is very clear: no violence, just enforcing the law. I don't have to go armed to look for someone: you are going to come to me." The idea is that when illegal immigrants use public services they will be noticed and nabbed—and will, apparently, give themselves up quietly. His manifesto says they will be held in internment camps while awaiting deportation, a costly plan. Experts believe Mr Kast will have to regularise the status of some undocumented migrants to reduce the size of the problem. He insists he will not.

His plans for security are pure mano dura ("iron fist"): tougher sentences and maximum-security prisons, with hardened criminals isolated. New prisons are needed, since existing ones are operating at about 140% of capacity. Yet Chile's incarceration rate is already the third-highest in South America and among the highest in the world. Mr Kast also proposes to send soldiers to seal the border and patrol gangster strongholds. This is controversial, given Chile's history of military dictatorship.

Chilean concerns about safety may thus be reduced. But a sustained reduction in crime requires more sophisticated policies that Mr Kast spends less time on: gathering better intelligence on the gangs; creating programmes to stop vulnerable youths joining them; and ensuring that former convicts are reintegrated into society.

On economics his platform is vigorously pro-market. “The state does not create jobs and wealth. The state destroys,” says his manifesto. One of his sensible priorities is to simplify permitting. Another is to cut corporation tax. He proposes to cut public spending by $6bn—equivalent to 7% of a year’s budget—within 18 months of taking office without touching welfare. Many economists say that is wildly optimistic. For years the government has spent more than it takes in revenue, so cuts may be prudent. But given Chile’s debt is still relatively low, whether such deep cuts are wise is questionable; they will probably slow growth. Nonetheless, Mr Kast says under his policies the economy could grow by 4% a year, well up from the 2.4% forecast for 2025. “I haven’t heard a single thing to suggest they could change the trend rate of growth,” says Andrés Velasco, a centre-left former finance minister.

Jorge Quiroz, Mr Kast’s economic adviser, is favourite to be finance minister. He reels off ideas for every sector. Though keen to cut red tape, he sounds more management consultant than free-market zealot. He denies taking inspiration from Javier Milei, Argentina’s president. “The problem of government is management,” he says.

Mr Kast will not have a majority of seats in Congress. He will probably get enough support for many of his plans on immigration and security, but Chile’s lawmakers tend to be unruly; they may bridle at his more extreme policies, such as expanding the role of the army. Some worry about how he may react to setbacks. His strategy is to “invalidate different opinions, ridicule them, stigmatise them and disqualify them”, says Carolina Tohá, a leading centre-left politician whose own presidential bid fell flat. “That’s how democracy begins to deteriorate.” Mr Kast says he can be tough on crime and migration and yet still be a democrat. He may soon get a chance to prove it. ■

Sign up to El Boletín, our subscriber-only newsletter on Latin America, to understand the forces shaping a fascinating and complex region.

How the “Donroe Doctrine” is changing Puerto Rico

The island is central to efforts by the United States to project power throughout its hemisphere

December 11th 2025

Bomba drums and reggaeton are classic elements of Puerto Rico’s soundscape. Now, in Ceiba, on the eastern end of the main island, there’s something new in the mix: the howl of F-35 fighter jets.

Roosevelt Roads, a United States naval base that was shut down in 2004, is being revived. Outside an aircraft hangar young soldiers wander towards a supplies trailer plastered with “We go where you go!” Aircraft sit on the tarmac. Ten F-35Bs have been sent to the base as part of a wider build-up in the Caribbean.

Since September the United States has carried out 22 strikes on small boats in the southern Caribbean and eastern Pacific, killing 87 people. The Pentagon says the boats and their crews are legitimate targets as they are being used to run drugs to the United States, but the strikes are almost certainly illegal. American armed forces are also running a pressure campaign against Nicolás Maduro, Venezuela's unelected leader, buzzing his coast with bombers while Donald Trump speaks regularly and vaguely of striking "the land" as a natural extension of the maritime strikes. On December 8th he told Politico that land strikes would happen "very soon".

Puerto Rico is at the heart of this build-up. The island provides support to the F-35Bs, AC-130 gunships and MQ-9 "Reaper" drones which operate alongside six destroyers, two cruisers and the world's most advanced aircraft-carrier: the USS Gerald R. Ford. If the United States does strike Venezuela, Puerto Rico will be pivotal. Caracas, Venezuela's capital, lies about 800km (500 miles) to the south.

Since 1898, when it seized Puerto Rico from Spain, the United States has maintained a military presence on the island. In the 1990s Roosevelt Roads served as a launch-point for operations in Haiti. Its revival is "much more explicitly about power projection and military dominance", says Henry Ziemer of the Centre for Strategic and International Studies in Washington.

New supply contracts run until 2028. The Trump administration's recent National Security Strategy makes clear its more muscular approach, including reallocating forces to the region from elsewhere. It states plainly that the purpose of these forces, as well as crushing "narco-terrorists", is to deny America's competitors the ability to control assets or territory in "our Hemisphere".

This new military presence started from a very low base. In June, before the build-up began, the United States had 2,400 active-duty troops stationed in Latin America and the Caribbean (including Puerto Rico and the US Virgin Islands), no permanently assigned Navy vessels and a handful of aircraft scattered across the region. Now, on Puerto Rico and the US Virgin Islands alone there are scores of aircraft, tens of ships offshore, and some 15,000 troops.

Many locals are comfortable with the troops' arrival. They "eat and put petrol in their vehicles", says Samuel Rivera Báez, Ceiba's mayor. "It will be good for business," says Lilly Robles, a hairdresser who has struggled in Ceiba's depressed economy. Food vans have arrived at Roosevelt Roads, selling pizzas and empanadas.

A few are against it, irritated by what they see as American imperialism or worried about environmental harm. Land on Vieques, an island off Ceiba, is still contaminated after decades of military training exercises. Sonia Santiago, the founder of Mothers Against War, a local advocacy group, says she doesn't want Puerto Rico used as a springboard for conflict.

Jenniffer González-Colón, Puerto Rico's right-wing governor, supports the build-up. She notes that she has been pushing for a counter-narcotics strategy for the Caribbean for some time. "This means two things: security and investment," she says. She welcomes the fact that American forces are now protecting citizens in Puerto Rico from drug cartels.

Many Caribbean leaders, fed up with the violence caused by drug gangs, share her enthusiasm. Of drug-traffickers, Trinidad & Tobago's prime minister has said that "The US military should kill them all violently." In November the Dominican Republic signed an agreement granting American forces access to two military sites for refuelling and logistics.

How Puerto Rico and its neighbours ultimately feel about the build-up will depend on its results. Yariel Ramos of the Department of Homeland Security says gangsters are already deterred from the stretch between Puerto Rico and Venezuela which used to be their "playground". But they are adapting, finding new ways to move drugs. For now, the drumbeat of war sits uneasily with the island's usual one. ■

The Americas | Chainsaw politics

MAGA's man in LatAm

Fernando Cerimedo has run right-wing campaigns across Latin America, forging close ties with MAGA and Donald Trump

December 11th 2025

In the run-up to the presidential election in Honduras, the conservative candidate, Nasry Asfura, trailed in the polls by more than five points. He needed a jolt. On November 26th, four days before the vote, he got one: a surprise endorsement from President Donald Trump. As The Economist went to press Mr Asfura was ahead by 44,000 votes and his main opponent was calling for a recount.

If his lead holds, Mr Asfura can thank his campaign manager, an Argentine called Fernando Cerimedo (pictured). A political operator unknown to most people in Honduras or beyond, he is becoming prominent in the network of strategists and fixers that surrounds Mr Trump. He says he co-ordinated Mr

Trump's Truth Social post endorsing Mr Asfura with Dick Morris, a friend and strategist who works on Latin America. He believes it gave Mr Asfura's campaign the boost it needed.

The 44-year-old Mr Cerimedo's first brush with prominence was in Brazil in 2022. He hosted a live-stream entitled "Brazil Was Stolen" days after Jair Bolsonaro, a right-wing populist, lost re-election to Luiz Inácio Lula da Silva, known as Lula. In it he alleged that old voting machines had been fiddled with to swing votes to Lula. This echoed claims Mr Bolsonaro made after he failed to win the presidency in the first round in 2018. Mr Bolsonaro's claims about voting machines eventually led to him being barred from running from public office. Mr Cerimedo was investigated by Brazilian police but never charged.

His foray into right-wing Latin American politics was just getting started. He already had a political-marketing agency back in Buenos Aires, Numen; an associated "training academy"; and a news website, La Derecha Diario (The Daily Right), promoting right-wing and libertarian ideologies. He says his wife pushed him to get involved with the presidential campaign of an up-and-coming conservative legislator, Javier Milei, whose biting criticism of the Peronist establishment and its extravagant public spending was turning heads. He began working on digital-media strategy with Santiago Caputo, who remains one of Mr Milei's top advisers. Mr Cerimedo claims it was he who encouraged Mr Milei to bring a chainsaw on stage at rallies as a symbol of his plans to slash spending.

In the run-up to that election, with Mr Milei trailing in the polls and at risk of not reaching the second-round, an unexpected interview request came in from The Tucker Carlson Show, the conservative American commentator's podcast. "Fernando immediately was like, 'Dude, I'm on it,'" says Damian Merlo, a consultant in Miami who passed on Mr Carlson's request and later joined Mr Milei's campaign (he also works closely with El Salvador's president, Nayib Bukele). "He called me back five minutes later. He said, 'We're on.'"

The Carlson interview gave Mr Milei a timely boost. It also made him an international sensation, and caught the attention of Mr Trump. "The Milei interview was big. We couldn't believe it," says Mr Merlo. Mr Cerimedo has since parted ways with Mr Milei after falling out with his inner circle, but the Argentine president has built a strong relationship with Mr Trump. American backing was crucial to halting a run on the peso in the run-up to Argentina's midterm elections in October.

The list of places in Latin America untouched by Mr Cerimedo's hand is shrinking. In 2022 he worked on the campaign to defeat the attempt to install a controversial left-wing constitution in Chile. Among the graduates of his Numen Academy is Catalina Paz, the daughter of Bolivia's new president, Rodrigo Paz. She now advises her father's government. Mr Cerimedo worked on media strategy for that campaign, too, helping Mr Paz pull a victory out of the turmoil of Bolivian politics, turning the country away from the left-wing MAS for the first time in two decades. Mr Cerimedo continues to work with Mr Paz as a senior adviser, shuttling between Bolivia, Honduras and his home in Buenos Aires.

The Latin American left calls him the "prince of darkness". Mr Cerimedo claims that he neither uses "troll farms" nor runs smear campaigns using "bot" accounts. Instead, he says, he merely monitors online conversations and then uses that information to influence public opinion with tailored messaging.

He credits his success in part to his business partner, Brad Parscale, Mr Trump's former campaign manager, who manages the technical side of Numen. Mr Cerimedo rejects accusations of shady operations and invites journalists into his modern Buenos Aires office in the Puerto Madero district. "He's not shy about it because he's not doing anything illegal and there's nothing wrong," said Mr Merlo.

Even Mr Cerimedo has his limits. He says he was not involved in Mr Trump's pardon of Juan Orlando Hernández, a former president of Honduras. Mr Hernández was serving a 45-year jail sentence in the United States for drug-trafficking when he was released on December 1st. "The pardon was a surprise," he says, adding that the Asfura campaign felt it might hurt his chances. Sometimes Mr Trump shocks even his most dedicated servants. ■

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Asia

Asia | Agglomerate this!

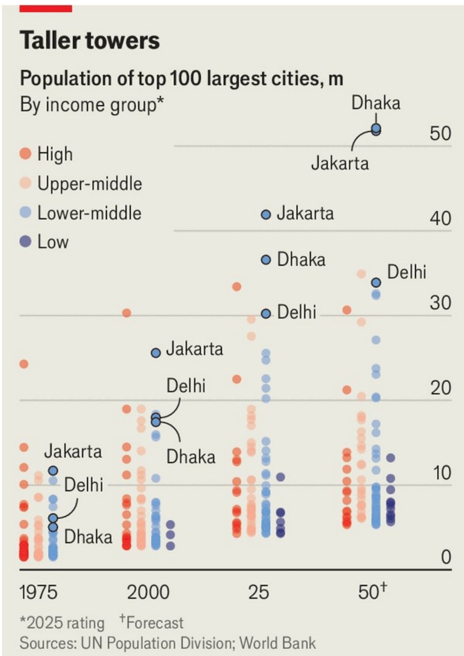
Why many Asian megacities are miserable places

And why Shanghai and Tokyo are not

December 11th 2025

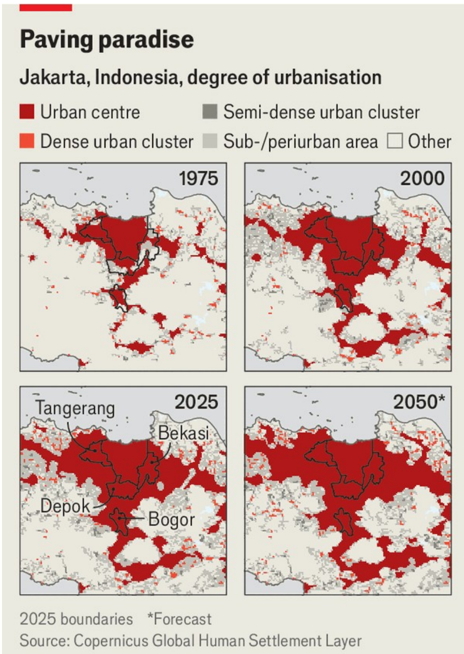
FOR SEVEN decades Tokyo was considered the world's most populous city. That was 15 years too long, according to data released last month by the UN. Until recently the organisation's statisticians accepted national governments' definitions of where their cities began and ended; their latest report accepts the reality of urban sprawl. By their new measures, Jakarta (pictured), Indonesia's capital, jumps to the top of the board with 42m people, about as many as Canada. Dhaka, capital of Bangladesh, with 37m, has also pulled ahead of Tokyo, with 33m. Delhi and Shanghai, with around 30m people each, fill out the top five.

The UN's latest figures highlight tremendous urbanisation. These days 45% of humanity lives in cities (with at least 50,000 people); another 36% inhabit towns (with at least 5,000). The data also show that much of the growth is happening in middle-income Asia. Only one of the world's ten biggest cities lies outside that continent. And only seven of the world's 33 "megacities" (boasting over 10m people) are in rich countries. By 2050 Jakarta and Dhaka will between them add another 25m people, nearly as many as live in Australia.



These migrations should help make people better off. "Dhaka changed my life and secured my kids' education," says Clinton Chakma, who found a job as a waiter after migrating from a farm in 2022. Yet there is also a huge risk: that as Asia's cities expand, squalor, pollution and gridlock increasingly undercut the economic boost they provide. "People move to cities to be part of the labour market," says Alain Bertaud of New York University. But if the labour market does not work "you build a poverty trap".

Jakarta, Dhaka and Delhi already rank among the world's worst cities to live in, according to the Economist Intelligence Unit, our sister company. Jakarta ranks 132nd out of 173 cities; Delhi is 145th. Dhaka comes third from last, with only Damascus and Libya's Tripoli behind. If Asian countries are to break out of the middle-income trap, they must solve the problems that plague their cities. The best way of doing that is not through piecemeal projects, but by taking a hard look at the dysfunctional ways urban areas are governed.



Jakarta—nobody's idea of a lovely city—is as good a place as any to see all this on the ground. After years of expansion it now encompasses the neighbouring cities of Bogor, Depok, Tangerang and Bekasi (see map). Yet there is far too little co-ordination among these neighbouring authorities. A settlement as populous as some countries is governed as coherently as a clowder of cats.

The cost of this fragmented governance is perhaps best seen in Jakarta's notorious traffic. It is the world's 12th-most congested place (Dhaka ranks third and Delhi seventh). Unable to afford housing near their workplaces, many Jakartans live in far-flung suburbs. A vastly inadequate public transport system encourages them to travel by two-wheelers or in cars, which jams up the roads and causes air pollution. All this cuts productivity. The government of Jakarta reckons traffic jams cost its economy $6bn each year.

In 2019 Jakarta got its first metro line. But it stops abruptly at the city's official administrative boundary, short of commuter neighbourhoods. There is an urgent need for co-ordination within the agglomeration, says Adhika

Ajie, the head of research and innovation at Jakarta's city government. "Otherwise it's useless." Good luck with that. "Throughout my time there was very little conversation with other mayors of surrounding cities," says a former official in the city administration.

Similar problems affect megacities elsewhere in Asia. Dhaka has enveloped satellite cites with which it has little co-ordination. But it also suffers from being run by two municipal corporations, a national development authority, several ministries and dozens of different agencies which are individually responsible for things such as water, sewage and transport. A mayor of Dhaka North City Corporation once complained that he lacked the authority to deal with 80% of the problems that affect his city, including traffic and flooding.

Parts of India, now home to five "megacities", are in the same boat. Governance in Delhi is split between municipal bodies, a state government, the national government and several bodies created to oversee matters such as housing, planning and the metro rail. The Kolkata metropolitan area (the world's ninth-largest) contains no fewer than 423 different governing entities, according to the World Bank.

How do successful cities do it? One model is Shanghai, which is run by the central government as a province rather than a city. It exercises strong, centralised authority over all major urban functions, from planning to transport. But China's governance model is unique: pressure on leaders comes not from voters but from bosses in Beijing. Party leaders cannot afford to let areas of the city grow unruly.

A better model is Tokyo. The Tokyo Metropolitan Government (TMG) is responsible for big-ticket public services such as water, sewage and public hospitals. Beneath it sit 23 wards and a host of peripheral cities and towns. Each municipality has its own elected mayor and assembly, responsible for services such as schools, waste management and community planning. The TMG co-ordinates between them. It is a sensible split that clearly delineates authority while also making sure that decision-making is joined up.

Like the megacities of middle-income Asia, Tokyo has no single government body for the greater metropolitan area, which includes parts of the neighbouring prefectures of Kanagawa, Chiba and Saitama. But the national government plays an important role in co-ordinating between them. And a dense metro and commuter-rail network ties the region together. Over 90% of people in the greater Tokyo area live within a 20-minute walk of a station.

It helps, of course, that Tokyo is richer than other Asian megacities. When it became a city of 20m in 1965, Japan's GDP per person was $9,500 (at 2011 prices). When Dhaka hit that number in 2005, per person income in Bangladesh was $1,900. Yet making Jakarta, Dhaka, Delhi and other Asian megacities more liveable can start with changes to governance, not with huge investments. Overhauling power structures is harder than splurging on big projects. But the potential pay-offs are mega. ■

Asia | So much for Trump the peacemaker

Fighting between Thailand and Cambodia breaks out again

Hundreds of thousands of refugees are back on the move

December 11th 2025

IN LATE OCTOBER President Donald Trump oversaw the signing of a peace deal that he said would save "millions of lives". He convened the leaders of Cambodia and Thailand on the sidelines of a regional summit in Kuala Lumpur, Malaysia's capital. He watched, beaming, as the two men signed an agreement cementing a truce they had struck months earlier. The idea was to prevent a repeat of the conflagration that took place in July, when the two countries spent five days fighting in their disputed borderlands. Those battles left several dozen people dead and forced some 300,000 civilians to flee.

Yet the Kuala Lumpur Peace Accord—as Mr Trump grandiosely called it—was only ever a rickety ceasefire. And it fell apart completely on December 8th, when Thailand sent F-16 fighter jets to strike Cambodian targets. By December 10th renewed fighting along the border had killed at least 19 people and injured more than a hundred. Hundreds of thousands of refugees are once again on the move. On December 9th Mr Trump said he would call each side to ask them to knock it off.

Thailand claims its air strikes on December 8th were retaliation for Cambodian attacks in border areas a day earlier. Cambodia says Thailand fired first. It is difficult to know whom to believe. But leaders on both sides face pressure not to look weak before their rival. Their border dispute has smouldered for generations.

Tensions rose anew last month when Thai soldiers were injured by a landmine in the border areas. Cambodia says these are leftovers from its long civil war with the Khmers Rouges. But a team of neutral observers, drawn from neighbouring countries and charged with policing the peace agreement, said the mines had been freshly laid. On December 8th Anutin Charnvirakul, Thailand's prime minister, told reporters in Bangkok that no one should ask his country to exercise restraint. "We're long past that point," he said. "If you want things to stop, tell the aggressor to stop."

Mr Trump may not see things that way. When the fighting first flared up in July, he called the leaders of both countries and threatened to raise tariffs on each to intolerable levels unless they both backed down immediately. That worked, for a time. But these tactics have clearly done nothing to deal with the underlying causes of the dispute. Indeed, Mr Trump may have emboldened Cambodia by ignoring the increasing evidence of its aggression against Thailand (an old American ally). In the wake of the conflict in July Cambodia's prime minister, Hun Manet, nominated Mr Trump for the Nobel peace prize.

This is not to say that Thailand bears no responsibility for this week's renewed fighting. Of the two it has by far the more powerful army. And it now appears ready to take the fight much further than it did in July. "The objective of the army is to cripple Cambodia's military capability for a long time to come," Thailand's top general said on December 8th. He said this was necessary "for the safety of our children and grandchildren".

A big military success would be popular in Thailand. Its army is a powerful player in politics; its generals back Mr Anutin's government. They would like to see him win big in a general election expected in early 2026. They may even be gambling that a lasting victory could reshape how Mr Trump sees the two countries. Everyone knows the president prefers winners. ■

Asia | Dodgy outfits

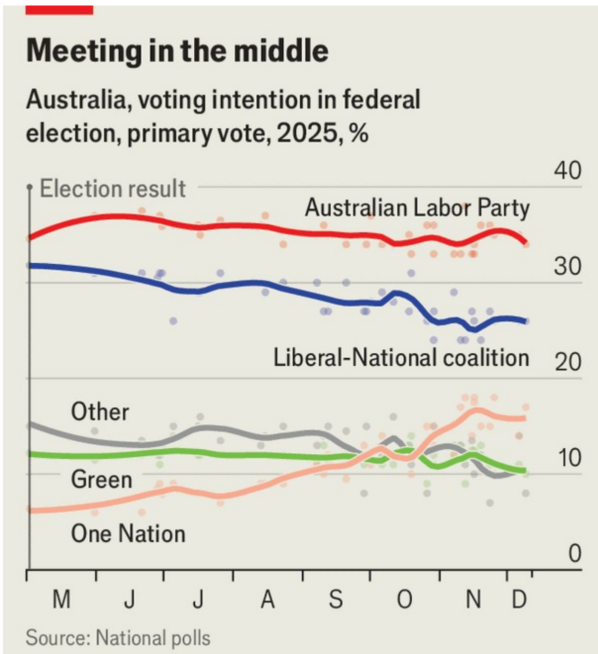
Australia's hard right is resurgent

It includes actual Nazis

December 11th 2025

Late last month proceedings in Australia's upper house were suspended for 90 minutes after Pauline Hanson, a populist-right senator, marched into the chamber wearing a burqa. It is the second time in a decade that Ms Hanson has donned the Muslim garment (which covers the body from head to toe, with a mesh for the eyes) in parliament. On both occasions, the stunt aimed to publicise her long-running campaign to have such face-coverings banned in public places. This time round the caper landed her a week's suspension from the Senate as well as widespread condemnation from fellow politicians and community leaders, who accused her of vilifying Australia's Muslims. They argued that, whatever one thinks of it, only a tiny number of Muslim women in the country actually wear a full veil.

Yet Ms Hanson—whose maiden parliamentary speech three decades ago railed against Aboriginal rights and warned that Australia was at risk of being “swamped by Asians”—is doubtless feeling optimistic. Her party, One Nation, has enjoyed only limited electoral success since it was founded in 1997. Now there are strong indications that it is gaining mainstream appeal. Some polls suggest that almost one in six Australians would vote for it if an election were held today, up from only about one in 20 in June (see chart).



High living costs have been making many Australians anxious about immigration. But the growing draw of Ms Hanson’s party also relates to dysfunction and infighting inside Australia’s centre-right opposition, which is making it harder for more sophisticated diagnoses of Australia’s problems to be heard. The Liberal-National coalition, Australia’s main opposition, has been shedding conservative voters to One Nation.

Lately the coalition has started losing politicians to One Nation, too. Barnaby Joyce—a former leader of the Nationals and a one-time deputy prime minister of Australia—has defected from his party. On December 8th he confirmed he would be joining the one led by Ms Hanson. Mr Joyce is going to run for One Nation in the Senate at the next election in 2028. That will doubtless boost the party’s ability to raise funding and will probably help it reach further into rural parts of New South Wales (Mr Joyce's home state, which is also Australia's most populous).

One Nation's growing popularity comes against a worrying wider backdrop: all sorts of hard-right groups, some of which are extremely irksome, have grown stronger. In recent months angry rallies, collectively dubbed the "March for Australia", have taken place across big cities. These events have jostled neo-Nazi and other extremist groups together with mainstream outfits that favour slashing immigration and making Australia somewhat less multicultural.

The mood at these rallies has often been grim. On the day of the event in Brisbane, Indian diaspora groups advised members of their community to stay indoors. In Melbourne demonstrators trashed an Aboriginal protest site known as Camp Sovereignty. In November a neo-Nazi group staged a protest outside the New South Wales state parliament in Sydney. Men clad in black unfurled a banner that read "Abolish the Jewish lobby". Local media named and shamed the participants; one of them, a South African citizen, had his visa cancelled and was ordered to leave the country.

State and federal authorities in Australia have responded to these trends in knee-jerk ways. In 2023 the state of Victoria, grasping for an answer, outlawed the "Roman" (fascist) salute. But Mario Peucker, who researches the radical right at Victoria University in Melbourne, argues that such prohibitions do not present much of an obstacle to increasingly sophisticated operators among the far right.

The radical group that protested in Sydney has said it plans to register a "White Australia Party" (the racist "White Australia" policy largely kept non-Europeans out of the country until the 1970s, when a policy of multiculturalism was adopted, transforming the country's demography). The Australian Electoral Commission says there is no rule to stop this. Such a party would be unlikely to win a parliamentary seat, but its participation in elections would doubtless provide much media coverage, boosting recruitment for far-right groups.

Today, one in three people in Australia was born overseas—millions of them in Asia, Africa and the Middle East. So Ms Hanson's dressing-up games do not reflect the concerns of middle Australia. Moreover, the country's system of preferential voting would seem to present a big obstacle to the One Nation party ever forming a government, even if its fortunes continue to improve. That contrasts with Britain's first-past-the-post system, whereby the prospect of a once fringe party such as Reform UK one day taking office is starting to look very real.

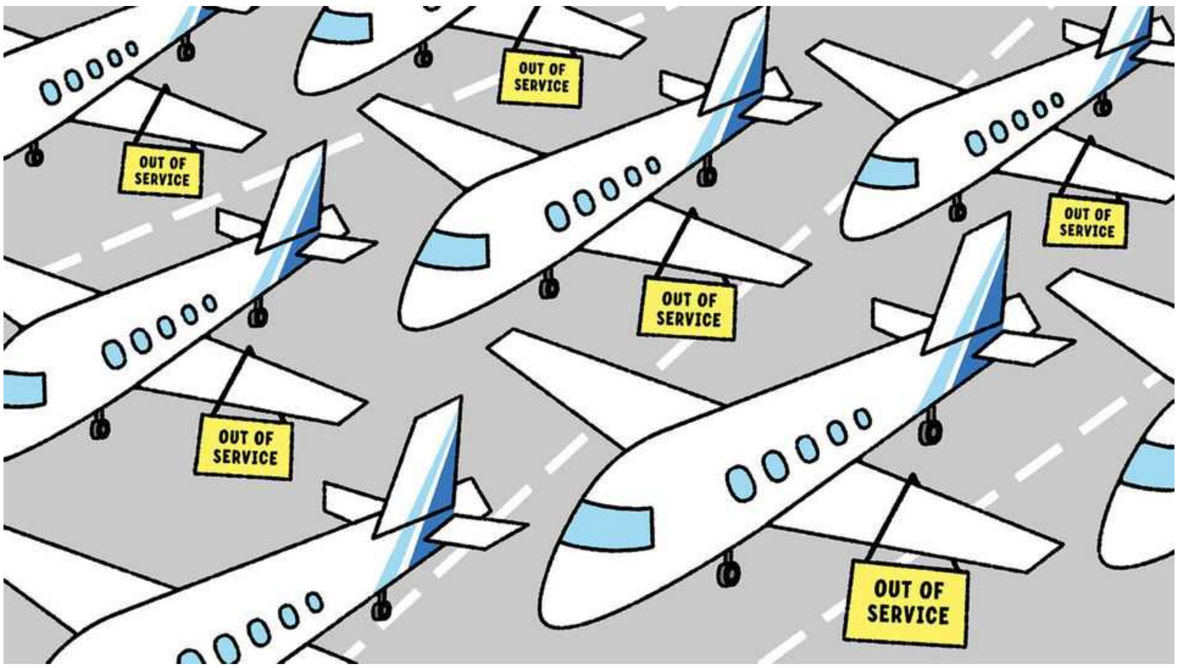
Yet it is becoming ever more clear that the ideology of "White Australia" still appeals to a sizeable number of Aussies. Officials sound worried about violence: the head of Australia's spy agency says that the majority of terror threats it investigated last year involved racist or nationalist ideologies. This is hardly the time for Australia's squabbling centrists to be needlessly giving up ground. ■

Asia | Banyan

How did one airline bring Indian aviation to its knees?

The blame is widely shared

December 11th 2025



AN INDIAN WEDDING reception can be a tedious affair. A typical example finds the bride and groom sitting on—or standing next to—a pair of gaudy thrones. Guests queue up to hand over presents and have their photos taken. There is often no booze, no dancing, no revelry. At a reception in the southern city of Hubli on December 3rd, there were no newly-weds either. Stuck hundreds of miles away in India's east, the couple appeared virtually instead.

The experience of Medha Kshirsagar and Sangram Das—forced to attend their own reception by video call—is one of the lighter stories to emerge from the vast and unprecedented disruption that has struck Indian aviation in recent days. Problems that began at the start of the month with delays and a handful of cancellations peaked on December 5th when IndiGo, India's biggest airline by every possible measure, cancelled more than half its roughly 2,300 daily flights, including all departures from Delhi airport, the country's busiest.

An operational meltdown at one airline should not be a national crisis. Nor would it have become one in any other big economy, where no single carrier controls more than a fifth of the market. Yet IndiGo holds a 66% share of the market for domestic flights in India (in America, by contrast, Delta, United, Southwest and American Airlines hold a 68% share combined). Indeed, IndiGo is the only carrier on a staggering 60% of India's 1,000-odd domestic routes. When Southwest faced a similar crisis in America three years ago, other airlines were able to pick up the slack quite easily. But when IndiGo flights stopped running, it was as if Indian aviation as a whole had suddenly gone down.

The blame for this sorry episode lies with the airline, which failed to prepare for new regulations, first advertised two years ago, that increased rest periods for pilots. IndiGo's dominance is built on highly optimised operations, including super-tight schedules. But it had granted itself too little wriggle room to accommodate the new rules, which came into force last month. The result is that small disruptions of the sort that commonly buffet air travel created knock-on effects that ended up growing vast enough to make IndiGo's entire network come apart.

Yet the blame for letting Indian aviation become so dominated by a single airline is widely shared. Making money out of aviation is especially difficult in India. High taxes on fuel swallow profits. The growing heft of airport operators—one firm controls half of India's privately operated airports—risks driving costs up further. An imperfect bankruptcy law drives teetering airlines out of business, even when they might be saved.

One week on, Indigo's operations are just about limping back to normal. Yet its millions of furious passengers are unable to show their displeasure by choosing alternatives. Air India, the flag carrier, has 27% of the market; it is the only other airline of any size. But it, too, has plenty of problems. They include delayed aircraft deliveries that have prevented it from expanding its network and a suboptimal safety culture: only last month it flew a plane that did not have a valid certificate of airworthiness.

Nor, alas, do Indian travellers have many better options than taking to the air. India has one of the world's most comprehensive rail networks; the railway minister says that some 80% of trains run on time. So perhaps Banyan is just unlucky in only ever booking the other 20%. But even when the trains run to schedule, the experience can be unpleasant. Stations are chaotic and grimy; the majority of trains are trundlers; many services sell out far in advance.

India has invested in expanding its road network. In recent years hundreds of miles of motorways have opened, as well as dual carriageways and many more rural roads. But these are marred by unlicensed drivers, baffling signage, potholes and frequent obstructions such as stopped vehicles and stray animals. India's roads still rank among the world's most dangerous.

Improving transport infrastructure has long been a priority for Narendra Modi, the prime minister. His government has indeed boosted connectivity. But now it needs to go beyond providing hardware such as flashy airports, roads and new train carriages. India's travellers deserve new software, too: enforcement of road-traffic rules, a modernised rail service—and much more competition in aviation. It is not asking a lot to expect to make an appearance at your own wedding reception.■

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China

China | Not so self-reliant

The meaning of China’s record-high trade surplus

The country is too complacent about its export dependence

December 11th 2025

When people in China talk about the “two meetings”, they mean the annual gatherings of the country’s legislature and its advisory body in March. But another pair of meetings this month could prove more important for China’s economy. The just-concluded Central Economic Work Conference (CEWC), a yearly gathering of leaders, has set the direction for economic policy in 2026. Meanwhile, in a meeting on December 10th, Vanke, once China’s second-biggest property developer, pleaded with its creditors for an extra year to repay a bond that will soon fall due. The Vanke meeting is another sign that China’s property slump, the source of much economic trouble, is far from over. But the conference in Beijing suggested that China’s leaders have other things on their minds.

One of their preoccupations is technological self-reliance. By that yardstick, the past year has been a success. DeepSeek, an artificial-intelligence firm based in entrepreneurial Zhejiang province, has shown that China can compete with America's best models despite constraints on its computing power. And ten years after the launch of its "Made in China 2025" initiative, the country comfortably exceeded its goals for localising electric-vehicle-making and the renewable-energy industry.

Where China is not self-reliant it has also become more secure. It has turned its dominance in rare earths—critical elements used in powerful magnets and other manufacturing components—into an effective economic weapon. That will help it deter further Western attempts to cut it off from advanced semiconductors and other technological inputs it still cannot make itself. America's government, for its part, now seems more inclined to loosen controls than tighten them. On December 8th President Donald Trump said he would allow China to buy Nvidia's H200 chips—not quite state-of-the-art but far more powerful than anything China has been sold before. China's "hard power" in economics, science and technology has "significantly improved", boasted the Communist Party's Politburo at a meeting on the same day.

China's growing technological sophistication has also contributed to the surprising resilience of its exports. According to China's customs administration, its trade surplus in goods in the first 11 months of the year exceeded $1trn, more than the 12-month total for any previous year. Such a bumper surplus seemed unlikely in the spring when Mr Trump raised tariffs on some Chinese goods to more than 145%.

But even as China's exports to America fell, its sales to the rest of the world more than made up the difference. Chinese firms found new markets to replace America. And they found new, more roundabout routes to reach America, circumventing the highest tariffs along the way. As much as 70% of China's extra sales this year to the Association of South-East Asian Nations represent indirect exports from China to America via third countries, according to Goldman Sachs, a bank.

China's surplus cannot, however, be chalked up only to the tenacity of its exporters. It also reflects the weakness of China's own spending. Imports shrank in dollar terms in the first 11 months of this year, compared with a year earlier. China's investment spending is flagging, especially in construction, which tends to be import-intensive, notes Adam Wolfe of Absolute Strategy Research, a consultancy.

Sales of new flats have fallen by half since their peak in 2021, even as exports have risen by a third (see chart). Falling home values have also dented the wealth of households, damaging their confidence and depressing their consumption. The housing downturn over the past four years may have wiped out 100trn yuan ($14trn) in property wealth, reckons Larry Hu of Macquarie, a bank. As a result, deflation has become entrenched. Figures released on December 10th showed factory-gate prices fell year on year for a 38th month in a row.

Falling prices at home make Chinese goods more competitive abroad, points out Mr Wolfe. Deflationary pressure has also forced China's central bank to keep interest rates lower than elsewhere in the world. That in turn has ensured that the yuan stays relatively cheap, giving China's exports a further edge. China's exchange rate, adjusted for inflation and weighted to reflect China's trade patterns, is 10% below its average of the past ten years.

The country's export strength is then, in part, a product of its domestic weakness. It is also, indirectly, a cause of it. Export momentum has helped China's economy stay within reach of its growth target of "around 5%" this year, even without a stronger fiscal stimulus or a more decisive effort to end the property slump. Leaders have not done whatever it takes to revive the property market, because they have not needed to, argues Mr Hu. "Housing may not bottom out until policymakers can no longer rely on exports to drive growth," he writes.

In the meantime policymakers have settled for more piecemeal measures. The Ministry of Finance has allowed local governments to sell more bonds and use the proceeds to buy land or unsold properties from developers. Zhengzhou, the capital of Henan province, has experimented with a scheme to purchase small flats from households who commit to buy pricier new homes instead. But local-government finances are stretched. Only the central government has the fiscal firepower to carry out such schemes on the scale required.

Likewise, China's attempts to lift consumer spending this year have been innovative but incremental. The government has expanded subsidies for households that are willing to trade in old cars, appliances or electronics for new ones. They have rolled out childbirth subsidies, a year of free pre-school, and vouchers to help the disabled elderly buy care. They have also subsidised consumer loans. But none of these initiatives has been big enough to turn sentiment around.

At its recent meeting the Politburo cited the need for a "countercyclical" response to a slowing economy, points out Lu Ting of Nomura, a bank. This phrase was missing from its comments in July. But the Politburo did not say, as it did last year, that the response should be "extraordinary". At the CEWC, China's leaders merely said that the "necessary fiscal deficit" should be maintained.

Stabilising the property market would be expensive, which is one reason why the central government will wait until it has no choice. But allowing house prices to decline and deflation to linger also has costs. The more prices fall, the heavier debts weigh. The longer deflation lasts, the harder it becomes to imagine an alternative. China could lapse into the "deflationary mindset" that haunted Japan for decades.

Nor can China count on exporting its way out of trouble for ever. Interest rates elsewhere are falling. The yuan is already facing pressure to rise. Further European tariffs or an American tech bust would sap foreign demand. China would then have no choice but to stimulate domestic spending. By then it might be even harder to revive it.

China's leaders are keenly pursuing homegrown alternatives to foreign tech. But there are other measures of self-reliance. The Politburo says domestic demand should be the "main driver" of the economy. But in the past year China has relied more on overseas spending to drive growth. China's leaders are wary of depending on foreigners to sell the country stuff. But they seem curiously content to depend on foreigners buying theirs. ■

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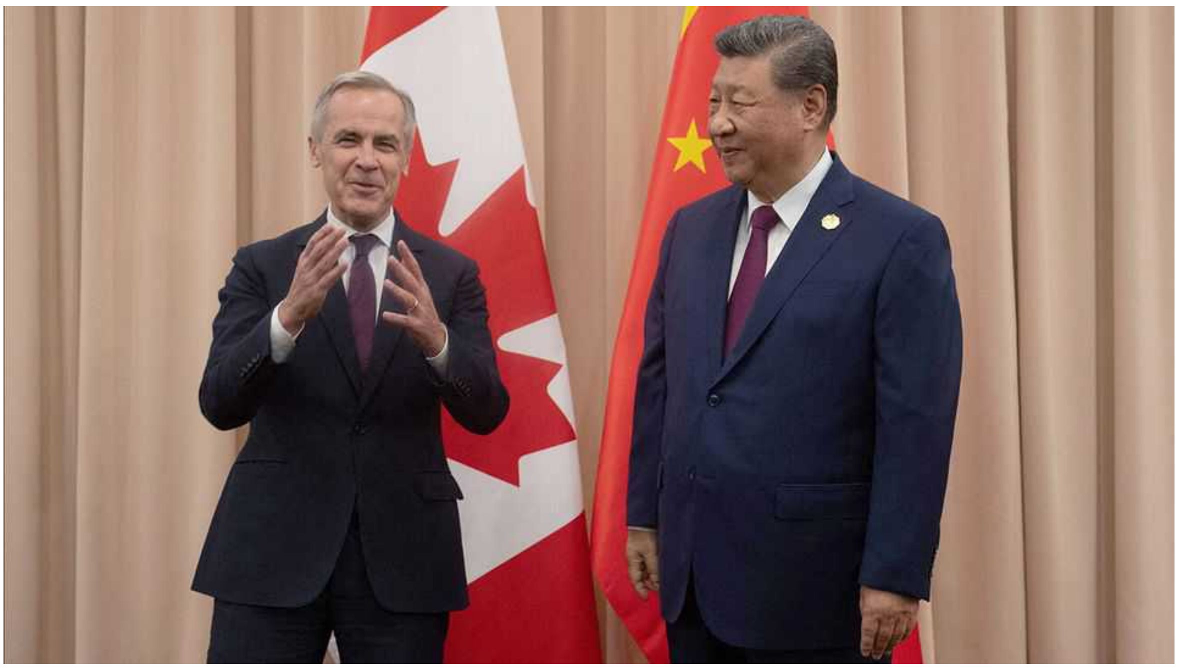
China | Weighing the threat

Hedging against Trump, Canada reconsiders ties with China

How far it can go will depend on America

December 11th 2025



The last time people cared what Canada thought of China was half a century ago. Fighting in Vietnam, America did not want Canada to recognise “Red China”, in preference to Taiwan. But Canada saw relations with the People’s Republic as important for its own and the world’s interests. Sensing that breaking from America’s position would not seriously damage North American ties, Canada formally recognised China in 1970. Other countries followed suit. Fifty-five years on, Canada—like other middle powers—is pondering its approach once more. How far can it deviate from the position of its southern neighbour, without seriously annoying it?

Canada's relationship with China frosted over in 2018, when Canada arrested Meng Wanzhou, an executive of Huawei, a Chinese telecoms firm, on behalf of America. In apparent retaliation, China detained two Canadians, Michael Spavor and Michael Kovrig. All three were freed in 2021, but ties remained severely strained. In April, when campaigning in parliamentary elections, Canada's prime minister, Mark Carney (whose party won a new term), named China as Canada's biggest geopolitical threat. But the mood changed in October when Mr Carney shook hands with China's president, Xi Jinping, on the sidelines of a meeting of Asia-Pacific leaders in South Korea. Both sides used terms like "turning point". Mr Carney accepted Mr Xi's invitation to visit China.

Canada is now mulling how to re-engage. "Four months ago, there was no serious discussion...Those who were advocating for stronger interactions with China were marginalised," says Paul Evans of the University of British Columbia. "Boom. That's changing."

There are two main reasons. One is President Donald Trump, who eroded Canada's reflexive trust in America by slapping 25% tariffs on Canada's goods and saying the country should become America's 51st state. His high-handedness prompted Canadian cafés to rename Americanos "Canadianos" and grocers to promote "Buy Canadian" campaigns. A Pew survey conducted between February and April found that 34% of Canadians viewed Americans favourably, down 20 percentage points from 2024. Meanwhile, Canadian sentiment towards China has moved in the other direction. A survey carried out in September by the Angus Reid Institute, a pollster, found that 27% of Canadians viewed China favourably, up from 16% earlier this year.

The second cause of change is Mr Carney. He became prime minister in March, after nine years of Justin Trudeau. China sees this as a good time to reset. Both men belong to the Liberal Party, but Mr Carney was in London heading Britain's central bank during the rupture in 2018. To China, this means his hands are clean.

The meeting in South Korea gave a green light to Chinese officials to engage with Canadians again. When Canada's then minister of agriculture visited China last year he could not secure official meetings, says a person familiar with the trip. This year, around the time of the Xi-Carney handshake, the current minister was able to meet senior officials in China. One month later, a Chinese business delegation flew to Toronto to "implement the important consensus reached by our leaders".

Chinese state media have played up Mr Carney's comment that "the centre of gravity in the global economy is shifting" (away from America). But China is mindful that Canada's options are limited. They remain "constrained by the reality of its long-term reliance on the United States", Su Xiaohui of a government think-tank wrote in July. Some online commenters agree. "Canadian politicians are just whining for attention," one wrote. "As soon as the Americans toss them a sweetener, they'll be friendly and grovelling again."

But Canada is keen to find wriggle room. Its trade in goods with America was worth $762bn in 2024, far more than the $86bn with its second-biggest trade partner, China (see chart). To reduce exposure to America, Canada wants to double exports to other markets by 2035. With China, there is room for growth: it takes only about 4% of Canada's exports.

America will still complicate matters. Late in 2024, taking its cue from the Biden administration, Canada imposed 100% tariffs on electric vehicles

(EVs) made in China. China retaliated with tariffs on canola (rapeseed)—Canada's biggest export to China in 2024—as well as seafood and pork. It has offered to drop tariffs on agricultural products if Canada does the same for EVs. But the Trump administration would worry about this. It would represent a major breakthrough for Chinese EV makers, who are currently in effect blocked from America and Canada.

Canada may begin by looking for progress in areas that are less politically fraught, such as co-operation in tackling transnational crime and boosting people-to-people exchanges. China looks eager: in November, it finally ended a pandemic-era restriction on tour groups to Canada. At least as political ties warm, more Chinese can experience Canada's biting winter. ■

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China | A persistent craving

Why do so many Chinese still smoke?

One reason: China's tobacco industry has massive clout

December 11th 2025

Does Xi Jinping still smoke? China's leader had a penchant for a puff as a young man, and his predecessors Mao Zedong and Deng Xiaoping kept up the habit. Mr Xi is said to have kicked it; a former boss of the World Health Organisation (WHO) has even praised him for doing so. Some analysts wonder, however.

Many Chinese struggle with the temptation. In a population of 1.4bn, some 300m are smokers. Most are male: nearly half of adult Chinese men smoke compared with just under 2% of women. Together they get through 40% of the world's tobacco. According to the WHO, Chinese consumption of it has declined by just 4% since 2000, compared with 13% globally.

That works well for the state-owned giant, China National Tobacco Corporation (CNTC). Most of the tobacco smoked in China is grown in China, and CNTC dominates the entire supply chain. The firm made some 2.4trn cigarettes in 2023. Compared with prices in the rich world, they can sell for a song: the cheapest pack of 20 typically costs 15 yuan ($2).

The habit exacts a heavy toll. Every year, as many as 2.6m Chinese die early from smoking-related illnesses (roughly as many as inhabitants of Chicago). They account for 23% of all annual deaths; in America the comparable figure is 10%. Tobacco Atlas, an online resource produced by Johns Hopkins University and Vital Strategies, a public-health NGO, reckons that smoking costs China roughly $300bn a year in treatment and lost productivity.

Mr Xi has made some effort to tackle the problem. In 2015 China expanded bans on tobacco advertising to cover billboards and public transport. The following year it unveiled “Healthy China 2030”, a plan that called for the number of smokers to fall to less than 20% of adults by that year (the rate has declined from 24.4% in 2015 to 22.9% today). But at the central level, anti-smoking fervour has fizzled, says Geoffrey Fong of the University of Waterloo in Canada. Local administrations have pitched in. Beijing, Shanghai and Shenzhen are among 250 or so cities that have banned smoking in government offices, hospitals and schools. But enforcement is patchy.

Social behaviour is slow to change. Men in rural China socialise with a smoke. Even doctors greet patients with tea and ciggies. And large packs are still thought to make nice gifts with their pictures of pandas and the Forbidden City (no gruesome photographs of disease-afflicted body parts).

But the biggest problem is the tobacco industry’s clout. Since 2000 tobacco taxes have accounted for almost 7% of central-government revenue. A good way to reduce smoking, experts agree, would be to tax cigarettes more. But the government demurs: too steep a fall in demand could mean a smaller tax take, too. The last time it tried, in 2015, the price of cigarettes rose, but not as much as intended: to prevent a surge, CNTC cut its margins. And pricing, as it happens, is controlled by China’s tobacco regulator whose head is the boss of CNTC. The organisations share an office.

Indeed, in recent years, price rises have been outpaced by rising incomes. Cigarettes have become even more affordable. More government willpower is needed. ■

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China | The pain of the doghouse

China knows how to punish countries that offend it

It is skilful in the dark arts of economic leverage

December 11th 2025

China's diplomatic anger obeys a law of conservation: the total quantity remains constant, but the targets change. Some countries, notably Canada and South Korea, have recently emerged from China's doghouse. Instead, as of last month, Japan again finds itself in the kennel, following comments by Takaichi Sanae, Japan's prime minister, that her country could deploy its armed forces if China attacks Taiwan. For China, that crossed a red line. It was interference in what China perceives as its internal affairs, all the more egregious given Japan's history as a brutal occupier during the second world war.

China's harsh words often come with material consequences. This time, it has imposed import bans on Japanese seafood, warned Chinese citizens against travelling to Japan and cancelled Japanese concerts and film releases. What does China achieve by using such blunt economic weapons in bilateral spats? It is tempting to dismiss these as acts of petulance or even self-harm. Rarely do countries meekly back down in the face of China's punishment. Ms Takaichi is not about to retract her comments, especially as China's angry response has bolstered her standing at home.

But there is more to it. China has conducted doghouse diplomacy for two decades, long enough to draw conclusions about its efficacy. Distressingly, although many outside China find its tactics heavy-handed and unbecoming of a great power, there is a brutal logic to them. They are, over time, quite effective at shaping the behaviour of other countries. As one diplomat in Beijing observes, it is the mere existence of the doghouse, rather than its specific focus, that matters. It makes foreign governments tread carefully around China's declared interests.

Some of the earliest examples of countries landing in trade trouble with China arose when their leaders had the gall to meet the Dalai Lama, the spiritual leader of Tibet, who is seen in Beijing as a dangerous separatist. Over time China started to mete out economic punishments for a broader array of offences, such as the Norwegian Nobel Committee's decision in 2010 to award its peace prize to a Chinese human-rights activist, skirmishes in the South China Sea with the Philippines in 2012 and South Korea's installation of an American missile-defence system in 2016. A database maintained by academics in Australia documents nearly 100 instances globally of "weaponised trade" since 2008. In roughly 40% of cases, China has been the aggressor.

The country tends not to announce its trade measures as explicit punishments, an obfuscation that gives it plausible deniability when others complain. Yet the timing and focus of its sanctions leave little doubt about the intent. In 2021, when Lithuania allowed Taiwan to use the word "Taiwan" in its representative-office name—breaking from other governments' practice of using only "Taipei"—Lithuanian exporters found that their country had simply vanished from China's customs system, making it impossible to send their products there. After Canada detained an executive from Huawei, a Chinese telecoms company, to serve an American extradition request in 2018, China choked off Canadian exports of canola (rapeseed), supposedly for safety reasons.

Looked at narrowly, China's economic tactics seem to have a dubious record of success. South Korea went ahead with installing its American missile-defence system and, over time, China's extreme pressure has dissipated. Even as little Lithuania has persisted with its Taiwanese office, its exports to China have gradually recovered. Japan is a repeat offender in China's books.

But a wider aperture shows why China does what it does. Take the origin of China's doghouse diplomacy. After the flurry of meetings with the Dalai Lama in the early 2000s foreign leaders became much more circumspect, mostly allowing lower-ranking officials, if any, to see him. Mindful of Lithuania's predicament, other countries keep the name "Taiwan" off their representative offices. Australia, another target of Chinese import blockades in recent years, has softened its criticism of Xi Jinping's government.

The direct cost to China is minimal. For all the headlines generated by China's economic tactics, its targets are often limited and at least partially substitutable. China has cut back on bananas from the Philippines but increased imports from Vietnam. Cancelling group visits simply redirects Chinese tourist spending elsewhere. Meanwhile, the loss to targeted countries—and specifically to their companies—is often substantial, given the size of the Chinese market. Unlike Donald Trump, China is skilful in the dark arts of economic leverage: the basic objective is to cause minimal self-harm and to have a clear blast radius abroad.

What about the damage to China's reputation? When countries get whacked by China, their publics tend to sour on it. China's favourability ratings in South Korea fell sharply in the wake of the missile-defence dispute and remain very negative. Even with much to fear from Mr Trump, Canadians and Australians still generally do not trust China. Such low opinions have a real impact, constraining how far countries can go in repairing their China ties.

China's implicit calculation is that being known as an occasional bully is a price worth paying. It scares off some potential tourists and investors, but it helps keep foreign governments in line. In its current dispute with Japan, diplomats in Beijing report that China has been calling meetings to explain its side of the story. They say it is insisting that, after the second world war, the international community gave mainland China sovereignty over Taiwan, and that any hint of support for Taiwan's independence will face the most serious of repercussions. China is putting Japan in the doghouse not just to punish it, but to paint red lines big and bold. Other countries will cross them at their peril. ■

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Middle East & Africa

Middle East & Africa | The promise of Simandou

A giant iron-ore mine could bring Guinea riches or ruin

It all depends on how the country's junta uses the windfall

December 11th 2025

Underneath a ridge in the southern highlands of Guinea, a west African country of 14m people, lies one of the world's biggest deposits of iron ore. Mining of the 3bn-tonne deposit, which would be worth some $315bn at current market prices, has been on hold for nearly 30 years. On December 3rd the first batch of ore at last left the country's shores, on a ship bound for steel mills in China.

Simandou, as the mine is known, has the potential to shake up the global iron-ore market by shifting dominance from Australia to China, which owns a big stake in the project. It could prove transformative for Guinea, which wants to use the revenue to overhaul everything from roads to education.

Most immediately, it bolsters the country's military junta and its leader, General Mamady Doumbouya, who wants to legitimise his rule in a presidential election on December 28th.

For decades it looked as though Simandou's riches might never be dug up. Rio Tinto, an Anglo-Australian miner, first won exploration rights in 1997. Besides bribery scandals and political instability, including two coups d'état, the project was long stymied by its high upfront costs.

The mine sits in a remote part of the highlands. The dirt tracks that lead to it are frequently rendered unnavigable by torrential rains and thick fog. Tapping the site required the construction of a 620km railway and a new seaport. Because the waters off Guinea are too shallow for big ships, small boats have to ferry the ore 20km from shore to a larger vessel waiting in deeper water. To carry construction material to the site, lorries had to travel around 20 days along poor roads from Conakry, the capital, 900km away, with hijacking a constant threat. All this pushed the bill above $20bn, making Simandou the world's costliest mining project.

These costs are now split between Rio Tinto, which owns a quarter of the project, China's Chinalco, and a separate Chinese-Singaporean consortium, wcs. China's government is widely considered to have pushed the project over the line. As the world's biggest buyer of iron ore, it is keen to see prices fall. Some analysts expect the boost to supply from Simandou to make iron-ore prices drop from around $100 a tonne now to as low as $70 over the next couple of years. At Rio Tinto, Chinese involvement led to a realisation that the project would proceed with or without the firm, so staying involved was considered strategically important. "You don't always measure value in just your raw profit," says Chris Aitchison, the managing director of the Rio-Chinalco consortium.

For their part, Guinean officials are keen to stress that China, whose vice-premier, Liu Guozhong, attended a commissioning ceremony in November, is just one of many partners in the mine. Simandou combines “the speed of the Chinese players and the standards that we like with the Western players”, says Djiba Diakité, General Doumbouya’s chief of staff.

Guinean officials hope that the experience of building Simandou has prepared them for their next big test: managing the windfall. Posters advertising “Simandou 2040”, the government’s plan to invest its share of revenues from the project, are plastered all over Conakry ahead of the election, often next to images of General Doumbouya in uniform. “We have the opportunity to change the size of our economy, the life of our people,” says Bouna Sylla, the mines minister.

If things go to plan, Mr Sylla could well be right. By 2030 Simandou is expected to ship 120m tonnes of iron ore, adding about 6% to the internationally traded supply. It could also push up Guinea’s exports by about $12bn a year, which would nearly double its existing trade. The imf reckons that if production ramps up, GDP could be 26% higher by 2030 than it would have been without the project. s&p Global, a ratings agency, published its first rating of Guinea’s government bonds in September.

But the newfound riches also bring big risks. Officials worry about "Dutch disease". Guinea's mining sector already accounts for one-fifth of gdp and more than 90% of exports. A large increase in iron-ore exports could strengthen the currency, hurting other exports. Without big policy changes, the imf expects the mine to have virtually no impact on the poverty rate, which was around 43% in 2024. There is also the question of what to do with Simandou's 50,000-strong construction workforce once the mine is complete.

Much rests on how the Simandou revenues are spent. Guinea's junta has plans to invest $200bn over the next 15 years to provide jobs and diversify its economy. It wants to use a combination of debt, iron-ore revenues and private-sector cash to fund hundreds of infrastructure projects, set up a sovereign wealth fund and improve schools (half the population cannot read or write). The money must not "go to the pocket", says Mr Sylla, noting the obvious potential for corruption.

Mr Diakité says that the investment plan will also foster upstream industries, such as processing ore into pellets. The government has been forcing miners to invest in processing plants or risk losing their licence to operate, as happened to an Emirati firm in August. Guinean officials insist Rio Tinto has also agreed to build such a pellet plant. Rio says it has committed only to considering the idea. A dispute could see Rio's investment stranded.

By standing in the election, General Doumbouya has broken his promise to leave power after grabbing it in a coup in 2021. The junta has excluded opposition parties from the ballot and cracked down on the press. Asked why the general cannot accept a fair election, Mr Diakité says Guinea is putting "economic and social development" ahead of political rights.

Despite the fearsome military presence in Conakry, General Doumbouya's grip on power is not yet absolute. He seized the presidency as a young military officer. Divisions in the armed forces remain a risk to his rule. An electoral mandate should help quell would-be challengers. But as Simandou's output increases, the prize for holding power in Guinea has never been bigger. Resource rushes have a history of triggering conflict in Africa. And Simandou may be about to produce one of the biggest rushes of all. ■

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Middle East & Africa | A peace deal without peace

Donald Trump has not ended conflict between Congo and Rwanda

But making money may not require making peace

December 11th 2025

As far as Donald Trump was concerned, it was a day of peacemaking in Washington, DC. On December 4th he hosted the leaders of Rwanda and the Democratic Republic of Congo to celebrate deals involving their countries and America. "They've spent a lot of time killing each other, and now they're going to spend a lot of time hugging," Mr Trump said. He claimed that the "Washington Accords" would end "one of the longest-running conflicts anywhere in the world".

The cuddly talk did not appear to resonate with Paul Kagame, Rwanda's president, and Félix Tshisekedi, his Congolese counterpart. They studiously avoided each other's eye and did not shake hands, let alone hug. Nor does it seem to have impressed M23, a militia group backed by Rwanda. As Mr Trump made his remarks, it was continuing its advance in the conflict he had just declared resolved.

What, then, was the point of the meeting? The leaders signed a peace accord agreed to in June, which compels Rwanda to stop supporting M23 and withdraw its troops from eastern Congo. Congo is supposed to smash the Forces Démocratiques de la Libération du Rwanda, a militia that Rwanda's government considers an existential threat, because it is mainly composed of the ethnic Hutus who committed a genocide against Mr Kagame's fellow Tutsis in 1994. Mr Trump also struck bilateral deals with Congo and Rwanda that are supposed to improve access for American buyers of minerals from both countries and pave the way for American investors in mining. In another deal, Congo and Rwanda agreed to strengthen cross-border supply chains and infrastructure.

The peace deal looks like a sham. Fighting in eastern Congo has continued unabated since the meeting, pitting Congolese troops, pro-government militias and Burundian soldiers against M23 and Rwandan soldiers. More than 200,000 people have fled since December 2nd, according to the UN. Dozens have been killed. On December 10th, M23 took control of Uvira, a city on the border with Burundi (see map). That cuts the Congolese army's resupply link through Bujumbura airport across the border and cements Rwandan control over eastern Congo.

The bilateral deals matter more. Mr Trump has given each party something they want. Mr Kagame looks set to receive new American investment without first having to loosen his grip on eastern Congo: he sees his influence there as a key part of his legacy. Mr Tshisekedi, whose hold on power was shaken by M23's advance, gets American support for his presidency, as well as potential investors in mines and new buyers for Congo's minerals.

If America ends up with a stake in the economic integration of the Great Lakes region, that may give it an incentive to ensure that the peace deal is honoured, too. Yet for now, stopping the conflict looks less important to the signatories than the various economic deals. ■

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Middle East & Africa | Sorry states

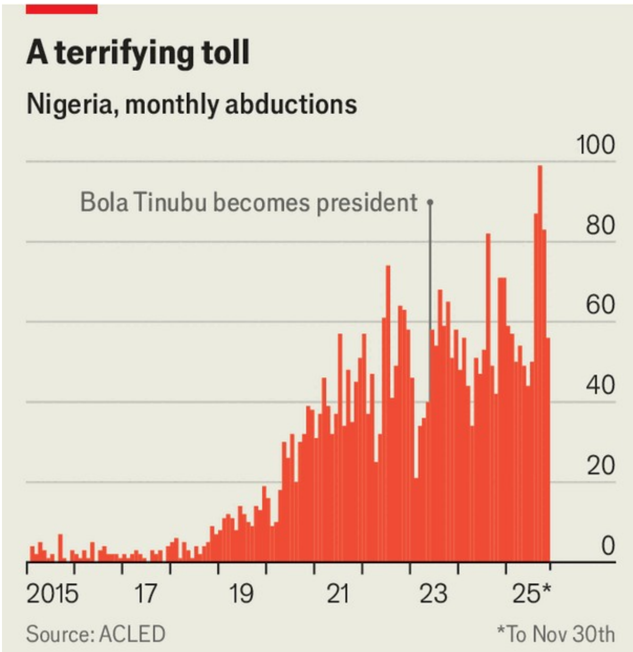
Nigeria's kidnapping crisis

Donald Trump's ire has drawn attention to appalling security failures

December 11th 2025

For nearly three weeks Chukwuelota Mmadubueze, a trader in Kwna village in north-western Nigeria, was trapped in agonising limbo. On November 21st gunmen burst into St Mary's, the local high school, and abducted almost half of its 600 or so students and staff, including his son. "They packed our children like cows into the bush," he says. For days Mr Mmadubueze's wife was so sick with worry she could not eat. On December 8th, a hundred children were freed. "I thank God my son was among them," he says. The fate of another 165 captives remains unknown.

Abductions, while hardly unusual in Nigeria, have become more widespread in recent years (see chart). The kidnapping at St Mary's in Niger state was the third such incident in a single week: three days earlier two people were killed and 38 abducted in an attack on a church in neighbouring Kwara state. The assault on St Mary's involved even more victims than the notorious "Chibok Girls" kidnapping by jihadists in north-eastern Nigeria in 2014, which sparked a global outcry.



For the government of Bola Tinubu, Nigeria's president, the latest spate of abductions is particularly concerning. On October 31st President Donald Trump threatened military intervention should Mr Tinubu fail to stop the alleged persecution of Christians by "Islamic Terrorists". Nigeria has been labelled a "Country of Particular Concern", which could pave the way for American sanctions and aid cuts.

The prospect has sent shockwaves through Nigeria's political class. Officials are scrambling to repair the country's relationship with America, its most important partner. Mr Tinubu has issued a flurry of orders to tackle insecurity. A new defence minister, a former army chief with a background in counter-insurgency, was appointed on December 2nd.

The government claims Nigeria's security forces have killed some 13,500 "terrorists" and arrested 17,000 others since Mr Tinubu took office in 2023. But few experts reckon security in Nigeria has improved on his watch. During the 12 months to October, when violence shot up, the number of abductions and conflict-induced fatalities fell slightly, estimates Beacon Security and Intelligence, a consultancy in the capital, Abuja. Yet some 10,000 people were killed, and many more abducted, in just the first two years of Mr Tinubu's term, according to Amnesty International, a rights group. (The government disputes the figure.) "The state is not in control of the one million square kilometres of territory that Nigeria is supposed to be," says Cheta Nwanze, a Nigerian security expert.

Contrary to Mr Trump's claim, the vast majority of abductions and killings in Nigeria are not religiously motivated. In the north-west the main culprits are criminal gangs known as bandits, who raid villages, loot cattle and extort civilians. It is unclear who kidnapped Mr Mmadubueze's son, but many suspect the motive was financial. Though the government claims to have "rescued" the students, they were almost certainly freed because of ransom payments. Mr Trump's threats may have created an incentive for armed groups, notes Mr Nwanze, since a government facing international censure may be more likely to pay up. That could also explain the recent targeting of Christians.

To contain the crisis, Mr Tinubu has promised to hire more police officers, among other things. Encouragingly, he also plans to allow states to establish their own police forces. Nigeria's federal security forces are overstretched and often unable to respond promptly. "Nigeria cannot make significant headway in security provision unless it adopts and embraces state policing," argues Fola Aina of the School of Oriental and African Studies in London.

Some of Nigeria's foreign partners, notably France and Russia, have pledged more intelligence co-operation and military aid. America, too, has softened its stance. A Nigerian delegation to Washington said on November 24th that it had reached an agreement to strengthen Nigeria's security partnership with America.

All of that is welcome. Yet a lasting solution to the country's conflicts will involve taking on the entrenched political and business interests which benefit from them, such as the elites who collude with bandits to smuggle gold from illegal mines in the north-west. That is something foreign armies can do little to help. ■

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Middle East & Africa | No time like sometime

A window of opportunity for reform in Lebanon is closing

Elections are looming, war drums are beating and the prime minister will soon be a lame duck

December 11th 2025

IN HIS first speech after being named prime minister, Nawaf Salam promised to build a new Lebanon. He set two main goals. One was to assert the authority of the state, a polite way of saying the government needed to disarm Hizbullah, a Shia militia. The other was to rescue an economy mired in financial crisis since 2019.

Almost a year later the old Lebanon looks stubbornly durable. Mr Salam has done a commendable job pushing urgent reforms. His problem is that everyone else has a different timetable. Israel wants him to move faster on Hizbullah, while Joseph Aoun, the Lebanese president, seems to be in less of a hurry. MPs have their eyes on elections scheduled for the spring. The prime minister may be turfed out in a few months with his job unfinished.

The Lebanese army has tried to confiscate Hizbullah's weapons near the border with Israel. General Nicolas Tabet, who oversees the region, said last month that his men had grabbed more than 500 rocket launchers and seized almost 200 tunnels. The army says it has blown up so many arms caches that it ran out of explosives.

These are not trivial steps in a country where Hizbullah has long been stronger than the army. But Israeli and Lebanese sources agree that the group's most sophisticated weapons are no longer in the south. Critics fear that Hizbullah is making a show of handing over part of its arsenal in the hope of holding on to the rest.

In a recent interview in Qatar Mr Salam argued that Hizbullah would eventually submit. The ceasefire it accepted last year, which ended a year-long war with Israel, said that the Lebanese state should have a monopoly on arms. Yet neither the prime minister nor anyone else in Lebanon can explain what happens if Hizbullah ignores that edict. Israel is losing patience. In November the defence minister threatened to escalate its current bombing of Lebanon.

Last month Tom Barrack, who serves as Donald Trump's roving ambassador to the Levant, urged Mr Aoun to call Binyamin Netanyahu, the Israeli prime minister, to forestall another war. The Lebanese president did not go that far, but on December 3rd he sent Simon Karam, a former ambassador to America, to negotiate with an Israeli envoy—the first direct talks in decades between the two countries.

The threat of war has receded for now. Still, the goal of the talks is vague. Mr Salam says they could lead to a peace agreement, and eventually to normal relations with Israel. But they will not solve the problem of Hizbullah's weapons. Negotiations have bought time; for what is unclear.

Economic reforms are not moving much faster. For decades the Lebanese economy resembled a state-run Ponzi scheme. The central bank borrowed dollars from private lenders, then used them to maintain a currency peg and to finance big fiscal and trade deficits. Since the scheme unravelled in 2019, GDP has fallen by almost a third and the currency has lost 98% of its value. Banks are insolvent. Yet lawmakers with ties to lenders have repeatedly blocked any attempt at reform.

Mr Salam has pushed through two important pieces of legislation. In April parliament passed a law that eased bank-secrecy rules. Three months later it approved a plan to restructure local banks. The next step is the "gap law", which would apportion the estimated $80bn of losses in Lebanon's financial sector. This is the crucial piece of the reform package: there can be no bank restructuring nor an imf bailout until it is passed. It is also the most contentious. It needs to unpick a complex web of debts between the state, the central bank and private lenders, and to decide how much money depositors will be able to recover from Lebanon's zombie banks.

The prime minister hopes it will be approved by year's end. From then on he makes no promises. "Our part of the job is to have this draft law passed in government," he says. "Beyond that, I mean, it'll become the responsibility of the parliament." Lawmakers may not want such a responsibility ahead of elections due in May.

Mr Aoun has no such pressure. His term should run until 2031. Lebanon's allies had high hopes for the president, a former army chief who seemed determined to rein in Hizbullah. Diplomats from both Western and Gulf countries have been disappointed with his caution. America has urged him to sack at least one adviser seen as too sympathetic to Hizbullah.

Mr Salam will not say whether he plans to seek a second term: "Let us finish this term first," he jokes. He spent much of his career abroad, first as Lebanon's ambassador to the United Nations and then as a judge on the International Court of Justice. He lacks a deep base among Lebanon's Sunni Muslims (by convention, the prime minister must come from that group). Fouad Makhzoumi, a billionaire businessman and MP, is thought to be a likely challenger and has worked hard this year to cultivate America's backing.

After years of war and financial crisis, many Lebanese hoped this government would impose real changes. If the forces of inertia prove stronger, the new year may bring more war and economic malaise. ■

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Middle East & Africa | A dangerous border

Israel refuses to withdraw from Syria

That may create more enemies for the Jewish state

December 11th 2025

Within hours of Bashar al-Assad, the Syrian dictator, fleeing Damascus in December last year, Israeli troops were on the move. They occupied territory in southern Syria stretching from the highest peak of Mount Hermon to the border triangle between Israel, Syria and Jordan at the mouth of the Jordan Valley.

Israel wanted to fill what it feared could quickly become a chaotic power-vacuum and prevent any sudden attacks on Israelis living in the Golan Heights. They have dug a deep trench on the Golan which is supposed to stop marauders on pickup trucks, like those who came from Gaza on October 7th. Israel is also building links with Druze villages worried about their future under Syria's new government. Israel has its own Druze minority, many of whose members are high up in the Israel Defence Forces (idf) and have relatives in Syria.

A year on, the idf is still there. Israel has built ten fortified outposts inside Syria which an Israeli officer says are "designed to last for years to come". It has appointed civilian liaisons with local (mainly Druze) villages; in some it is providing medical and other services. And yet the idf is also conducting raids on some of those villages. On November 28th soldiers arrived in one, Beit Jinn, to arrest two members of a Lebanese Islamist militia which Israel claims was planning terror attacks. A gunfight ensued and 20 locals were killed.

Israel insists that hostile militias operate in the area. "There's an enemy which is constantly changing shape on the other side and we don't always know how to read it," says an Israeli officer serving there.

Israel is still suspicious of the intentions and capabilities of Ahmed al-Sharaa's government in Damascus. "We're seeing Turkey operating freely in northern Syria and Iran and Hizbullah trying to re-establish their smuggling routes to Lebanon," says an Israeli intelligence analyst.

In November Mr Netanyahu visited idf troops inside Syria. "This is a mission that can develop at any moment," he said ominously. It was a warning to Mr Sharaa, who called for Israel to withdraw during his recent meeting with Donald Trump.

The Trump administration is urging Israel to engage with Mr Sharaa. It is trying to broker a security deal under which Israel would withdraw to the “disengagement” line on the Golan which Israel and Syria agreed in 1974. On December 1st Mr Trump posted online: “It is very important that Israel maintain a strong and true dialogue with Syria, and that nothing takes place that will interfere with Syria’s evolution into a prosperous state.”

“Netanyahu is missing a historic opportunity here to establish new security arrangements from a position of strength,” says an Israeli former minister. But with elections looming and the trauma of October 7th lingering, Mr Netanyahu seems unwilling to relinquish Israel’s buffer zone.

“For now there doesn’t seem to be a real threat to Israel on the Golan and Sharaa’s government is trying to rein in militias,” says Carmit Valensi, head of the Syria programme at the Institute for National Security Studies in Tel Aviv. But its actions there “could create real enemies for Israel and become a self-fulfilling prophecy”. ■

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Europe

Europe | Biting the bullet

Russia is not as resilient as it wants you to think

But Vladimir Putin will keep fighting, and claiming victory prematurely

December 11th 2025

Listen to Vladimir Putin, and one would think Russia is marching to victory in Ukraine and overcoming whatever minor economic challenges it faces, thanks to the support of its patriotic people. On November 30th state television showed Mr Putin visiting a command post wearing military fatigues, receiving reports on the latest offensive. “The Russian troops are advancing virtually everywhere,” Mr Putin told his generals. Two days later he told an investment conference that “our country and our economy are successfully tackling” any problems. Russia, he added, was ready for a war with Europe.

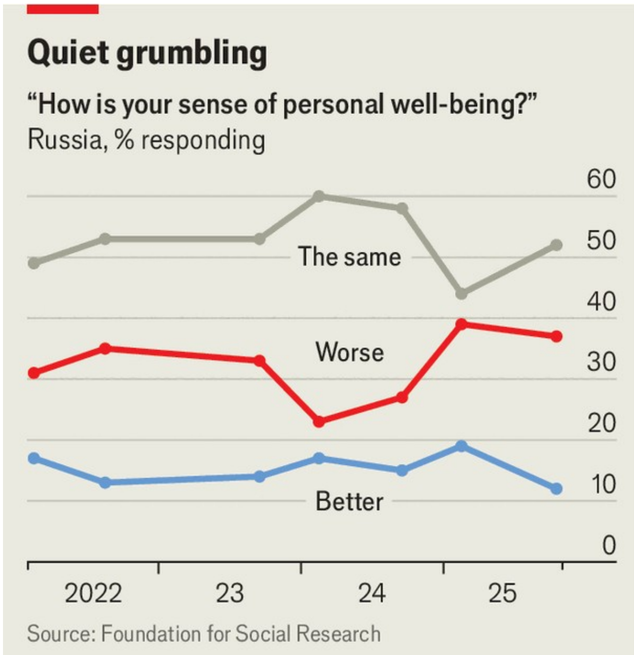
In reality, Russia’s situation is far less comfortable. Its army’s progress is bloody and slow. Its economic problems are mounting. The public mood on the war has soured, an oddly important factor in Mr Putin's dictatorship, which relies on the perception of massive support to ensure obedience. Mr Putin's propaganda and his relentless drone attacks are largely aimed at convincing Europe and America that supporting Ukraine is futile. Recent statements from Donald Trump suggest this is working. In fact he has failed even to conquer Donbas in four years of trying. And for Russians, the gap between image and reality is widening.

On the battlefield, Russia sends small groups to infiltrate Ukrainian positions and make videos before they are destroyed. The actual advances, judging by open-source intelligence and Russian military bloggers, are much less impressive. Ukrainian forces, bleeding and short of men, still hold positions in Pokrovsk, a front-line city that Russia claimed to have taken weeks ago.

Russia's economy is not buckling, but it is starting to show strains. Next year will be the hardest since Russia's full-scale invasion. Over the past year oil and gas revenues have fallen by 22%. The economic momentum from a vast increase in military spending has stalled. The budget deficit is nearing 3% of GDP. That is modest by European standards, but Russia receives little foreign investment and cannot borrow on international markets, says Alexandra Prokopenko of the Carnegie Russia Eurasia Centre, a Berlin-based think-tank. To finance Mr Putin's war the government is forced to borrow at home, which can be inflationary, and to raise taxes.

The Kremlin spends half its budget on the armed forces, the military-industrial complex, domestic security and debt service. War makes the economy busier but poorer, Ms Prokopenko argues. It sustains jobs and industrial activity, but produces few lasting assets or productivity gains.

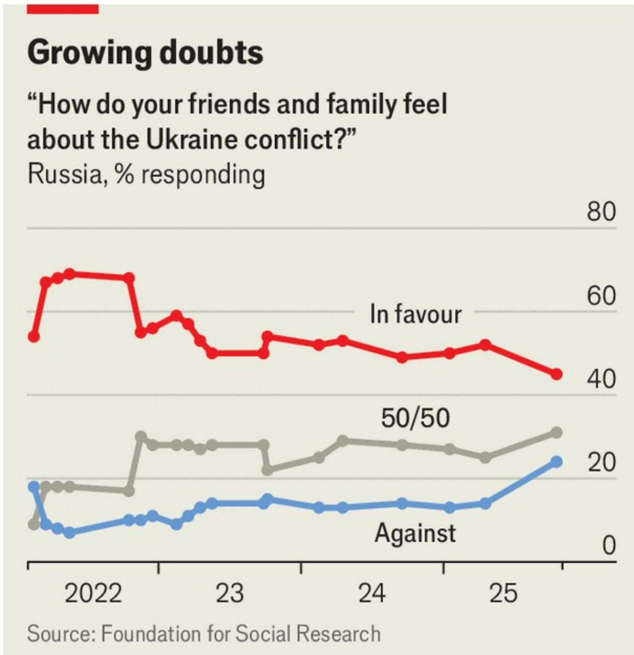
Higher taxes further burden the civilian economy, already suffering from double-digit interest rates and labour shortages. Tank factories are working overtime while car producers cut shifts. The industrial and military sectors have plateaued. The government has resorted to extracting money from its own population, which breaks the political deal that Mr Putin implicitly offered the Russian people.



At a conference in October organised by Re:Russia, a think-tank in Vienna, experts within Russia and outside described changes in both the economy and public opinion over the past year. Oleg Vyugin, a former deputy head of Russia’s central bank, said the Kremlin was initially able to raise defence spending, maintain living standards and financially reward those engaged in the war. But it can no longer continue the war without inflicting pain.

Russians are starting to notice. In a recent survey, says Vladimir Zvonovsky, a sociologist in the Russian city of Samara, the number of those saying their well-being was deteriorating was triple those saying it was improving. It is now at the highest level since the start of the war.

This does not mean Mr Putin is looking for peace. But it shifts the terms on which he can continue the war. The share of war zealots never exceeded 25% of the Russian population, nor did that of active opponents, says Elena Koneva, a sociologist; the silent majority thinks about daily life, not ideology. Opinion polls may count them as supporters, but that support is superficial, says Sam Greene, a Russia expert at King’s College London: “Saying that you support the war is the best way of preventing the war impinging on your life.” They express not a personal opinion, but whatever they think is the dominant one in their circle.



Yet the perception of what is dominant has flipped. In May 2023 Russians thought by a margin of 57% to 39% that most people in their inner social circle supported the war. In October 2025, in contrast, they thought by a margin of 55% to 45% that those in their inner circle mostly opposed the war or were evenly divided. Unwillingness to take part in the war is now more socially acceptable than enthusiasm, says Kirill Rogov, the founder of Re:Russia.

The change is even more clear in attitudes towards veterans of the "special military operation". Official propaganda portrays them as war heroes. But a recent survey by Levada, an independent pollster, found that only 40% of Russians see them that way; the majority see them as threatening, or as victims. The war, which by January will have lasted longer than Russia's battle against the Nazis in 1941-45, inspires neither pride nor optimism.

Instead, frustration is growing. In a recent experiment pollsters divided respondents into two random groups, asking one what they would like and the other what they expect. Fully 88% of the first group said they wished for the war to end and for the focus to shift to social and economic issues. But only 47% expected Mr Putin to achieve that.

The Kremlin, which constantly conducts its own polls, is well aware of such sentiments. It is also aware that ending the war or reducing military spending will not solve Russia's economic problems. Because the economy has become dependent on military production, peace is likely in the short term to bring new troubles, along with traumatised soldiers returning home. Rather than ending the war, Mr Putin is doubling down, which requires ever greater ideological control and repression. ■

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Europe | Working the bouncers

Albania is trying to charm its way into the EU

Edi Rama, the prime minister, is held back by his country's corruption problems

December 11th 2025

FOR EDI RAMA these are the best of times and the worst of times—but mostly the best. In May Albania's prime minister was elected to a fourth consecutive term. His country's GDP has grown by 160% in euro terms since he came to power in 2013. The war in Ukraine has accelerated its long-stagnant bid to join the European Union, along with those of Ukraine and other candidates. European officials say negotiations might wrap up as early as 2027 and that Albania could join by 2030.

At the same time, Albania's population has shrunk from 2.9m to 2.4m during Mr Rama's tenure. Corruption remains widespread, and SPAK, the country's independent anti-corruption authority, has indicted several of his top allies. One former protégé, the mayor of Tirana, is governing the city from his jail cell. And there are allegations that the ruling party used fines and administrative harassment to press people to vote for them in May.

"Bullshit," responds Mr Rama. The towering prime minister, wearing a black T-shirt, a modishly long jacket and an array of red bracelets, is sipping an espresso at a hotel in Vienna, where he is about to speak at an international conference. No previous Albanian leader has been so well-known abroad. Mr Rama speaks warmly of "Viktor" (Orban), Hungary's right-wing prime minister, and is on good terms with leftists such as Spain's Pedro Sánchez and Denmark's Mette Frederiksen. He collaborated with Giorgia Meloni, Italy's populist-right prime minister, on her stalled plan to ship asylum-seekers to camps in Albania. On November 13th in Rome the two governments signed 16 agreements on subjects ranging from energy to security.

Nonetheless, Mr Rama is seething. SPAK recently indicted Belinda Balukku, his deputy prime minister, for allegedly rigging a tender for an infrastructure project. She denies the charges. Mr Rama says he does not know whether she is guilty, but denounces a court's decision to suspend her from office: "This is unheard of in the history of Europe!"

After SPAK jailed Tirana's mayor on charges of corruption (which he denies), Mr Rama tried to have him dismissed from his post. The courts stopped that, forcing the mayor to run the city from behind bars. Mr Rama finds this absurd. He calls the anti-corruption authority "inexperienced, sometimes overzealous and sometimes simply wrong. But it's part of the process," he adds. Albania, he says, is building an independent judiciary. If his allies expect to be rescued, they are mistaken: "I am not married to them."

One reason for Mr Rama's professed commitment to the rule of law is the lure of EU membership. But that requires assent from all 27 member states. Some sceptics doubt Albania's clean-government credentials. Many on the populist right, meanwhile, oppose admitting what would be the EU's first majority-Muslim country on nativist grounds. Good relations with Mr Orban and Ms Meloni may not be enough. Mr Rama says he is reaching out to the leadership of France's populist-right National Rally, but it remains dead set against letting new states in.

Mr Rama says he would temporarily forgo Albania having a veto on EU proposals and give up its right to a European commissioner, if that would help win over sceptics. Meanwhile he is building other bridges. Jared Kushner, Donald Trump's son-in-law, has received clearance to build a beach resort in Albania. Mr Rama has also been courting the Gulf states. "Their attachment to culture is stunning," he says. "What Florence did for Europe in the Renaissance is what they are doing for the world today." When trying to join a club, it is wise to imply that you have options. ■

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Europe | Stumbling towards peace

Talks stall between Turkey's government and the Kurds

The prize is the ending of four decades of war between the army and the PKK

December 11th 2025

In recent months Turkey's peace talks with the Kurdistan Workers' Party (PKK), an armed Kurdish group that has been locked in a war with the country's army for four decades, have picked up steam. In a historic first, members of a Turkish parliamentary commission overseeing the process met Abdullah Ocalan, the group's imprisoned leader, on November 24th. Weeks earlier, the PKK had announced that its fighters were withdrawing from south-east Turkey.

But the process faces an impasse. Each side claims the other must make the next move. Turkish officials say concessions are only possible once the PKK disarms completely. These include a possible amnesty for thousands of PKK fighters based in Iraq, as well as activists locked up in Turkey on terrorism charges. The PKK, for its part, says it will take no new steps until Mr Ocalan, in prison since 1999, is set free.

That is a pipe dream for now. Opinion polls show most Turks oppose giving the PKK's founder a main role in the current talks. His release would be even harder to swallow, and would set off a nationalist backlash. Turkey's president, Recep Tayyip Erdogan, does not want to risk that.

Letting out Selahattin Demirtas, a Kurdish politician and former presidential candidate, would have been a less controversial gesture of goodwill. Turkey has kept him jailed since 2016, in defiance of rulings by the European Court of Human Rights. Before his imprisonment Mr Demirtas was among Mr Erdogan's most vocal and effective critics, and the Turkish strongman fears that if released he would simply pick up where he left off. Mr Demirtas is doing nothing to assuage those fears. "I will leave here with my head held high," he recently wrote from his cell, "or remain here until the last day of my life."

Meanwhile, the peace process is revealing fissures between Mr Erdogan and Devlet Bahceli, his main coalition partner. Mr Bahceli, chair of the Nationalist Movement Party (MHP), wants to push the talks forward and free Mr Demirtas and other Kurdish leaders. Mr Erdogan wants to be able to wash his hands of the process if it unravels. Mr Bahceli, aged 77, wants peace with the PKK as his legacy. For Mr Erdogan, it is a means to an end. He may seek to stay in power past the end of his current term in 2028, though this would require constitutional changes or an early election.

Turkey had hoped that the PKK's pledge to disarm would compel Kurdish insurgents in Syria to dismantle the statelet they have patched together in the country's north-east. Things seemed to be moving in that direction in March, when the Kurdish-led Syrian Democratic Forces (SDF) agreed to integrate with the government in Damascus. But the SDF is in no hurry to make good on the deal. Its reluctance has hardened since forces loyal to Syria's government carried out brutal attacks on Alawites and Druze, two of the country's other big minority groups.

Turkey, which sees the SDF as the PKK in sheep's clothing, has had no patience for such concerns, at least not publicly. Mr Erdogan's government has renewed calls on the SDF to abide by the March agreement, or to face Turkish tanks. On December 8th columns of Turkish army vehicles entered northern Syria in what appeared to be a show of force, though the country's armed forces called it "routine" manoeuvres. A new Turkish offensive against the SDF is unlikely, as it would spell doom for the peace process. But it is not inconceivable.

The large number of different players and competing concerns is making the government's talks with the PKK hard to manage. "The next phase will be the riskiest," Numan Kurtulmus, a senior member of Mr Erdogan's ruling party, said recently. Kurdish politicians are more sanguine, saying the process has already delivered results. The PKK has agreed to dissolve. Turkey has stopped the mass arrests and dismissals of Kurdish mayors and activists. "There are hiccups, but the process is on track," says Tuncer Bakirhan, head of Peoples' Equality and Democracy, the country's main Kurdish party. Turkey's estimated 15m Kurds, and the millions of Kurds in Syria, can only hope he is right. ■

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Europe | From Russia with gas

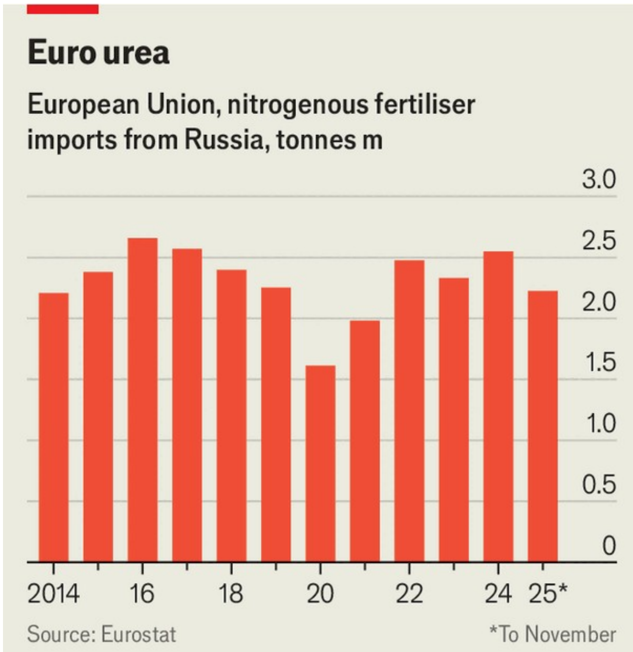
Europe bans Russia’s gas exports, but still buys its gas-based fertiliser

The EU’s rising tariffs may not solve the problem

December 11th 2025

The EU has slashed imports of Russian natural gas, and committed on December 3rd to end them by September 2027. But it still buys Russian fertiliser made from natural gas—more of it, for some types, than before Russia’s full-scale invasion of Ukraine. Plant food is a less lucrative export than energy for the Kremlin, but it makes Europe’s food security dependent on its enemy. And rising EU tariffs intended to render Russian fertiliser uncompetitive may not do the job.

Before February 2022, Russia supplied about 30% of all fertilisers bought by European farmers. Imports dipped after the invasion, and Europe put sanctions on a number of executives at Russian fertiliser companies. But the companies themselves, and the commodities they sell, were exempt. Imports rebounded: by the second quarter of 2025 Russia's share of the European market had risen to a third. In June the bloc imported a million tonnes, the highest monthly tally in a decade.



Russian fertilisers are cheap, plentiful and nearby. Nitrogenous ones—the most-used kind—are made by combining hydrogen from natural gas with nitrogen to make ammonia, and turning that into plant food. Russia also has huge deposits of phosphorus and potassium, used in other kinds of fertiliser. It produces a fifth of all the fertiliser in the world.

Europe's reluctance to stop buying from Russia is largely thanks to its farmers. Fertilisers constitute 15-30% of their input costs, which rose significantly from 2020-25, while grain and produce prices fell. In 2024 protesting farmers drove tractors into Brussels. The EU fears their wrath.

To replace Russian fertiliser, Europe could increase its own production. Before the invasion it had 120 fertiliser factories, which met about 70% of its need for nitrogenous fertilisers in 2020; but they relied on Russian natural gas or ammonia. After the invasion, Europe cut its production by 70%. Barely half of that capacity has returned, reckons an industry insider.

Alternatively, it could find other suppliers. Egypt and Algeria export nitrogen-based fertilisers, Morocco exports phosphorus-based ones and Trinidad & Tobago exports ammonia. But these countries are all more expensive than Russia.

Last July the EU imposed tariffs on Russia's nitrogenous fertilisers, but gradually. They started at €40 ($46) per tonne, modest for products whose pre-tariff prices were $400-700 a tonne. The per-tonne rate goes up to €60 next July 1st and to €315 after mid-2028. But it can be dialled back if fertiliser costs rise too fast. Potassium and phosphorus have much lower tariffs: the commission argues, questionably, that buying them is less likely to fund Russia's war machine because they are not made from natural gas purchased from Gazprom, the state-owned gas monopoly.

The tariffs should eventually price Russian nitrogenous fertiliser out of the market. But prices from other suppliers will also go up on January 1st, when the EU's carbon border adjustment mechanism (CBAM) kicks in. The CBAM will hit fertilisers that use carbon-intensive processes to make ammonia. Farmers are planning a protest in Brussels on December 18th. ■

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Europe | One battle after another

Ukraine struggles to cope with America's destructive peace plans

The latest manoeuvres by Donald Trump are familiar

December 11th 2025

DONALD TRUMP'S bids to make peace in Ukraine tend to follow a pattern. First comes a Kremlin-friendly opener from Washington. Ukraine and its allies then scramble to soften the plan. A compromise proposal is reached, which Russia rejects, adding impossible conditions. Then comes renewed pressure on Ukraine. The latest round is not too different, but the sides have hardened their positions and raised the stakes.

On December 8th Volodymyr Zelensky pushed back against Mr Trump's latest proposal, rejecting its demand that Ukraine cede territory to Russia without credible security guarantees. Ukraine and America had different visions of peace, he said. Mr Trump soon responded: Ukraine was losing the war and its president had usurped power by avoiding an election. That evening an exasperated Mr Zelensky told press he was ready for an election "in the next 60 to 90 days", if America and Europe could guarantee its safety.

Mr Zelensky's gesture was probably more rhetorical than realistic. Ukrainians have little appetite for elections in wartime, and pulling one off would be logistically challenging. But his words betrayed mounting angst and an impulse to show movement. Reports that Mr Trump is pushing to impose a deal by Christmas are exaggerated, but Kyiv is under pressure. A European diplomat described the latest demands as a "classic Trump psyop". American officials have fed European counterparts secret proposals for sweeping business deals with Russia, according to a report in the Wall Street Journal—financed, in part, with billions in frozen Russian assets that Europe wants to use to keep Ukraine's government solvent.

The Americans continue to act as though accepting Russia's demand to hand over territory it has failed to occupy will bring peace. Yet all the evidence suggests Vladimir Putin sees it as a means to achieve Ukraine's political subjugation. Even as the Americans pressed Kyiv to accept concessions, Mr Putin told Indian journalists he would "liberate Donbas and Novorossiya...by military or other means". The territory the Russian Empire once termed Novorossiya stretches past Odessa into Moldova.

The problems stem in part from multiple negotiation tracks. Last spring Ukrainian, Russian and American intelligence officers worked on a secret outline for a peace deal. But that effort was superseded by an erratic negotiation driven by Steve Witkoff, Mr Trump's special envoy. The plan he co-authored with Kirill Dmitriev, a Kremlin envoy, and which led to the document currently under negotiation, initially surfaced the day after Mr Trump had privately approved a push by Senator Lindsey Graham for new sanctions on Russia. That suggests Russia was using the negotiations as an effort to torpedo sanctions. "It's an influence operation masquerading as a peace plan," says an American official.

The latest manoeuvres by Mr Trump would be curious if they were not so familiar. On December 7th he declared his plan had full Russian agreement, and that Mr Zelensky had not even read it. The record shows otherwise.

Days earlier Yuri Ushakov, a Kremlin adviser, said Mr Putin had “a critical, even negative, attitude” towards the plan. Mr Trump simply decided to blame the weaker party.

Ukraine is in a tough spot. European allies may finally be moving to use the frozen Russian assets, but long-term economic prospects are grim. The military picture is starker. Russia has not achieved a major breakthrough in years, but a bloody surge is accelerating. Pokrovsk, a city that withstood Russian attack for 16 months, is slipping out of control. Ukraine has reinforced a defensive line on the city’s northern edge. But one senior commander, speaking anonymously, says this came at the cost of other fronts. He points to a dire situation in Siversk, an outpost shielding Sloviansk and Kramatorsk, two important cities. “If Siversk falls,” he says, “the evacuation roads open up. Then there will be panic.”

President Zelensky’s problems do not end there. On November 28th an anti-corruption investigation forced the departure of Andriy Yermak, head of the presidential office. Twelve days on Mr Zelensky had yet to appoint a successor. Three figures are under consideration: Mykhailo Fedorov, the reform-minded deputy prime minister; General Kyrylo Budanov, Ukraine’s intelligence chief; and Sergiy Kyslytsya, the deputy foreign minister. On December 9th Mr Zelensky even floated abolishing the presidential office altogether. Insiders say he may move towards a government led by security officials. In that scenario the popular spy chief would be the likely choice. A Ukrainian diplomat welcomed the prospect. “The Europeans will not help us if we refuse to help ourselves,” he said.■

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Europe | Rolling crisis

Ukraine’s trains, the country’s lifeline, have money problems

Russian drone attacks are only part of the problem

December 11th 2025

The Russian drones slammed into the railway hub in the city of Fastiv, around 50km south-west of Kyiv, on the night of December 5th. Residents who came to the station the next morning found a bombed-out shell of a building, still smoking—and trains continuing to rumble on their routes. Days after the attack, workers were tearing scrap from the structure and sweeping glass from the walkways, as passengers waited for their trains in temporary tents.

Ukrainians take pride in the reliability of their trains. Ukrzaliznytsia, the state-owned railway company, has millions of riders every month. Its cars ferry aid from Europe to the front lines and return carrying wounded soldiers. The railway is the backbone of the domestic economy and international trade. Its freight lines sustain Ukraine’s embattled industry in the east, ship cargo throughout the country and carry crucial grain exports to the border.

Yet in recent months the number and accuracy of Russian strikes on the railway have surged. Since August 1st there have been more than 700 attacks on railway infrastructure, compared with 313 in the first seven months of the year. Passengers face higher risks, hours-long delays and limited capacity, as more carriages and locomotives are forced out of service.

Russia can increase the aerial attacks because it now produces vast quantities of cheaper, more accurate versions of Iran’s Shahed kamikaze drones. “Before, they would not have spent two or three Shaheds on one locomotive. Now, they don’t hold back,” says Oleksandr Pertsovskyi, head of the national railway company.

Mr Pertsovskyi says the Russian anti-rail strategy is three-fold. Near Odessa in the south it aims to stop export cargo from reaching the country’s Black Sea ports. In the northern Sumy and Chernihiv regions, it targets passenger trains in an effort to make those areas uninhabitable. And in Donetsk in the east, which Russia claims yet has failed to fully capture, bombardment of bridges, locomotives and electricity substations attempts to sever the region from Ukraine. That has been partially successful. On November 6th Ukrzaliznytsia announced that it would temporarily close railway routes near Donetsk’s front lines.

But as conditions worsen, Ukrzalizyntsia adapts. The company dispatches firefighters to frontline blazes. Teams of workers are ready day and night to weld rails, fix signalling equipment and rebuild bridges. In the early weeks of the war Yurii Vereshchaka, a conductor, helped evacuate more than 10,000 people. With bombardments rising, he says, “I need to work more cleverly, more carefully now.”

But while the war has made Ukraine depend on railways, it has mangled Ukrzaliznytsia’s finances. In the first nine months of 2025 the once profitable company made a loss of $172m. Lucrative freight traffic subsidised passenger routes, but no more. Exports to Russia are banned. Most coal mines are occupied by Russia. Industrial plants have been damaged or destroyed. Farms are landmined. As a result, railway freight volumes have halved from about 315m to 160m tonnes a year.

Running Ukrzaliznytsia's diesel and electric fleet is increasingly expensive. Diesel prices have risen and electricity costs have more than doubled due to Russia's efforts to knock out Ukraine's power grid. Last month Yulia Svyrydenko, Ukraine's prime minister, said Ukrzaliznytsia had received $310m in ad hoc funds from the state budget this year, and will get another $382m next year.

Ukrainian officials point out that guaranteed annual subsidies for passenger rails are standard in Europe. Ukraine plans to eventually adopt such a model, but its current needs are more urgent. Ukrzaliznytsia has already pledged to reduce costs and raise revenue by $239m. Its plan includes consolidating services, automating administration, deregulating first-class passenger fares and selling non-core businesses.

A separate issue is legacy debt that has grown since 2012 from mismanaged infrastructure projects. The company has more than $1bn of debt in Eurobonds; most are due next year. It is negotiating with bondholders to restructure the agreements.

Most contentiously, the company has proposed a two-phase price rise totalling 41% for its freight customers, arguing that prices have not kept up with rising costs. Businesses lobbied against the plan. If prices rise, "then of course more operations will close," says Oleksandr Vodoviz, an executive at Metinvest Group, a steel and mining concern that is Ukraine's biggest private exporter.

Metinvest has already shut or reduced several mining and processing operations due to rising costs, he notes. With other facilities occupied by Russia, the company's exports have halved. Mauro Longobardo, CEO of ArcelorMittal Kryvyi Rih, a rival steel manufacturer, says he wants Ukrzaliznytsia to be candid about costs and see business customers as partners, rather than trying to force them to cover its losses on passenger transport.

Mr Pertsovskyi hopes for government help, but worries that spiralling costs could soon make even freight routes unprofitable. “Not solving these crises is not an option,” he says. “We cannot stop for a second. If we lose electricity, then we use diesel. If not diesel, then trains combined with buses. One way or another, we must keep the country connected.” If Ukraine’s railways came to a halt, he says, it would be as if the sun stopped shining. ■

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Britain

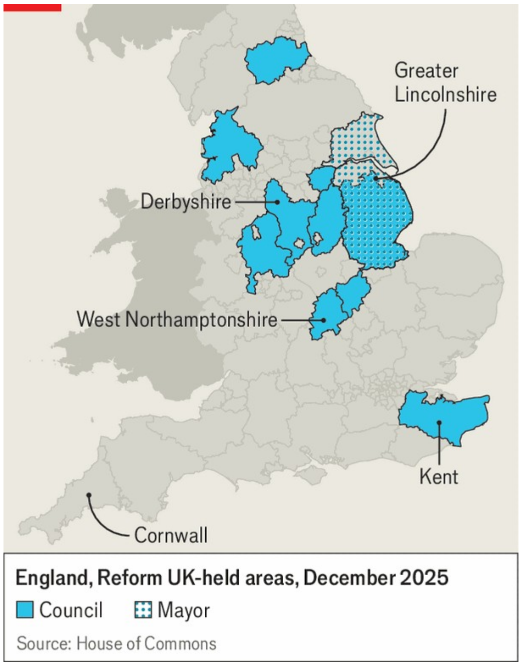
Britain | Contact with reality

Nigel Farage's Reform UK has moderated in office

Aside from some eye-catching gestures, Reform councils have focused on potholes and budget holes

December 11th 2025

Seven MONTHS after becoming the leader of West Northamptonshire council, Mark Arnull of Reform UK is hard at work on next year's budget. The outlook is not pretty. The council faces a shortfall of £50m ($67m), against spending commitments of around £960m. Even after the cabinet identified £20m of savings, he is left with a big hole that raising council tax will only partly fill. The job turns out to be a carousel of unpalatable choices. "How much does parking go up by? Do we charge more money on the green-waste bins? What do we do with libraries?"



When Reform, Nigel Farage's seven-year-old right-wing populist party, swept to power in ten local councils and two mayoralties in May (see map), there were two schools of thought about what might happen. One was that it would govern as Trumpian insurgents. The other was that, with 8m residents to serve, the upstarts would be exposed as amateurs and their ideas would melt. Neither was quite right. In office Reform's radicalism has, so far, proved largely symbolic. And the party has tempered its ideas and tried to build a reputation for competence.

Five minutes into an interview with The Economist, Mr Arnull is rhapsodising about the optimal way to fill potholes (it involves "recycled rubber from aeroplane tyres and tar seals"). He claims to have doubled the number of holes being repaired on his patch. In Derbyshire Charlotte Hill, a former highways worker turned Reform councillor, publishes slick social-media videos touting her progress. Across all of its councils, the party boasts, more than 140,000 potholes have been repaired since May.

Reform councils have made other eye-catching moves. They have got rid of net-zero targets. They have flown St George's and Union flags outside council buildings, and removed those deemed to represent woke causes, such as LGBT pride.

Bigger change has proved fiddlier. Nationally, Reform opposes diversity, equity and inclusion training. In West Northampton it goes on. “We did a piece of work… around statutory responsibilities to make sure we comply with the equalities act,” says Mr Arnull (not a phrase you can imagine hearing from a MAGA politician). Dame Andrea Jenkyns, Reform’s mayor of Greater Lincolnshire, promised to sack diversity officers, only to discover there were none.

A work-from-home ban has similarly hit the buffers. In West Northampton a council review found that it would cost £15m, due to a dearth of desks and staff’s unwillingness to give up hybrid work. “There’s a whole range of things that the administration considered and said, well, actually, it makes sense to keep things as they are,” says Martin Henry, the council’s interim chief executive (a non-elected role).

That is true of tax and spending, too. If you look at the budgets proposed by Reform councils thus far, says Tony Travers of the London School of Economics, what is surprising is how similar they are to Labour and Conservative ones. Spending allocations—for schools, transport, social care and so on—have hardly changed.

Reform has promised to slash waste. But councils have already been cut to the bone. Reform councils seem able to point to only £70m in savings they have made, largely by renegotiating IT contracts. Despite a national pledge to cut tax, they all plan to increase council tax. Many are likely to raise it by 5%. Perilous finances have encouraged moderation: many councils are one wrong step away from bankruptcy.

Reform was expected to cause trouble on asylum-seekers. In August a court granted Conservative-run Epping council an interim injunction, meaning it could close a hotel housing them. “Epping has shown the way to win,” crowed Mr Farage.

That proved premature. Overturning the ruling in November, a judge said Epping had failed to follow proper enforcement procedures. The judgment suggests a blanket ruling that supports the closure of migrant hotels is unlikely, says Gavin Sneddon, a local-government expert. Instead, councils will have to prove that specific hotels are harmful to local communities and inconsistent with their planning policies, on a case-by-case basis.

"In contrast to Epping", Mr Arnull says, West Northamptonshire has followed the enforcement process "to the letter". The council has received replies from hotel owners and is considering how to proceed. Mr Arnull hopes to win the case, but acknowledges that it could take a long time. It hardly seems likely to become the acid test of Reform's radicalism. Tory and Labour councils are pursuing similar cases. The Home Office says that it anyway wants to close them all by 2029.

All this offers clues to how Reform is changing as it lurches towards power, and the tensions its office-holders are navigating. Mr Farage wants voters to believe that his party has the boldness they seem to crave, but would not be a liability.

It still has its oddballs. Kent, Britain's largest council with 1.6m residents and a £2.6bn budget, is being run colourfully and chaotically by Linden Kemkaran, a former TV anchor. In October Reform suspended four councillors after a leaked video showed her shouting and swearing in a council meeting. In Cornwall Reform lost its majority due to infighting. "A Reform councillor can fart and it's front page of the Guardian," groans a party staffer.

But Mr Farage has been quick to purge those who create a stink. In November he suspended a councillor who posted controversial jokes in a WhatsApp group. Reform politicians have trumpeted populist messages, but they have notably fallen shy of breaking the law. National prominence also seems to have attracted more moderate figures, including some, like Mr Arnull, from the business world.

In the past two months Reform's national polling has dipped for the first time since May, though it still enjoys a ten-point lead over Labour, according to our poll tracker. Mr Farage will hope to win lots more councils in May, when over 130 are up for election—and that power in the town halls will smooth his path to Number 10. ■

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Britain | ’Tis the season to be stingy

Britain’s pitiful Christmas bonuses

What an obscure handout says about the British state

December 11th 2025

In November 1972 inflation was rampant but the meagre state pension had not kept up. Millions of old people were awaiting a miserable Christmas. The problems of the prime minister, Edward Heath, were compounded by two awkwardly timed by-elections in December. His solution was simple: give every pensioner a £10 holiday bung (worth £120, or $160, in 2025 prices).

Sydney Bidwell, a Labour MP, complained that the sum was pitiful, allowing people to buy only “two or three bottles of whisky this Christmas”. For pensioners, though, such a sum was not trivial. It was a lot more than the weekly state pension (£6.75 in 1972) and enough to buy over 20 chickens for roasting.

The bonus was meant to be a one-off, yet politicians have not dared kill it. This December the payment went to 18.5m people, mostly pensioners. But ministers have frozen it at £10, using inflation to drain its value. In 1972 prices it is worth 84p—not even enough for two chickens.

This is a case study in British policymaking. Politicians are reluctant to cut benefits but too tight-fisted to make them worthwhile, opting for the worst of both worlds. A more rational course would be to end the bonuses and spread the money through the year, making it easier for people to budget. Call that the responsible-uncle model of gift-giving.

Spain prefers the fun-uncle approach, paying pensioners a whole extra month's pension for Christmas. This creates a warm buzz and recognises there are higher costs in winter, such as for heating (Britain does provide a separate winter-fuel payment). Spain might be robbing people of income in other months to pay them more at the end of the year, but it is larceny done in style.

Britain is the stingy uncle, who knows he has to get a present but puts no effort into it (think discounted aftershave). This stingy-uncle mentality can be seen more widely across the British state, from low unemployment benefits to poor-quality free health care. A better approach might be doing fewer things, but doing them properly. For the Christmas bonus, that would mean three bottles of whisky at least—or nothing at all.■

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Britain | ChatPC

Why Britain’s police forces are taking to AI

There are big benefits if they can overcome the obstacles

December 11th 2025

HARRY SCHONE’s job is to work out how the police can use artificial intelligence. At Police Scotland’s headquarters, a glass cube in Glasgow’s East End, he has assembled a team of coders and engineers who stand out among strait-laced colleagues. They are working on an array of schemes: a program that transcribes evidence; a model that helps shift-planners deploy officers; a tool that matches reported thefts with ads on resale websites.

Across the rich world police forces are struggling. Many have had their funding cut. In Britain sluggish response times, low clear-up rates and a series of scandals have left public confidence in policing near a record low: 51% of people think the cops are doing a good job, down from 75% in 2000.

What if there were a silver bullet? Policing—perhaps more than any other public service—could be transformed by AI. Whether that opportunity will be grasped, however, is open to question.

Policing is an old craft that has often resisted change. In the 20th century police chiefs opposed the introduction of motor cars (horses were just fine) and radios (officers would get lazy). In the 21st the rank-and-file resisted computers, preferring to write their case notes by hand. But at its core policing is about intelligence, and involves processing vast troves of information. That makes it a good test case of AI. “People underestimate how much this could transform our service,” says Superintendent Lewis Lincoln-Gordon of the National Police Chiefs’ Council.

Take transcription. Police Scotland employs 40 typists. Most forces still operate a typing pool to transcribe interviews and produce evidence for court. Officers, trained to fight crime, spend a lot of time filling in forms. In England and Wales half a million officer hours each year are wasted on unnecessary paperwork.

Mr Schone’s team has built a transcription tool, similar to those embedded in most videoconferencing software. They had to make it themselves, for data-security reasons, but the proliferation of open-source models has made that simple with decent coders. It is not yet as accurate as a typist, who will still be better for the most sensitive documents. But it can be applied at an almost infinitely larger scale, constrained only by computing power, freeing officers and speeding investigations.

Technology should also transform how evidence is gathered. The established model—someone calls up and is told to come into the station—is antiquated. London’s Metropolitan Police has recently introduced a chatbot for reporting crime. Some forces are making it easier for people to quickly submit evidence, such as footage from a dashcam or security camera.

Visit the headquarters of Essex Police in Chelmsford, and you will find a dozen headphone-clad officers on video calls. This is the rapid-video-response team, which handles domestic-abuse cases. “Many victims don’t want to come to the station or have a police car turn up on their road,” says

Sergeant Stacey Rothwell. The call is automatically transcribed and put into a case file. Some perpetrators have been arrested within two hours.

As the mountain of evidence grows, AI can extract what is useful. In another Police Scotland project, advanced analytics is being used to scour data on sexual abuse of children. Facial recognition, powered by AI, has been piloted by the Met and South Wales police, and has proved helpful. One force used cameras to identify paedophiles trying to attend a Taylor Swift concert. But adoption has been slow. In August the Home Office announced the roll-out of ten facial-recognition vans, to be shared across all of England and Wales.

AI's potential to improve policing is large, but three obstacles will get in the way. One is money. In England and Wales the police budget will rise by 1.7% a year over the rest of the parliament, not enough to keep pace with staffing costs (this year's pay award was 4.2%). So capital budgets have been raided. The central pot for new technologies, including AI, will be halved next year. More widely, police chiefs' hands have been tied by ministers' obsession with getting bobbies on the beat.

Second, as in the past, is inertia. As employees of the crown, police officers cannot be made redundant. Nor, because of collective bargaining, can their administrative roles be easily adapted. Most forces have not prioritised digital skills. And, as Mr Schone puts it, "young people just don't think about policing as a tech career." Police Scotland, which is the second-largest force in the country, has some pulling power. Most forces in England and Wales are far smaller. The Met, Britain's largest, would struggle to offer the salaries needed to attract tech talent in the capital.

Third is the risk of public opposition. People think AI can improve policing and support its use. But there could be a backlash if they get the sense that machines are making decisions. To uphold Britain's model of policing by consent, police leaders will need to explain how their methods are changing. That has not always been a strength: the outcry over facial recognition has in part been a failure of persuasion.

All this will slow progress, despite the obvious benefits. Yet as Mr Schone notes, AI is already transforming criminality. The police can ill afford to stand still. ■

Correction (December 7th): An earlier version of this story mistakenly said that the police were unionised.

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Britain | Changing the subject

A new breed of quizzer is wresting control of an old hobby

Quizzes are moving with the times

December 11th 2025

It was 11am on a bright cold Tuesday in south London and the stop-clocks were striking 25. Alex Douglas, a 46-year-old former rock musician, had been on the microphone in the Railway pub for 25 straight hours. The late-night drinkers had melted away, replaced by middle-class mums sipping coffees and feeding their babies. Mr Douglas was still on his feet, an endeavour he later compared to running a marathon while drinking 40 pints of lime and soda. “Which freshwater lake in South America is the highest navigable lake in the world?” he asked. “The term glossal pertains to which human organ?” He was on his way to breaking the Guinness World Record for the longest non-stop stint as a quizmaster.

That a middle-aged man can stand in the back room of a Streatham boozer and pose 2,050 consecutive quiz questions over 38 hours and ten minutes, and still have dozens turn up to play along, is testament to quizzes' enduring appeal. The popularity of online quizzes surged during the pandemic. When lockdown ended plenty of folk had a new hobby.

Many preferred to keep playing online, or were drawn to in-person quiz leagues. The biggest, the Quiz League of London (QLL), now hosts 53 teams of four players, in five fiercely competitive tiers.

League quizzing remains amateur: only the question-setters are paid. QLL features several former champions of "Mastermind", the crown jewel of BBC quiz shows. That show's modest prize, an engraved glass bowl, was famously won in 1980 by Fred Housego, a London black-cab driver whose working-class demeanour stood out from the classics teachers and retired civil servants. Now another new breed of quizzer has emerged—younger and more internet-savvy than the brainboxes of yore.

Foremost among them is Daoud Jackson. The 29-year-old is already racking up multiple titles. He is the winner of the 2025 World Quizzing Championships, not to be confused with the International Quizzing Championships, where he recently captained the four-man England team to cup glory ahead of Croatia and Belgium.

Mr Jackson honed his skills online. A British Muslim, he can barely recall visiting a pub before he started quizzing. He attributes much of his initial success to his "knowledge-based cultural capital" from his high-achieving parents. His first-class degree in history from Oxford was another solid foundation. But Mr Jackson is also a master of efficiency—training with flashcards, databases and bespoke software. "There are whole categories of things that could theoretically come up, but don't. And so it's not worth learning those," he explains. Even Mr Jackson fears the coming generation of AI-savvy quizzers.

Quiz questions are also evolving. The Economist compared the current series of "Mastermind" with the one that concluded in 2015. We looked at the general-knowledge round, in which contestants each have two and a half minutes to answer an array of questions. We found that the correct answer was a woman 23% of the time in 2025, compared with 16% a decade ago. Questions featured a woman by name 30% of the time in 2025, up from just 20%.

Making quizzes both diverse and accessible is hard. “Which US president?” has no correct female answer yet. In classical music, a favourite topic, there are not many historical female composers of renown—you can’t always ask about Clara Schumann (1819-96) just because few have heard of Hildegard of Bingen (1098-1179).

Mr Jackson and two fellow quizzers have started their own online league, Mimir’s Well, aimed at a global audience: quizzing is surprisingly popular in countries as varied as Estonia, India and Liberia. It seeks to avoid topics he considers “hackneyed”. Getting the balance right is tricky. Another online league is known for what some see as a forced equality of subject matter, difficulty be damned. The record-chasing Mr Douglas, who in his day job runs Inquizition, London’s largest pub-quiz provider, feels pressure to make his questions more diverse—up to a point. “If it goes too far, and you end up with 60% of your quiz hard to get because it’s so niche, people will just stop coming,” he warns. ■

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Britain | Ewe-turn

What’s behind the revival in the price of British wool

Partly, happier sheep—but mostly pent-up demand and reduced supply

December 11th 2025

Over the past year the price of British wool has been rising. On December 2nd, at the twice-monthly auction at Bradford, the average price of clean wool was at its highest in nearly a decade: £1.82 ($2.43) per kilogram, an increase of 26% since September. The last time Britain’s clip sold for these prices was back in 2016, amid a frenzy for double-faced woollen overcoats in China (see chart).

The industry has been in a long decline. Wool once made up nearly all of England’s export earnings. In medieval times, money from the trade helped build towns and churches. Sheep were bred for their fleece, and eaten only when their coats were lacking or they weren’t fit for breeding. But then cotton cloth became widely available, spun in the mills of Lancashire. And then synthetic fabrics. After polyester fibre was invented, Britain's wool industry unravelled. In 1952 a kilogram of raw wool sold for £17.50 on average, in today's prices. In 2022 that figure was just 73p.

Why the recent uptick? Mostly it is a result of a surge in pent-up demand combined with dwindling supply. But it also reflects changing tastes—and the fact that the sheep are a little bleat happier.

First, the pent-up demand. Because British sheep grow coarse wool suited to chilly weather, their fleeces make excellent carpets. (In milder Australia and New Zealand, Merino flocks grow finer, softer coats.) And unlike polyester, wool is fire-retardant, meaning it is perfect for plane and train seats. Now that the global hospitality industry is back after the pandemic, says Andrew Hogley of British Wool, which collects and sells nearly all the country's wool, demand for carpets and transport upholstery is up. Over half of the wool sold at the Bradford auction is destined for hotels, cruise ships and casinos.

Tastes in fabrics may be shifting, too. A growing number of people are turning against plastic-based clothes that pollute the environment. Natural fabrics, like wool, are seen as more environmentally friendly alternatives.

“There is a big movement around sustainability in the fashion sector,” says Margaret Ann Macleod from Harris Tweed Hebrides, a company that makes Harris Tweed from wool purchased in Bradford.

The bedding sector is also using more wool. Roughly a tenth of Britain’s clip will be used to make mattresses and pillows. Some will go to Japan, where it will be stuffed into futons.

The price of wool will have to rise further still for farmers to see profit, however. Wool is worth so little that sheep are mostly kept for eating and sheared out of necessity. Over the past five years shearing has cost more than the wool could be sold for. Frank Langrish, a farmer in Sussex, paid £18,000 to shear his flock last year and earned just £11,000 for the wool. Many have cut their flocks to save cash. Mr Langrish recently reduced his by a fifth.

Until 2020 English farmers could earn around £28,000 a year on average through the European Union’s “basic payment scheme”, based on how much land they used. Since Britain left the EU in 2020 that legacy arrangement is being phased out, and will be gone entirely in 2027. This year English subsidies have been capped at £7,200 for most farms and from 2026 they will be reduced to just £600. A new scheme now pays farmers based on how they farm, encouraging them to produce food and to restrict livestock grazing.

All this has resulted in fewer sheep. The flock in England shrank by 3.8% last year. “Farmland is under increasing pressure to provide public goods, and wool is not seen as that,” says Michael Priestley from the National Sheep Association. Mr Hogley reckons that wool supply has shrunk by almost a quarter over the last five years as a result of this and the fact that a lot of the stuff has been used for animal bedding and not even made it to market—another reason for the price rise.

Then there is the matter of sheep happiness. In 2018 severe winter weather hit Britain in March, when many ewes were pregnant. “Because of the stress, all the wool that year had a tender spot, where it broke easily,” says Mr Hogley. Recent sunny, dry weather has had the opposite effect. Sheep have been feeling more content, and have produced a whiter, higher-quality clip. That has nudged prices up, too. But by historical standards, British wool is still a baaagain. ■

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Britain | Bend it like Barnet

Pro-growth sports fans are getting organised in Britain

YIMBYs take on NIMBYs

December 11th 2025

"We are the Barnet! Super Barnet! From Underhill!" chants the crowd as Mark Shelton, a midfielder for the League Two club, raises his arms to the home stands. The celebration, for a goal Mr Shelton had scored against the visiting Milton Keynes Dons, might seem odd. For the stadium is not in Barnet, but in Harrow, and it is called the Hive, not Underhill. Barnet Football Club hasn't played at Underhill, its home from 1907, since 2013, when it moved to the Hive, 8km away.

The club plotted a return by proposing a 7,000-seat stadium on Barnet Playing Fields. Fans formed 10,000-strong Bring Back Barnet (BBB) to rally behind it. But in July Barnet Council voted against them, after opposition from Save Barnet Playing Fields, a group protecting the green space. The club may appeal. Looking for Growth (LFG), a campaign group, has posted videos in support.

Elsewhere similar battles are on between YIMBYs (”yes in my back yard”) who want local economies to grow and green-minded NIMBYs (”not in my back yard”). Oxford United’s plans to build a 16,000-seat stadium on green-belt land pitted its supporters’ group, OxVox, against Friends of Stratfield Brake protecting “a wildlife haven”. Newcastle United, a Premier League club, wants to build a 70,000-seat stadium near Leazes Park (its current home, St James’s Park, has a capacity of 52,305). A petition by Save Newcastle Wildlife gathered 28,000 signatures. Bath Rugby’s plans to expand its stadium were opposed by a Green Party councillor whose worries included protecting an ancient tree.

For fans their stadium is “the container for community”, says Keith Doe, a BBB organiser. NIMBYs have an alternate vision of community. Leslie Martin organises Campy Growers, a gardening group based on Camperdown Fields, eight acres of Dundee she thinks vital to “reverse biodiversity decline”. Dundee Football Club looks at those acres and envisages a 12,500-seat stadium, an events campus and housing that it says will add £150m to the local economy.

Football YIMBYism is getting political. BBB will put up candidates in next year’s local elections. LFG is also plotting a national attack on NIMBY councils. It is building local chapters around the country, including the one in Barnet. Lawrence Newport, of LFG, says it will be turning up at council meetings: “We are going to ensure there are more roads, more rail and more buildings built.”

Fan pressure can help. Oxford’s plans were approved in August, after three years of back-and-forth; Bath’s went through in September. Due to their sensitive nature, final consent passed to Steve Reed, the Labour secretary of state for housing, who found both inoffensive.■

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Inside the fight for MAGA's foreign policy

Donald Trump's court squabbles over the future of American power

December 11th 2025

RONALD REAGAN'S foreign policy of "peace through strength" has long been embraced by America's Republican Party. But who is the keeper of the Gipper's flame? The split between Donald Trump's America First acolytes and the party's shrunken band of internationalists is growing. That much was plain from the scene that played out beneath Reagan's blue-liveried Air Force One, which graces his presidential library in Simi Valley, California.

On December 6th Pete Hegseth, America's war secretary, told defence and foreign-policy bigwigs gathered there that the globalists had brought only disaster. Their quest for "global military hegemony" had led to "rudderless wars in the Middle East, land war in Europe and the economic rise of China". Donald Trump, he argued, was Reagan's true heir. Like Reagan, Mr

Trump was building up America's military strength but also talking to its enemies. As for military force, it was used only "in a focused, decisive manner". He summed it up thus: "Out with Utopian idealism. In with hard-nosed realism."

The speech was poor history. Reagan was a committed free-trader, unlike the tariff-loving Mr Trump; and he supported amnesty for illegal migrants, not mass deportation. Above all, Reagan believed in the power of freedom to bring down autocracy. He considered the Soviet Union an evil empire and championed its "captive nations"; Mr Trump is wooing Russia despite its invasion of Ukraine. "Ronald Reagan will be turning in his grave," muttered one who attended the annual talkfest.

Even so, Mr Hegseth's speech, and the publication two days earlier of Mr Trump's 32-page National Security Strategy (NSS), offer the clearest summary yet of an "America First" foreign policy. They paint a dystopian vision for the world, in which a liberal international order gives way to grubby dealmaking and rule by the strong. Where previous presidents' strategies vowed to make the world safe for democracy, Mr Trump's version seems more inclined to make it safe for illiberalism.

Nowhere is this more apparent than in Europe, where allies are now denigrated for becoming increasingly "non-European" and condemning themselves to "civilisational erasure" through mass migration. The economic integration and collective rules of the European Union are presented as a threat greater even than Russia's invasion of Ukraine and its growing partnership with China. "The adjustments that we see correspond in many ways to our vision," said a delighted Kremlin spokesman, Dmitry Peskov.

The reaction of America's European and Asian allies was strikingly muted. "Some of it is comprehensible, some of it is understandable. Some of it is unacceptable," said the German chancellor, Friedrich Merz, on December 9th. Many are looking for silver linings. Beneath the ugly rhetoric, they note, core American priorities remain: America has not left NATO; it has reaffirmed its readiness to defend Taiwan; and it talks about protecting allies under its nuclear umbrella.

There is debate over how seriously to treat the document published in the dead of night on December 4th/5th. Read it as polemic rather than policy, argue American insiders. “It will be forgotten in two weeks,” says one. Others disagree. The document will become the lodestar for the administration, predicts Rebecca Lissner, who helped draft Joe Biden’s NSS. Bureaucrats and military types will be tasked with implementing it.

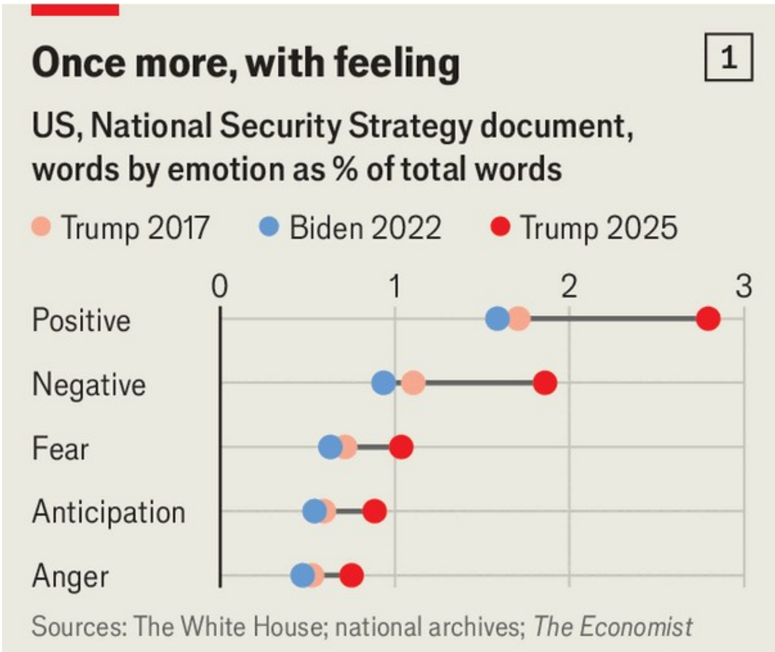
The strategy has already given succour to critics of Europe. When the EU on December 5th fined X €120m ($140m) for breaching its digital-services rules, administration officials denounced it as an assault on America. X’s owner, Elon Musk, posted: “The EU should be abolished and sovereignty returned to individual countries.” Dmitry Medvedev, a former Russian president and now Mr Putin’s attack-dog, replied: “Exactly.”

The administration’s policies will depend less on the written document than on rivalries in Mr Trump’s court—and on Mr Trump’s varying moods. More than in past administrations, the president decides foreign policy. The NSS is, in a sense, his courtiers’ best attempt at divining Mr Trump’s mind, and reveals how competing factions hope to shape it.

The NSS amounts to “the first MAGA national security strategy”, says Ms Lissner. It is radically different from strategies of the past, including Mr Trump’s own document from his first term in 2017. It self-consciously dumps past ideologies, while struggling to define the new one: in its words, the strategy is pragmatic but not “pragmatist”; realistic but not “realist”; muscular but not “hawkish”; restrained but not “doveish”. The best label it can come up with is “flexible realism”.

The document was written and rewritten by a small group of aides, leaving a messy potpourri. There was little of the usual bureaucratic consultation to integrate and reconcile the views of various government departments.

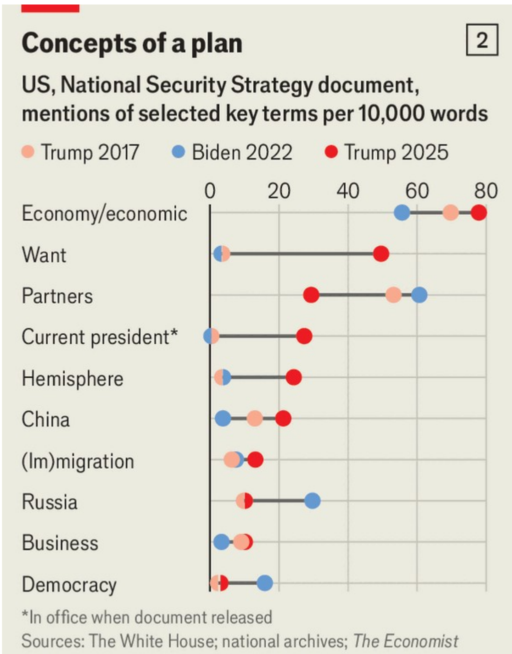
It offers something for everyone in the Trump orbit: among them strident MAGA ideologues like J.D. Vance, the vice-president; traditional Republicans like Marco Rubio, the secretary of state and national security adviser; anti-immigrant populists like Stephen Miller, the homeland-security adviser; China hawks like Elbridge Colby, the Pentagon’s under-secretary for policy; and the wheeler-dealers, including Scott Bessent, the treasury secretary, and the president's personal and familial envoys, Steve Witkoff and Jared Kushner.



Mr Trump's first-term NSS had turned America away from decades of small wars against jihadists to concentrate on "great-power competition" against China and Russia, in turn influencing Mr Biden's NSS in 2022. But Trump II breaks with the consensus Trump I created. His latest NSS envisages a more Darwinian world. America now aims for a "balance of power" that, at times, smacks of spheres of influence. "The outsized influence of larger, richer, and stronger nations is a timeless truth of international relations," it opines.

Our analysis of the three texts—Mr Trump's two strategies and the Biden one—find more emotive and nationalist language in the latest iteration (see chart 1). "Democracy" appears less often; "economy" and "economic" much more frequently (see chart 2). Language about working with "partners" has been replaced by America's "wants". "China" features more often in this NSS, but only in an economic rather than geopolitical context.

In 2017 China and Russia were regarded as "revisionist" states that "want to shape a world antithetical to US values and interests". In much of the 2025 text, China is akin to Lord Voldemort: the omnipresent but unmentionable rival of the Harry Potter novels. The Russian threat, moreover, is now attributed to the demented minds of Europeans. The “rogue states” of 2017 have receded, too: in 2025 Iran is diminished after America’s strikes on its nuclear facilities; North Korea is not mentioned at all.



American security strategies have always acknowledged the need to defend the homeland. This edition makes it central to foreign policy, emphasising strong borders, the fight against mass immigration and the need to build a “Golden Dome” air-defence system to protect the country. But the NSS goes much further. It extends the idea of protecting America to dominating the whole western hemisphere, now the foremost regional priority. Call it an “Americas First” strategy.

The NSS prefers a different term: the “Trump Corollary”. In 1823 James Monroe declared that attempts by European powers to interfere in the Americas would be deemed “dangerous to our peace and safety”. Teddy Roosevelt’s “corollary” in 1904 asserted that the United States could exercise “an international police power” over ill-governed or unstable neighbours.

Mr Trump’s corollary baldly calls for restoring “American pre-eminence in the western hemisphere” and protecting America’s “access to key geographies". America, the NSS says, will "deny non-hemispheric competitors the ability to position forces or other threatening capabilities, or to own or control strategically vital assets". It talks of using American leverage to push out foreign firms involved in building infrastructure, and give "sole-source contracts" to American ones.

The push to oust Venezuela's strongman, Nicolás Maduro, and the bombing of alleged drug-smuggling boats, are the most dramatic results of the new doctrine. Many have chalked this policy up to Mr Rubio. He hopes that gunboat diplomacy will bring about Mr Maduro's downfall, weakening other left-wing regimes, including those of Nicaragua and, above all, Cuba, the homeland of his parents. In south Florida the Venezuelan diaspora is already planning parties for the day Mr Maduro is toppled.

Beyond Mr Rubio, much of the MAGA elite is in violent agreement when it comes to primacy in the hemisphere. Messrs Vance and Miller see it as a battleground to stem the flow of migrants and drugs into the United States. Mr Hegseth said the Pentagon would guarantee "US military and commercial access to key terrain", naming the Panama Canal, the Caribbean, the Gulf of Mexico (or the Gulf of America), the Arctic and Greenland. Neighbours must work with America on such matters; if not, the Pentagon "stands ready".

China hawks, however, can be only aghast at tying up about a fifth of America's deployed fleet in the Caribbean indefinitely. And isolationists such as Laura Loomer, an influential MAGA podcaster, fear America is heading towards another war of regime change, and thus to an Iraq- and Afghanistan-style debacle. Mr Trump seems uncertain: he has rattled his sabre at Venezuela, but has not yet unsheathed it.

Trumpworld is more divided still over Asia. Dealmakers, led by Mr Bessent, want nothing to upset relations with China ahead of a summit between Mr Trump and its leader, Xi Jinping, in April, amid hopes of a big trade deal. By contrast, traditional Republicans, like Mr Rubio, and some Pentagon strategists, led by Mr Colby, regard China as the biggest threat to American power, and the defence of Taiwan as an essential means of constraining it.

This split cuts through the NSS. Its publication was apparently delayed by Mr Bessent's insistence that hostility to China be toned down or dropped entirely. He appears to have got his way. Many passages seem to describe China (such as complaints of IP theft, state subsidies, foreign influence and controls on rare-earth elements) but avoid naming the country.

Even the commitment to defending Taiwan and ensuring "military overmatch" (meaning superiority), stops short of identifying the People's Republic. The island's importance is described not in terms of defending an embattled democracy, but of economics and geopolitics. America must not only preserve Taiwan's advanced semiconductor industry but also hold the first island chain (which runs from Japan to Malaysia) in order to protect the second island chain (which includes America's big military bases on Guam) and keep open shipping lanes in the South China Sea. That goes beyond Mr Trump's usual scepticism about Taiwan.

The document mentions China mainly in relation to trade, expressing hopes for "a genuinely mutually advantageous economic relationship with Beijing". A bigger concession was Mr Trump's announcement on December 8th that he would lift the ban on exporting Nvidia's advanced H200 chips to China. Security hawks fear that will help China close the gap with America in artificial intelligence. Mr Trump has said that 25% of the proceeds will go to the government. Right now, Mr Trump favours the dealmakers.

When it comes to Europe, the NSS gives much to the pro-Kremlin lobby. It argues that Europeans' "lack of self-confidence"—not the invasion of Ukraine—causes them to see Russia as an "existential threat". America's "core interest", it says, is to "negotiate an expeditious cessation of hostilities in Ukraine". It also calls for halting NATO's expansion.

The NSS seeks a more MAGA-like Europe. It speaks of backing "healthy" European countries and "patriotic" parties, and of "cultivating resistance" to current policies, including on migration. Why the obsession with Europe's ethnic make-up? Because, claims one administration official, Mr Trump cares about Europe; and because migration is changing the politics of European countries, not least in their criticism of Israel.

Traditional Republicans, like Mr Rubio, worry that a bad Ukraine peace deal would invite another Russian assault. He is in a tug-of-war with administration wheeler-dealers, notably Messrs Witkoff and Kushner, who see economic opportunity in an agreement. He is also at odds with Mr Vance, not least because both are rivals to succeed Mr Trump in 2028.

Republicans in Congress, meanwhile, are putting up resistance to Mr Trump. Several bipartisan bills, some sponsored by Lindsey Graham, a hawkish senator close to Mr Trump, threaten to impose tariffs on countries buying Russian oil and declare Russia a state sponsor of terrorism. A draft of the National Defence Authorisation Act, set to soon be approved, preserves a symbolic $400m a year worth of military aid to Ukraine and demands notice of any plans to stop intelligence-sharing. Moreover, it requires approval from Congress to reduce American troop numbers in NATO and South Korea below certain levels.

How long can sensible Republicans hold the line? Mr Trump has lately joined in Europe-bashing, saying the Old Continent was "decaying". Having for a time criticised Russia for refusing a ceasefire, Mr Trump has reverted to chastising Ukraine for turning down peace proposals and fighting on against the odds. Russia, he says, has the upper hand because it is the bigger country. "At some point, size will win," he told Politico.

It is unlikely that there will be any one winner in Mr Trump's circle, but rather a constant squabble between its competing factions, and a churn of personnel. Mr Rubio has survived longer than many had expected, by remaining scrupulously loyal to Mr Trump. But some think he may leave before the end of the term, and perhaps after the mid-term elections in November, either because of policy disagreements or to prepare to run for the 2028 election. Mr Hegseth, under pressure for potentially illegal strikes on drug boats, may go sooner.

The make-up of Mr Trump's entourage may affect policy mainly at the margins. Ultimately, "everything comes from the top," says a White House official. "We are no longer in the era of nameless bureaucrats dictating foreign policy."

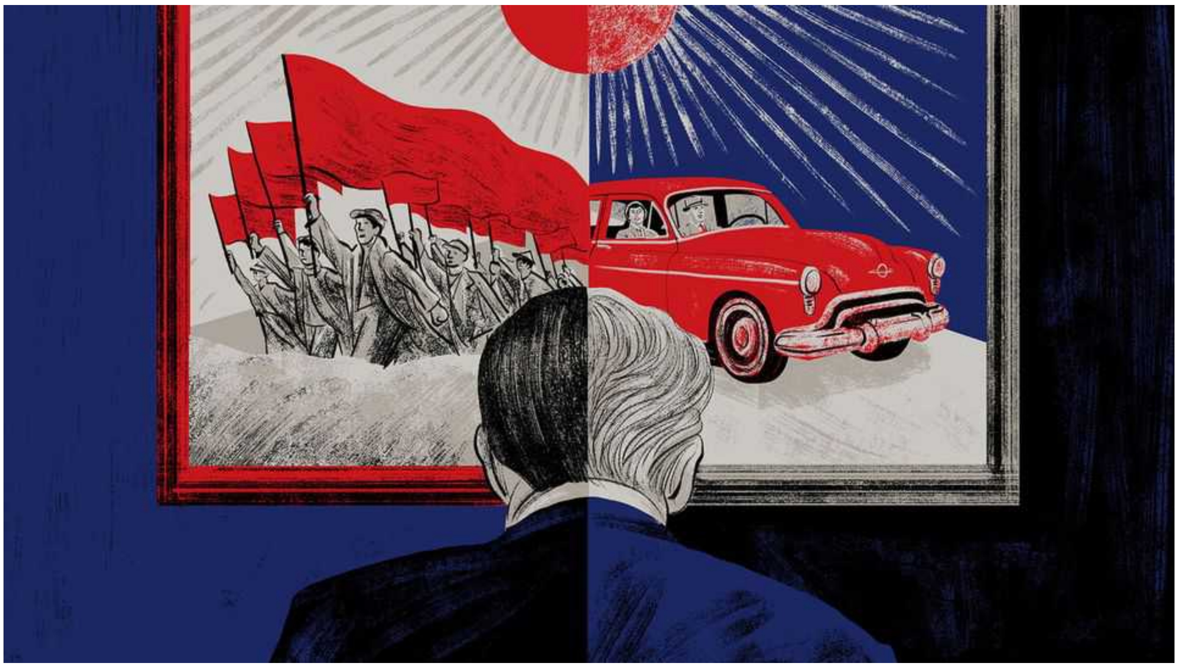
Public opinion may be a bigger constraint. The Reagan Institute's poll, published shortly before its defence forum, found strong majorities for hawkish globalism: 64% of Americans want their country to take the lead in international affairs; 68% view NATO favourably (the highest since the survey began in 2018); 62% want Ukraine to prevail in its war with Russia; and 60% support committing American forces to defend Taiwan.

The Reagan spirit thus lives on. At the end of the conference in Simi Valley, it fell to the host, Roger Zakheim of the Reagan Institute, to remind MAGA devotees that "peace through strength" had a higher purpose than mere domination. As the Gipper explained in 1986, "American strength is once again a sheltering arm for freedom in a dangerous world." ■

What's worse for innovation: MAGA or Mao?

Donald Trump and Xi Jinping share a dangerous nostalgia

December 11th 2025



PITY THE young, for the world is run by old men. President Donald Trump (79) and China's ruler, Xi Jinping (72), talk a good game about AI, robots and other futuristic marvels. Deep down, though, both have a nostalgia for the 1950s.

Mr Trump's broad longing for lost greatness is no secret: he has it embroidered on hats. But in quite specific ways, his definition of the good life reflects conditions that prevailed in the years after his birth in 1946. When Mr Trump last month pledged to "permanently pause" migration from "third-world countries", he accused America's 51m foreign-born residents of bringing high crime and urban decay, and of overwhelming schools, hospitals, the housing supply and government finances. Such social dysfunction “did not exist after world war II”, Mr Trump claimed.

Actually, 1950s America saw its share of panics about social breakdown, as when experts warned that comic books were causing teenage delinquency. What is true is that Mr Trump grew up in an unusually homogenous country. In Mr Trump’s youth the native-born share of the population approached 95% (it is around 85% today). Strict immigration controls were harshly enforced until the mid-1960s, when the rules were loosened. In 1954 a federal campaign, derisively named Operation Wetback, deported hundreds of thousands of Mexican farm workers and labourers without the right papers. Mr Trump has praised this as a model.

The 1950s set baselines for MAGA’s economic worldview, too. By the end of the second world war, America accounted for some 60% of global manufacturing output, as Japan, Europe and others lay in ruins. When Mr Trump announced “Liberation Day” tariffs to protect car workers, steelmakers, shipbuilders and farmers, he not only charged foreign governments with stealing jobs. He named industries that “we used to dominate”, vowing to bring that “golden age” back. In several of those sectors, the 1950s indeed marked a high point of American dominance.

The 1950s—or a campy pastiche of it—even informs the MAGA aesthetic. Mr Trump’s Labour Department recently unveiled a policy that makes it harder to hire skilled foreigners. Their promotional campaign involved 1950s-style images of young American men with lustrous hair, in settings worthy of a Norman Rockwell painting. These images of happy workers bear the slogan “Restoring the American Dream!”

Governance in Mr Xi’s China is a more grimly serious business. Still, nostalgia for the mid-20th century lurks there, too. At first sight, this is odd. The years following Mr Xi’s birth in 1953 were bitter ones. Under Chairman Mao, a revolutionary zealot, the People’s Republic seized farms from landlords, confiscated businesses, sent “volunteers” to fight in the Korean war and embarked on the Great Leap Forward, a catastrophic campaign to transform China from an agrarian society into a modern industrial one.

Today, Mr Xi’s China has taken an all-in bet on high technology and advanced manufacturing. To live in a big Chinese city, as this columnist did from 2018 to 2024, is to inhabit a world of gleaming modernity and dazzling, if at times sinister, digital wizardry.

Yet on a recent return visit to China and the region, The Telegram heard Chinese scholars ascribe Xi-era priorities to ideas from the 1950s. These start with the Communist Party’s reluctance to allow a greater proportion of national wealth to flow to households, via higher wages or less stingy welfare systems. Chinese leaders believe there is a trade-off between innovation and raising living standards, scholars sigh. Because party bosses are bent on achieving self-reliance, and on avoiding dependence on America, they are preparing for “a return to the 1950s”.

By that, scholars mean an absolute focus on collective success and China’s national strength, with less emphasis on fostering individual dreams or aspirations. Economic planners in the 1950s did not hide the sacrifices they were demanding. Rural peasants from collective farms had to contribute vast amounts of unpaid labour, whether tilling fields or building roads, dams and reservoirs by hand. Commodity prices were kept low to boost urban industries, following Mao’s directive to “prioritise capital accumulation over substantial improvements in people’s living conditions”.

In theory, China’s leaders take a different tack today. They acknowledge the need to boost domestic demand and consumer confidence. For all that, Chinese state capitalism is now a Darwinian death-match for many businesses, involving low wages, long hours and razor-thin margins. No matter if university graduates cannot find the white-collar careers of their dreams, the motherland’s interests come first. Mr Xi himself has growled that the young should be less “pampered”.

Nostalgia for the past goes beyond economic policies. To fight corruption and enforce political discipline Mr Xi has revived ideological tools from the 1950s. That time is now idealised as a simpler, purer age, when selfless party cadres fanned out across a vast country to serve the masses.

Whose version of nostalgia carries greater risks? Mr Xi is using 1950s notions of collective sacrifice to build a high-tech, low-carbon 21st-century economy. That is a gamble that repression and state planning can co-exist with innovation and social stability.

By contrast, Mr Trump promises supporters a 1950s economy, reopening shipyards, steel mills and coal mines. Calling climate change a scam, he has relaxed fuel-economy standards for cars. His transport secretary recently enthused that old-style station wagons may soon return, with “maybe a little wood panelling on the side”. Meanwhile, China is building flying electric cars.

MAGA is politics for a backward-looking country. If that proves a losing bet, Americans can blame the old man in charge. ■

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- [The Hermès heist: how an heir to the luxury dynasty was swindled out of $15bn of shares]

The Hermès heist: how an heir to the luxury dynasty was swindled out of $15bn of shares

Nicolas Puech had a 6% stake in the French fashion house. Then his stock went missing

December 11th 2025

In September 2022 the board of the Isocrates foundation gathered in Florence for its annual meeting. This wasn't your usual corporate shindig—the group lingered over meals in swanky restaurants, visited museums and wandered sun-dappled streets. One day, things would undoubtedly have to become more formal. The small foundation, which gave money to a number of humanitarian causes, was in line to receive billions of euros when its benefactor died, which would make it one of the biggest philanthropic institutions in the world.

Its founder, Nicolas Puech, was the largest individual shareholder in Hermès, a luxury-goods firm. From 2004 he owned nearly 6% of the company, a stake that would now be worth €13bn ($15bn). Puech, who is part of the Hermès family, has no children. The entirety of his vast fortune was destined for the Isocrates foundation, which he had set up in 2011 on the advice of his Swiss banker of 24 years, Eric Freymond. Freymond had organised the trip to Florence, entertained the board members at his Tuscan mansion and remained at Puech's side throughout—the foundation's secretary, Nicolas Borsinger, described his behaviour as "intimate" and "obsequious".

At the meeting, Puech barely spoke, weighing in only on the precise shade of green for the foundation's new logo. "You didn't get the impression this was his fortune," said a source who was on the trip. What followed came as a shock to everyone involved. Freymond returned home to find a letter dismissing him from the board. By October Puech had revoked the powers he had granted Freymond to manage his money. He later filed a criminal complaint in Geneva, accusing Freymond of "massive fraud". Puech had realised that his Hermès shares were nowhere to be found. Worse still, they had been missing for more than a decade. Hermès itself had no idea where they were.

Many of the fanciest luxury brands, such as Hermès, Ferragamo and Prada, remain family-run despite being publicly listed. [Bernard Arnault]() and his family hold a controlling stake in LVMH, the world's biggest luxury conglomerate. Brands work hard to cultivate an image of themselves as genteel clans with an insistence on tradition.

Hermès, which is more than 65% family-owned, prides itself on its centuries-old leatherwork techniques. It cannily limits production of its most coveted products, keeping prices high: a Birkin bag costs upwards of £10,000 ($13,350) in a shop and a multiple of that on the resale market. Selling mainly to the very rich—unlike say, Gucci, which also sells to the aspirational middle classes—insulates Hermès from the [ups and downs of the luxury industry](). Its customers are less likely to cut back on spending during periods of economic instability. This is why Hermès's share price has risen by roughly 150% over the past five years (while other luxury stocks are up by 50% at most).

But the mystique that makes luxury houses so lucrative also carries risks. Family firms are often governed not by corporate codes but by decades-old loyalties, rivalries and unspoken understandings. Heirs think in generations, not quarters, and can be resistant to cost-cutting. Family businesses are also vulnerable to succession crises, mismanagement and takeover attempts—especially with sprawling dynasties where relatives are scattered across the globe.

The saga of Puech's missing billions—almost certainly one of the biggest frauds in history—raises questions beyond who is to blame. Are Hermès's shareholders being told the full story? And behind the runways and polished shopfronts, just how dirty is the fight among Europe's luxury dynasties?

In 1837 an enterprising craftsman named Thierry Hermès opened a shop selling horse harnesses in Paris's ninth arrondissement. Business was brisk but the firm really took off in the 1850s, after Napoleon III seized power and embarked on modernising the capital. Paris was transformed into an elegant metropolis with parks and wide boulevards, perfect for horse-drawn carriages. Speculators poured money into the city, building apartment blocks, hotels, theatres, restaurants and department stores. As Paris became a place for the newly minted bourgeoisie to see and be seen, the luxury industry took off. Napoleon III's wife, Empress Eugénie, became an unofficial brand ambassador: she carried her belongings in Louis Vuitton cases and bedecked her horses in Hermès.

Each subsequent generation has steered Hermès in a slightly different direction. Under Thierry's son, Charles-Emile Hermès, the firm began making saddles (legend has it that customers started to complain their horses were better dressed than they were). Charles-Emile's son, Emile-Maurice Hermès, designed an oversized leather bag in which clients could carry their boots. In the early 1980s Emile-Maurice's grandson, Jean-Louis Dumas, sat next to Jane Birkin, a British actress, on an aeroplane. When Birkin complained about the lack of roomy handbags on the market, Dumas sketched an initial design for what would become the Birkin bag.

The family still runs Hermès like a small atelier. Production expands only marginally each year, despite lengthy waiting lists, and each workshop is capped at 300 staff. Craftsmen, who are all well-versed in the label's history, refer to Emile-Maurice and Jean-Louis by their first names, as if they were talking about their own grandparents.

Today, the family is split into three branches, descended from Emile-Maurice's daughters. The Dumases, who hold the top jobs, are discreet Protestant workhorses—Axel Dumas is the current chief executive. The Puechs share that reserve but largely stay out of operations. Until recently, it was the Guerrands—spread across Morocco, America and elsewhere—who were seen as the loose cannons of the family, their progeny finding themselves the subject of tabloid headlines in the early 2000s.

Being in charge of a family firm requires more than just business acumen. "One job of the CEO of Hermès", said Stéphane Wargnier, who worked in communications at the company, "is to keep the family bonded." At any moment there is an heir in need of cash and eager to sell their stake. Top executives organise trips to overseas store openings for far-flung relatives with the express aim of "making them feel part of the life of the firm". Even those with tiny stakes are invited to glitzy parties and given Birkins as gifts.

Nicolas Puech, a great-great-grandson of Thierry Hermès, was born in a suburb of Paris in 1943. He and his siblings grew up roaming the Hermès headquarters on Rue du Faubourg Saint-Honoré, but Puech showed little interest in the business. He preferred partying with socialites and celebrities, including Yves Saint Laurent. Puech's older brother, Bertrand, allegedly considered placing him under guardianship to stop him from squandering his fortune. (Nicolas Puech declined to comment on any of the matters raised in this article.)

Some say Puech's extravagance made him a black sheep; others say relatives disapproved of the fact that he is gay. In any case, like many party animals, he mellowed with age. In the 1990s he retreated from public life and withdrew from his family. Eventually, he left France, shuttling between a farm outside Seville and a converted inn in the Swiss Alps.

In 1996 Puech's mother died. Yvonne Puech (née Hermès), left a 4.7% stake in the company to her son. (In 2004 he acquired another 1% when his sister Odile died.) According to court documents, Puech deposited the shares in three Swiss banks, on the advice of Freymond, whom he had met in 1989.

Freymond ushered Puech into Geneva's beau monde. The pair holidayed together and bonded over their love of art. In 1998 Puech gave Freymond near-total control of his finances, including the right to sell assets on his behalf, and the following year granted him power of attorney. According to court documents, Puech placed "great trust" in his banker, signing papers without a glance and rarely checking his accounts. He got to know Freymond's associates, including Farah Diba, the last empress of Iran, and Freymond's friend and lawyer, François Besse, who began representing Puech too.

Puech and Freymond were, in some ways, an odd pair. Every source I spoke to used the same words to describe Puech: modest, private, gentle—if not particularly sharp. They told me that after leaving France he didn't flash his cash (though he made exceptions for the occasional lavish birthday party, private air travel and a bordeaux-coloured Bentley).

Freymond, 15 years his junior, was a paid-up member of Geneva's elite. In photographs he tends to sport tailored suits and owlish spectacles, and is often holding a glass of champagne. Freymond and his wife Caroline were renowned for throwing high-society parties at their house on the ramparts of Geneva's old town and their 18th-century chalet near Gstaad. Those soirées helped Freymond nurture influential connections. After studying law and working at a private bank, he founded his own firm in 2001 called Semper Gestion, which grew to manage billions. Freymond oversaw the fortunes of French dancer Zizi Jeanmaire and Swiss Bond girl Ursula Andress. He also got to know several members of the Hermès clan, a number of whom became his clients. It wasn't long before his little black book caught the attention of executives at LVMH.

Bernard Arnault, the founder of LVMH, is credited with transforming the luxury sector from a smattering of small labels into a multi-billion-dollar global industry. He has assembled his empire by taking over smaller businesses including Louis Vuitton, Dior, Moët & Chandon, and assorted watchmakers and jewellers, earning him the nickname, "the wolf in cashmere". In 1999 Arnault tried to acquire Gucci, but failed. Then Hermès caught his eye.

It was a perilous moment for the company. Its chief executive, Jean-Louis Dumas, father of the Birkin, was ill with Parkinson's and there was no clear succession plan. In 2001 and 2002 LVMH started quietly buying Hermès stock on public markets. Together these purchases came to just under the 5% limit at which French law requires investors to declare their holdings.

Arnault's team got in touch with Freymond and the pair met in secret on several occasions to negotiate a deal. Puech often joined them. Freymond was tasked with identifying family members keen to sell their shares and discreetly transferring their stakes to Arnault. Puech's part in the affair remains unclear. In court documents, Puech is quoted as saying he saw no “objection” to the deal but never agreed to sell his own stake (which would have been worth around €500m at the end of 2008).

These acquisitions were structured carefully to avoid disclosure. In 2008 LVMH entered into swap contracts with three French banks, which allowed Arnault to bet on the future price of Hermès shares. To manage the risk the banks bought Hermès shares themselves—some off-market. LVMH was meant to get cash when its bets came through, but the deal was changed so that the banks paid out in Hermès stock.

On October 23rd 2010 LVMH announced it held 14.2% of Hermès (that stake would rise to over 20% before the year was out). Hermès shares jumped more than 15% on the announcement. The Hermès family was blindsided. Arnault infuriated Hermès executives by denying he planned to take over the firm and describing the investment as “friendly”. Puech’s brother, Bertrand, who was chairman of Hermès at the time, told a reporter bitterly: “With friends like these, who needs enemies?” The group’s chief executive added: “If you want to seduce a beautiful woman, you don’t start by raping her from behind.”

LVMH never managed to accumulate enough Hermès stock to block decisions made by the family. The Hermès heirs rallied together to prevent a takeover. On December 5th 2010 they announced the creation of a new family holding company, H51, into which dozens of heirs deposited more than 50% of the firm’s capital, more or less locking up their equity for the next 20 years. (In 2022 the deadline was extended to 2041.)

Meanwhile, the French financial regulator, Autorité des Marchés Financiers (AMF), opened an investigation into the acquisition of Hermès stock by LVMH. In June 2013 it concluded that the information LVMH had provided was insufficiently accurate, precise and sincere. The AMF fined LVMH €8m (€2m less than the maximum possible fine). This paled into insignificance next to the €3.8bn in capital gains that LVMH reported on its investment in Hermès, thanks to the rise in the company’s share price. (When asked to comment on the matters raised in this article, LVMH shared a press release that it issued last week after renewed interest in its dealings with Hermès: “LVMH and its shareholder [sic] firmly reiterate that they have never, at any time, diverted shares of Hermès International in any manner and that they hold no ‘hidden’ shares—contrary to the implications put forward by Mr Nicolas Puech, who has chosen to turn to the French courts after being dismissed on numerous occasions by the Swiss judiciary.” LVMH said that “baseless allegations” had been reported in recent media coverage, “seeking to reinterpret the circumstances under which LVMH acquired its stake in Hermès International more than 15 years ago”.)

After Arnault’s announcement in 2010, suspicion fell on Puech. His extended family had long regarded him as a harmless eccentric; now they saw him as closer to Judas. He claimed he still held his 6% stake in Hermès but refused to lock up his shares in H51. Instead, he announced he would be setting up a foundation and leaving it his stock when he died. But he gave his family the right of first refusal should he ever decide to sell his stake.

Despite Puech’s protests, his relatives were increasingly concerned that his stake had been handed to Arnault. But finding out what had happened to Puech’s shares was complicated by the fact that they were bearer shares. Bearer shares used to be paper certificates, which belonged to whoever physically bore them at any given time. French law now requires them to be digitised. Unlike registered shares, however, companies don’t know the names of the holders of bearer shares (which makes them attractive to investors who want to stay anonymous). Companies communicate only with the intermediary, usually a bank, at which the stock is held.

Hermès used Euroclear France, a body in charge of tracking ownership of stocks and bonds, to ask the intermediaries holding its bearer shares to disclose the names of their owners. But Hermès didn't get answers; a spokesperson for Euroclear told me that Swiss banks often fail to respond.

Hermès continues to pay dividends on Puech's shares. Payments on bearer shares are made to the financial institutions that look after them, so the company has no way to know if these funds have ended up in Puech's hands. In the past five years the payments on 6m Hermès shares would come to over €450m. From 2015 Hermès stopped mentioning Puech's stake in annual reports, suggesting it had sufficient evidence that Puech no longer owned all those shares.

That same year Hermès filed a criminal complaint in France against Puech for using documents forged by Freymond. In essence, the company was accusing Puech of falsely claiming to possess Hermès stock. Freymond tried to stall the case by questioning points of procedure and allegedly advised Puech not to show up in court.

The failure of the tie-up with LVMH was a huge disappointment for Freymond, who had expected to pocket a small fortune for his services. According to Glitz, a French publication, he filed a complaint against Arnault claiming 10% of the capital gains LVMH made on its Hermès stock. Freymond reportedly employed private detectives to investigate what he believed to be backroom dealing by Arnault and provided evidence which he claimed showed that LVMH, despite Arnault's denials, had indeed planned to take over Hermès. Freymond, says Glitz, withdrew his complaint in 2019.

Despite everything, Puech stood by his banker. Charlotte Bilger, a judge who oversaw Hermès's criminal complaint for several years, told me that Puech was "in complete denial" and even wrote to the court asking her to stop pursuing the case against Freymond. "He seemed to be someone who was easily manipulated," said Bilger. She compared Puech to Prince Myshkin, the guileless hero of Fyodor Dostoyevsky's novel, "The Idiot".

In July I visited Ferret, a village in the Swiss Alps, in the hope of meeting Puech. I'd heard he retreats to his home there every summer, as soon as the snow melts and the winding road reopens. Standing on the green mountainside, silent except for the tinkling of cowbells, I could see why somebody tired of reporters, lawyers and his own relatives would make this his refuge. The village is made up of a handful of Toblerone-shaped houses with hanging baskets and names like Le Petit Paradis on hand-painted signs.

I introduced myself to some of Puech's neighbours. One man said he wanted to respect Puech's privacy and described him as "a nice man who wants a quiet life". Another neighbour told me few people came and went from Puech's property, apart from a man who worked as his caretaker.

I walked up to a big yellow house with pale-blue shutters that the land registry said belonged to Puech. A woman in a nautical-striped top with sharp blue eyes opened the door. "Sorry, I don't speak French," she said in English. She told me Puech was out and that she didn't know when he'd return. "I'm just the cook," she added, before shutting the door in my face.

Down the hill, a young stonemason was mending the front wall of a tiny chapel. He told me he had once worked on Puech's outhouse under the supervision of his Moroccan caretaker, Jadil Butrak-Abderrazak.

Butrak is thought to have started working for Puech in the 1990s and at some point was joined by his partner, Maria Paz Pinero. Multiple sources told me Puech has an unusually close relationship with Butrak. They described Pinero as hot-tempered (Was she the woman who answered Puech's door?). The couple have two children. According to reports in L'Express, a French magazine, Butrak and Pinero were invited to Puech's 75th birthday party in Spain in 2018.

During the pandemic, Puech cut ties with almost everyone he knew. For 18 months he didn't see Freymond in person, speaking to him only by phone. It seems that the only people he spent time with were Butrak and Pinero. It may be that the couple convinced Puech that his banker was not acting in his best interests. In a recent interview with L'Express Puech said that he realised Freymond was lying to him when a large sum of money he had asked Freymond to give Butrak failed to materialise.

Whatever the trigger, Puech appears to have grown uneasy about the fate of his inherited shares. In 2021 and 2022 he wrote to Freymond asking for information about his holdings. According to filings to a Geneva court, those letters went unanswered.

The tipping point probably came when Puech discovered that the estate of Richard Desurmont, the heir to a French textile fortune, was suing him for unpaid debts. It emerged that Freymond was put in charge of managing Desurmont's fortune after he died in 2021 and had loaned €20m of his legacy to Puech in early 2022. If Puech held billions of dollars of Hermès shares, which pay out hefty dividends, why was his banker taking on debt in his name?

In October 2022 Puech finally dismissed Freymond. He let it be known that he wanted to leave his shares to Butrak instead of the Isocrates foundation, which Freymond had helped set up. In February 2023 Puech looked into adopting Butrak. It is hard to tell what stage the process got to: I called a family lawyer in Switzerland, who explained that it is difficult to adopt an adult. Documents I've seen confirm Puech transferred dozens of properties to Butrak by 2023. A source told me that one home in the caretaker's name in Montreux, near Lake Geneva, is valued at over €3m.

Puech's lawyers asked the Isocrates foundation to scrap the pact that gives it rights over Puech's shares when he dies. The board refused.

Freymond, meanwhile, appealed to Switzerland's child and adult protection authority to intervene, claiming he was concerned for Puech's wellbeing. In the report, which I have seen, he portrays Puech as a vulnerable old man ensnared by Butrak and Pinero and describes him as a "friend for whom Eric Freymond retains all his kindness and affection".

In Ferret I paused for lunch at an inn. Afterwards, the stonemason called me over to say Puech had been watching me snoop around and that a woman in a striped top had driven him away in a Mazda. I seized the opportunity to take a closer look at Puech's house. Through the windows I saw plush armchairs, chintzy curtains and brass lamps. On a console table in the hall there was a pair of binoculars, a silver knife and fork, and an orange Hermès gift box.

In September 2023 Puech made a submission to a court in Geneva, accusing Freymond of embezzlement. He demanded that Freymond and his wife be questioned, their Geneva home searched and any documents or property connected to his lost fortune seized. But the submission was so poorly assembled—with incomplete documents and flawed legal arguments—that the court refused to open an investigation. The prosecutors said it was not their role "to carry out exploratory investigations in an attempt to detect potential offences".

Undeterred, Puech took the fight to France, where he brought a complaint against Freymond for breach of trust and misappropriation of funds. This time his case was better put together. Magistrates in Paris attached it to Hermès's unresolved fraud suit from 2015. After years of estrangement, Puech and his family were now fighting on the same side.

Earlier this year Freymond made a last-ditch effort to climb out of the hole he had dug for himself. In February he and Besse, Puech's lawyer and Freymond's ally, arranged for Puech's 6m shares to be sold to the Qatari royal family. Freymond was named as a "consultant" on the deal despite having been fired by Puech. According to a lawsuit filed by the Qataris in Washington, DC, the shares were to be "reissued" by Euroclear and handed to them. But on March 19th Besse wrote to the royals with bad news: "Despite our best and repeated efforts, the seller, my client, was unable to retrieve the shares." The Qataris demanded $1.3bn in damages and delivery of the shares. (Besse did not respond to a request for comment.)

It isn't clear what exactly Freymond intended to achieve. When news broke of the court case, Puech's lawyer denied his client was involved in the deal and said Puech had first learnt of it from press reports. A Euroclear spokesperson told me the firm had no ability to "reissue" shares and wasn't sure what the term meant. The Qatari royal family declined to comment.

Incredibly, Freymond continued to defend himself. As recently as this summer, his representatives told me that he had managed Puech's properties and other financial assets, but that he had never looked after the inherited Hermès shares. They tried to convince me that Puech had got himself into a muddle and that his banker was taking the blame.

In the end, Freymond couldn't avoid the courts. On July 7th he appeared before the Parisian magistrates investigating the fate of the missing shares. He gave a lengthy testimony and answered questions behind closed doors.

On July 23rd I went to see one of his lawyers in Paris, hoping to get details of the hearing. The interview yielded very little. But later that day I received a missed call and a cryptic text message from him. When I phoned back, the lawyer told me in a trembling voice that, while we had been chatting in his office, his client had killed himself.

Two days after his 67th birthday, Freymond cycled out of his chalet near Gstaad towards a railway track. Shortly afterwards he was hit by a train. "The scandal of the century," as it has been termed in court, would have to continue without the main accused.

In early November, a source showed me the testimonies of Freymond and Puech. In court Freymond had been full of his characteristic obsequiousness. As he narrated his version of events, he contradicted himself repeatedly and fawned over the prosecutors. "I want to apologise to you for my lack of sincerity," he explains at one point as he corrects himself. "I want to add that if I am here before you, it is to humbly acknowledge my wrongs."

Freymond claimed that he and Puech had had an affair for about 15 years until 2016. He said he had been in love with Puech: "I admired his elegance, his savoir-vivre, his originality, his love of nature."

Puech faced the magistrates on September 23rd. He spoke in a circumlocutory manner and seemed hard-pressed to provide specifics on financial matters; he forgot, at one point, the word for "dividends". In his testimony, he said Freymond's claims about their relationship were "absolutely nonsensical…It's really just a way to confuse you. I reject it." He said that Freymond kept a tight grip on his life: controlling his movements, opening his post and banning him from inviting relatives to his 75th birthday party. Puech handed the magistrate a document entitled "Memo for Nicolas", which he said had been written by Besse in 2017. It forbade Puech from travelling to France, sharing his whereabouts with family members or allowing impromptu visitors into his home. Puech said he lived in an atmosphere of "fear".

After decades of denial, Freymond admitted to the magistrates that he had sold Puech's shares to LVMH. He said that Puech was "perfectly informed" and met Arnault 14 times, including at Arnault's apartment in Paris and his chateau in Bordeaux. "It was Mr Puech who made the decision, who was enthusiastic and eager to move forward for the simple reason that he had a score to settle with his family," claimed Freymond.

This, too, Puech strenuously denied. He acknowledged that he had met Arnault several times and said that Arnault had given him presents including a travel bag. Arnault had been "friendly", he added. "He told me, 'Just call me Bernard.'" But Puech maintained he never agreed to sell his shares. "Often, I assumed that Mr Freymond had spoken to Mr Arnault before and I would arrive somewhat as a figurehead, as an important member of the Hermès family," he said. The Parisian investigators found that millions of shares belonging to Puech were sold in 2008, in some cases for less than €100 per share. The stock is now worth more than 20 times that.

Where exactly Puech's bearer shares ended up may remain a mystery for ever. In 2014, after the AMF investigation into the stock acquisitions had been completed, LVMH and Hermès reached a truce. LVMH agreed to hand all its Hermès stock to its own shareholders: two Hermès shares for every 41 in LVMH.

The Hermès shares that were scattered between LVMH's shareholders are impossible to trace. Christian Dior, the largest investor in LVMH, distributed the stock to its own investors. The Arnaults, who ended up with 8.5% of Hermès, began to sell off their stake, according to data from company reports. They handed over much of what was left in 2017 as a step in LVMH taking full control of Dior.

An audit commissioned by Puech's lawyers established that he still had 535,899 Hermès shares at the end of 2013. But those were progressively sold, so that by 2021 he no longer had any shares in his family firm.

It appears that Freymond funnelled over €100m of assets out of Puech's accounts, often to benefit himself and his circle. Documents cited by the Parisian magistrates show that transfers of 200,000 Hermès shares and €26.4m were made to Noor Capital, an Emirati investment firm managed by an associate of Freymond's, Olivier Couriol, who has been named in press reports in connection with fraud and money laundering. Another €25.8m of Puech's money was put into Hydroma, a Canadian firm with hydrogen projects in Mali—in a series of small purchases, made in quick succession at increasing prices, that a magistrate described as “quite unusual”. (Couriol could not be reached for comment.)

Freymond also opened various joint bank accounts with Puech, depositing €35.8m at one private Swiss bank. Freymond said this money was used to fund the pair’s travels and “common projects”. Puech said he had no knowledge of any joint accounts.

While the magistrates press on, others are trying to grab what’s left of Freymond’s fortune, the size of which is hard to estimate. Some of his properties are registered in the names of his wife and daughters. Swiss courts have frozen his bank accounts, banned the sale of some art and antiques, and placed a lien on one of his houses. Among those fighting for his assets are Puech, his foundation and the Desurmont estate. Borsinger, the secretary of the Isocrates foundation, doesn’t rate its own chances. “We are a canoe fighting a destroyer,” he said.

Despite the scandal, Freymond’s family has not been cast out. A lawyer based in Geneva told me that, even as they “waved their hands and exclaimed” over the headlines, the Freymonds’ many friends continued to socialise with them in the months before Eric’s death, while hundreds of mourners attended his funeral. The sorry tale, the lawyer added, is “more Balzac than Financial Times”.

Puech, once among the world’s richest men, now appears to be worse off than his caretaker. According to documents reviewed by the magistrates, the 82-year-old is penniless. He doesn’t even own the house in the Swiss Alps. Earlier this month Reuters reported that Puech had lodged a civil case against Arnault in Paris in May (when I asked LVMH if its boss had been summoned by magistrates in the ongoing criminal case, it declined to comment). Puech told L’Express that he was “surrounded and supported” by Butrak and Pinero. Members of the Hermès family are giving him handouts. “I am in a desperate situation,” Puech said in his testimony. “I no longer have financial means and I know that many have got rich at my expense.” ■

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Illustrations Ewelina Karpowiak

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Business | That’s not all, folks!

Netflix and Paramount are battling for more than Warner Bros

They present rival visions for the future of entertainment

December 11th 2025

THE CREDITS were ready to roll. Netflix, the world’s biggest streaming company, had announced on December 5th that it was to acquire most of Warner Bros Discovery, one of the biggest names in old-fashioned moviemaking, in a deal valued at $83bn. But on December 8th Paramount, a much smaller rival, pressed pause on the transaction. It appealed directly to Warner’s shareholders to accept an alternative offer of $108bn for the whole company, promising a deal that is “superior to Netflix in every dimension”.

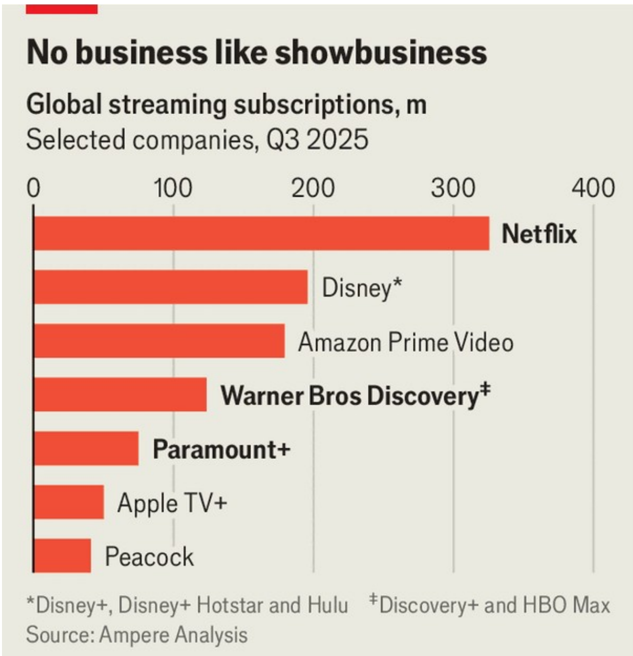
The Looney-Tunes sums could yet grow even higher: Paramount’s owners, the Ellison family, have made clear they are willing to shell out more; Netflix, valued at over $400bn, can also afford to up its bid if it wants to.

But the main difference between the bidders is not the offer price. Netflix and Paramount see different things in their target. The result of the bidding war will shape the future of Hollywood, and of entertainment more widely.

For months Paramount was the favourite to buy the century-old studio. David Ellison, a 42-year-old Hollywood producer, acquired Paramount in August for $8bn, backed by his father Larry Ellison, whose stake in Oracle, a software company, has made him the world's second-richest man. Scarcely had they got the keys to Paramount's Melrose Avenue lot when they announced that they would go after Warner, to build a media colossus. The Ellisons had the money, the motive and a friendly relationship with President Donald Trump. What could stand in their way?

Netflix. On December 4th, as David Ellison sent increasingly frantic texts to Warner's management, it transpired that Netflix was the preferred bidder; the next day the deal was announced. Filings released by Paramount this week show that the company was blindsided. Paramount now says its most recent, improved offer was not fairly considered by Warner's management. It has gone hostile, arguing that shareholders deserve a chance to accept their offer, whatever executives have agreed with Netflix.

The two bids value Warner at a similar level. Paramount is offering $108bn in cash for the whole company. Netflix is offering $83bn, in a mixture of cash and stock, for the company's studio and streaming service. Under the Netflix deal, Warner shareholders would keep the declining TV and cable networks in a stub company that Hollywood has called "ShitCo". In most scenarios ShitCo's market value would be enough for the Netflix deal to add up to roughly the same total as Paramount's, albeit with more uncertainty.



Yet the two deals also represent different possible futures for the entertainment business. Paramount's motive is clear. At the moment it lacks the scale to compete with the biggest names in streaming; combined with Warner, it would be big enough to be a serious rival to the likes of Netflix and Disney (see chart). The streaming wars, which Netflix has all but won, would be rekindled. By contrast, if Paramount fails to win this deal, it "sits much closer to an existential crossroads", notes MoffettNathanson, a research firm.

Paramount also promises that it would rejuvenate the cinema industry. David Ellison, a devotee of the silver screen who has produced films such as "Top Gun: Maverick", said this week that a combined Warner-Paramount would release more than 30 movies a year in cinemas. Netflix has promised that it will keep giving Warner movies theatrical releases. But no one in Hollywood thinks that the streaming giant will be the saviour of the big screen. Only earlier this year Netflix's co-chief executive, Ted Sarandos, said that cinemagoing was "an outmoded idea, for most people".

Instead Netflix sees something else in Warner: its ideas. Netflix hardly needs scale. With around 325m subscribers it is already nearly twice as big as its nearest rivals. But what it has in quantity, it lacks in quality. UBS, a bank, points out that Netflix has about twice as many titles as Warner on its streaming service in America, but that when it comes to titles rated at least nine out of ten on IMDB, a review website, Warner's HBO Max has 141 against Netflix's 120. Netflix sees potential to squeeze more engagement out of those first-class titles. It has already shown how it can make hits out of tired old series like "Suits", a forgotten legal drama which it licensed from NBCUniversal a few years ago and turned into a smash. What could it do with gold-plated intellectual property (IP) like Warner's "Game of Thrones"? As Mr Sarandos has put it, "Their assets work better in our business model, and our business model works better with these assets."

Netflix views those assets as weapons in a bigger fight, with competitors outside Hollywood. Despite the town's obsession with the streaming wars between competing studios, Netflix has come to see its biggest rival as YouTube. The Google-owned social-media platform accounted for 28% of streaming on TVs in America in the latest quarter, against Netflix's 19%, according to Nielsen, which measures such things (HBO Max made up less than 3%). Netflix may now be the king of Hollywood. But it is increasingly pitting its professionally made shows against the home-made, algorithmically sorted content on YouTube and other platforms. The Warner acquisition would give it an arsenal of premium-grade weapons for that war.

That will be the argument that Netflix pitches to competition regulators if its bid progresses. Allowing Hollywood's biggest streaming service to absorb the fourth-largest may seem unlikely, especially when Paramount's alternative deal promises to create a viable new competitor by combining the fourth- and fifth-largest. Netflix would hope that regulators take seriously the idea that the real threat to Hollywood is the social-media platforms in Silicon Valley, which for now are winning the war for attention among young audiences.

Both the Netflix and Paramount bids are complicated by politics. Paramount contends that it would get its deal through quicker than Netflix—partly because competition concerns would be less serious, and partly because the Ellisons are chums with the president. Mr Trump has said that Netflix's deal "could be a problem" because of its "big market share". Mr Sarandos is a Democratic donor whose wife served as an ambassador during Barack Obama's presidency.

Yet Paramount's offer is not without controversy, either. Affinity Partners, an investment firm run by Mr Trump's son-in-law, Jared Kushner, is part of its consortium. Paramount says its bid is "back-stopped" by the Ellison family and RedBird Capital Partners, another American investment firm. But in a filing to regulators on December 8th it revealed that the biggest financial backers of its bid are in fact a group of sovereign-wealth funds from the Gulf. In an offer put to Warner earlier this month, the Ellisons were to stump up $12bn while Abu Dhabi, Qatar and Saudi Arabia would together contribute $24bn (with the remainder made up by debt). An earlier offer included backing from Tencent, a Chinese tech giant.

Paramount says Tencent is no longer on board and that the Gulf investors would have no voting rights or board representation at the new company. It argues that this should preclude the need for meddling by America's inbound-investment watchdog, the Committee on Foreign Investment in the United States. Yet it would be controversial to say the least for one of America's biggest media companies, which would control both CNN and CBS News, to be part-owned by Gulf monarchies and the president's son-in-law.

The show is not over. Netflix may up its price; Paramount has made clear that its own 12-figure bid is not its best and final. But whatever amount is reached, two paths for the future of American entertainment have been laid out. On the one hand, Paramount would use Warner to keep something like the old Hollywood alive, fighting the streaming wars and pumping out theatrical releases, being propped up in this mission with billions of dollars from Gulf investors. On the other hand, Netflix promises in effect to accelerate the trends of the past few years, reducing the number of independent Hollywood studios in order to build an IP powerhouse capable of winning the wider contest for attention with Silicon Valley. Warner's shareholders must choose between a nostalgic sequel and a radical reboot. ■

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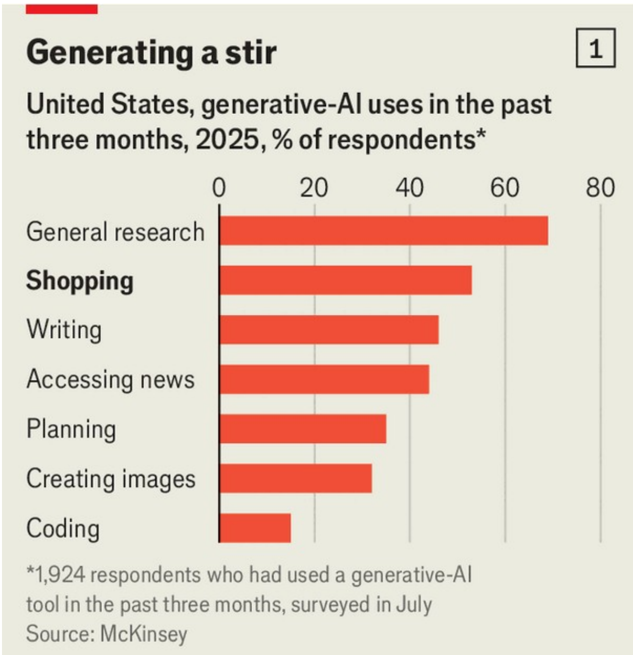
Business | Bot and sold

How AI is disrupting shopping

Looking for Christmas gifts? Just ask a chatbot

December 11th 2025

The time of year has come again when gift-givers trudge around shops and scroll endlessly through e-commerce websites to find suitable Christmas presents for their loved ones. Some will enjoy browsing. But many will not. A growing number will happily outsource much of the process to artificial intelligence (AI).



Chatbots offer a personal shopper for all. They can listen to what a user wants, produce a shortlist of products and help with comparisons. This holiday season around two-thirds of consumers in rich countries, and five-sixths of those aged 18-24, plan to use AI to help them shop, according to a survey by Shopify, a provider of e-commerce tools. A study from McKinsey, a consultancy, found that the second-most-common use for ChatGPT-like "generative" AI in America is for shopping advice, behind general research but ahead of writing assistance (see chart 1). Increasingly, consumers can even make purchases directly through a chatbot. By 2030 McKinsey reckons that $3trn-5trn of shopping worldwide will be conducted through such "agents". Retail is on the cusp of its next big upheaval.

AI firms are betting that their technology will disrupt shopping just as e-commerce did in the internet age. Although OpenAI has deprioritised efforts to integrate ads into ChatGPT, it has struck deals with Shopify and Etsy, an online marketplace for artisanal wares, to allow merchants to sell their products through its chatbot in return for a fee. Google, whose search engine has long been the starting point for many shoppers, is also eyeing the market for so-called agentic commerce. Users in America can have its AI tools call shops to check stock, track the prices of products and make some purchases on their behalf when deals come up.

Retailers, however, are not standing idly by. Many e-commerce websites have bristled at the idea of an AI agent getting between them and their customers. Amazon, the world's biggest online mall, which makes roughly a tenth of its revenue from ads, is eager to keep shoppers coming to its website. It has blocked OpenAI's crawlers from collecting information, and is suing Perplexity, another AI firm, claiming that its Comet browser has been prancing around Amazon's website masquerading as a human (which Perplexity denies).

Others have been more open-minded. In October Walmart, Amazon's long-time rival, announced that its products would soon be available to purchase directly through ChatGPT. Such deals may help retailers reach customers they otherwise would not have. Analysts at Mizuho, a bank, reckon that 4% of visits to Walmart's website come from referrals, of which ChatGPT provides a third.

Doug McMillon, Walmart's outgoing chief executive, has acknowledged that online shopping needs to move beyond "a search bar" and "a long list". Some retailers, including Walmart, have developed shopping assistants of their own. Research by Accenture, another consultancy, suggests that Americans prefer such bots over third-party ones like ChatGPT when shopping (see chart 2).

That may reflect the challenge of integrating external AI tools with retailers' data. On a recent earnings call Andy Jassy, Amazon's boss, pilloried third-party shopping agents: "There's no personalisation. There's no shopping history. The delivery estimates are frequently wrong. The prices are often wrong." (Amazon offers its own assistant, Rufus, which it says has been used by 250m customers this year.)

Julie Bornstein, founder of Daydream, an AI fashion-shopping tool, notes that chatbots are more helpful when searching for some goods than others. They excel when products have clear, comparable specifications—like vacuum cleaners, for which retailers list weight and power. They perform tolerably with products involving a combination of specifications and personal preferences, like cosmetics. But in deeply personal realms, such as fashion, most flounder. "Taste-based categories are just completely different," Ms Bornstein says. "It's not about the specifications of the product. It's about the feel of the product, the vibe of the product."

How enthusiastically consumers turn to AI for shopping may also depend on how much chatbot-makers embrace ads to make money. Walmart is already experimenting with them in its shopping assistant, Sparky, and Google has reportedly told marketers that it will integrate ads into its Gemini chatbot next year. That could undermine the perceived objectivity of these tools, and thus turn off shoppers.

In the meantime, brands are busily looking for other ways to influence chatbots to recommend their products. "Search-engine optimisation" is giving way to "generative-engine optimisation". Lily AI, a software firm, has amassed data on the language users plug into chatbots and embeds that into its clients' websites. Whereas a company might list a "French terry" top in "midnight blue" in its "athleisure" section, customers simply ask chatbots for "navy hoodies", explains Purva Gupta, Lily AI's founder.

Mandeep Bhatia of Tapestry, which owns fashion labels including Coach and Kate Spade, adds that brands need to appear in the material that AI agents trawl through. Muck Rack, a public-relations-software firm, examined more than 1m links cited by popular chatbots in July and found that company websites or press releases appeared only 18% of the time, compared with 25% for news websites, the most frequently cited source.

Chatbots also seem to favour fresh content. For Tapestry, fashion blogs and glossy magazines are crucial, notes Mr Bhatia.

A surprising consequence of all this may be that, as AI upends online shopping, physical stores gain renewed importance. With browsing shifting away from retailers' and brands' own websites, shops with striking displays and charming assistants will offer another way for companies to shape how they are perceived. Three-quarters of the respondents in Shopify's survey this year said that they value human interactions when shopping, up from just over half in 2024. Plenty of shoppers still want to touch and feel certain types of products, such as clothes. And at this time of year, heading to the high street offers a chance to soak up some festive cheer. ■

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Business | The Nvidia way

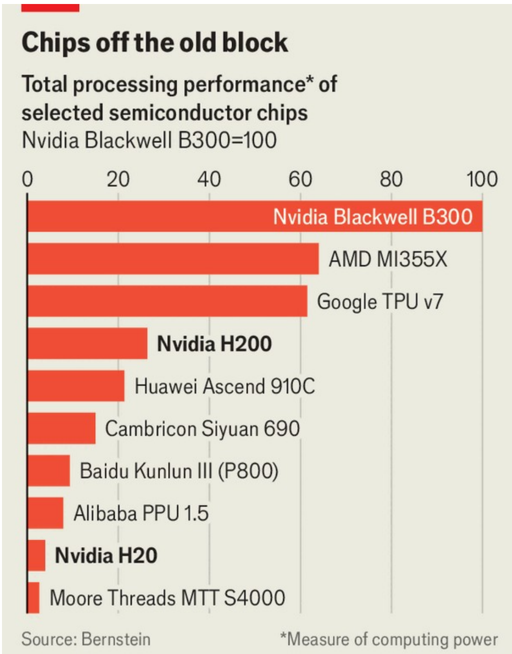
Donald Trump’s flawed plan to get China hooked on Nvidia chips

The president is tearing up America’s export-control policy

December 11th 2025

In the race to dominate artificial intelligence (AI), China is neck and neck with America in software. Chinese models now routinely outperform many American ones on popular benchmarks. But on hardware, a wide gap remains. America’s chipmakers, led by Nvidia, are far ahead.

American policymakers are divided on how to make best use of that advantage. Some argue for hobbling China’s AI developers by blocking their access to advanced chips. Others think it best to keep China hooked on Nvidia’s technology. Donald Trump appears to have decided on the latter course. On December 8th the president authorised the sale of Nvidia’s H200 chips to “approved customers” in China, in exchange for a 25% cut for Uncle Sam.



Although the H200 lags behind Nvidia’s latest chip, the Blackwell, and will soon be eclipsed by its next, the Rubin, it is more than six times as powerful as the H20, the best Nvidia had been permitted to sell to China (see chart). The company could gain $10bn-15bn in revenue a year from the approval, reckons Bloomberg Intelligence, a research group. China’s government, however, has plans of its own.

Over the past few years America’s chip-control policy has lurched in various directions. In 2022 the Biden administration imposed sweeping restrictions on sales of advanced chips to China. Nvidia responded with the H800, designed to adhere to those limits. A year later, as the rules were tightened, Nvidia brought out the H20. The Trump administration briefly banned these in April, then reversed course.

That has led Chinese regulators to urge local companies to avoid Nvidia altogether, citing security concerns and promoting domestic alternatives, which have gained ground. Bernstein, a broker, estimates that local chip suppliers including Huawei, Cambricon and Moore Threads will capture 60% of China’s $26bn-worth of spending on AI chips this year. That is a sharp reversal from just a few years ago, when American firms, chiefly Nvidia, accounted for over 80% of sales. Cambricon's share price has jumped by more than 120% this year; that of Moore Threads surged by over 400% on its trading debut in Shanghai on December 5th.

Still, China's chipmakers face steep barriers. Owing to American restrictions, they lack access to high-bandwidth memory, essential for running large AI models, and are cut off from the most advanced fabrication processes at TSMC, the world's leading manufacturer of chips. They also cannot import cutting-edge chipmaking tools. Huawei is furthest ahead among Chinese suppliers with its Ascend 910C chip. But it is still a long way behind Nvidia, and is not expected to offer a chip to match the H200 until late 2027, according to the Institute for Progress, an American think-tank. Nvidia will have advanced several generations by then.

Jensen Huang, Nvidia's boss, has long argued that blocking sales of high-end chips to China would spur local rivals to close the gap more quickly. Already Chinese chipmakers have proved their ability to innovate. Some have prioritised processing power at the expense of energy efficiency, while others have tightly integrated hardware with software to squeeze out better results. In the absence of Nvidia's chips, Chinese AI developers will start to optimise their models around domestic offerings, Mr Huang has warned.

David Sacks, Mr Trump's AI adviser, has taken up the cause. He has argued that there is a case for withholding America's best chips from China, but not for cutting it off entirely, which would only deepen the Communist Party's resolve to develop domestic alternatives. His view appears to have prevailed over that of the China hawks in Mr Trump's circle, who argue that selling powerful chips, even slightly older ones, is risky, especially given their potential military applications.

Yet Mr Trump's chosen strategy may not work as planned. Mr Huang has admitted that he has "no clue" whether Chinese authorities will permit the purchase of H200s. The government is said to be considering allowing only limited access. America may hope to keep China tethered to its technology. But China appears just as determined to cut the cord. ■

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Business | Nannying the internet

From social media to porn, age checks are spreading across the web

Australia is not the only country introducing stricter controls

December 11th 2025

"This reform will change lives," proclaimed Anthony Albanese, the prime minister of Australia, as the country banned under-16s from having social-media accounts starting December 10th. Many teenagers agreed—though perhaps not in the way the government meant. "I will be completely alone for the next 3 years until I am 16," posted a user on Reddit, one of the proscribed social networks, noting that their music playlists on YouTube would also be lost.

To cheers in some quarters and wails in others, various countries are making parts of the web off limits to minors. Australia's crackdown has been inspired by worries ranging from mental health and cyberbullying to disturbing content. It is not alone: Denmark and Norway are set to raise the minimum age of social-media account-holders to 15, and Spain and Malaysia have said they will raise it to 16. Several American states have tightened their laws, for instance by obliging networks to get parents' permission for children's accounts.

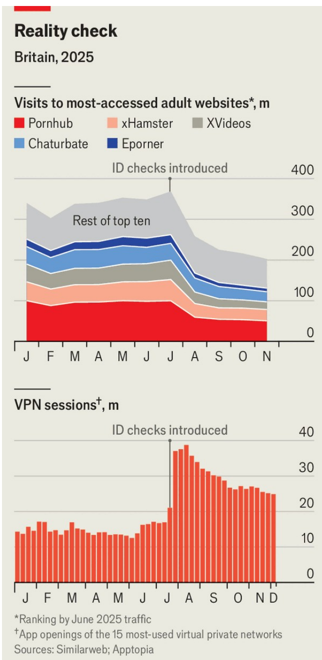
At the same time, some countries are demanding stricter age checks by adult websites. In July Britain introduced rules compelling porn websites to check that their users are over 18. France, Italy and Spain have brought in or proposed similar requirements. So have various American states. But policymakers seeking to shape how minors use the web should not expect it to be straightforward.

Start with social-media bans. These raise tricky questions about which platforms to include. Alongside conventional social networks such as Facebook, children chat during online games, exchange messages under videos and interact on the web in many other ways. Australia has decided that "social media" should include video-sharing platforms like YouTube (which has a separate version aimed at under-13s) and TikTok, but not messaging ones such as WhatsApp. Online games like Roblox are spared for now, though some parents are lobbying to include them.

Drawing those boundaries has left some apps feeling hard done by. Snapchat, a youth-oriented app on which 400,000 Australians aged 13-15 had accounts, argued that it should be excluded given that three-quarters of the time Australians spend on it is for messaging or making calls. But other features, such as a scrollable video feed, condemned it. Snapchat says it explored setting up a separate app for young people without these features, but lacked the time and resources. As more countries follow suit, such calculations may change.

Apps that are tailored to young users would be welcome. But some worry that the opposite will happen. Australia's law bans children from having social-media accounts, but they remain free to use apps without logging in. On some platforms, such as Instagram, they cannot get far without signing up. But others, like YouTube and TikTok, let users scroll away anonymously. Australian children using those apps may now be more likely to see content unsuitable for their age.

Another concern is that children who have been kicked off mainstream social-media apps may sign up for others that are less well known—and less well regulated. On the day its age restrictions came into effect, the top downloads in Australia on Apple's app store included Lemon8, a social network from ByteDance, TikTok's parent company, and Yope, a "friends-only private photo messaging app". Neither is currently covered by the ban.



*Ranking by June 2025 traffic
†App openings of the 15 most-used virtual private networks
Sources: Similarweb; Apptopia

Something similar appears to be going on in the world of online porn. In Britain, total traffic to porn websites has fallen by a third since its age-checking rules landed in July, according to Ofcom, the regulator enforcing the law. Big websites such as Pornhub have seen their traffic fall by nearly half, according to Similarweb, a data provider (see chart, top). Ofcom says that of the top 100 porn websites in Britain, more than half are complying. It recently fined one big operator, AVS, £1m ($1.3m) for not obeying the new rules, and has launched more than 80 investigations into others. But among the (very) long tail of small porn websites, some domains that have ignored the law have rocketed in popularity. And new websites can spring up even more quickly than social-media apps, which require a critical mass of users.

Age-gating laws can also be bypassed with virtual private networks (VPNs), which disguise a user's location. VPN use has soared in Britain. In the weeks after its age-checking rules were introduced, the number of weekly sessions on the 15 largest VPN mobile apps rose from a previous average of around 15m to nearly 40m, according to data from Apptopia, which measures such things (see chart, bottom). Usage has since dropped, but seems now to be stabilising at nearly double its previous level.

As age rules spread, tech companies are arguing over who should take responsibility for enforcing them. Australia's new law places the burden on social-media companies themselves, which face steep fines if their checks are not judged to be effective enough. Britain has similarly placed the burden on porn websites. The argument runs that the companies responsible for creating the alleged harms should foot the bill for mitigating them.

Social-media companies have argued that it would make more sense for those developing the operating systems on which their apps run—principally Apple and Google—to take the responsibility. Users could register their date of birth once, after which their device could anonymously vouch for them being old enough to access whatever content they wished. Brazil has placed an obligation on app stores to assess users' ages, as have a handful of American states. Apple has recently launched a feature that allows parents to set age ranges on their children's phones; Google is developing something similar.

The rest of the world will be watching the various experiments under way. "The global community…are looking at Australia and saying: 'Well, if Australia can do it, why can't we?'," said Mr Albanese. They may soon have some answers. ■

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Business | Speeding downhill

Vietnam’s EV champion is bleeding cash

VinFast is seeking salvation in foreign markets

December 11th 2025

You might think that being a national champion in a country with a history of state largesse would be a lucrative business. For VinFast and its billionaire founder, Pham Nhat Vuong, it has been anything but. Despite dominating its home market, the Vietnamese maker of electric vehicles (EVs) has lost some $11bn since it launched its first electric car in late 2021. Although it receives some subsidies from the government, it is bankrolled primarily by Vingroup, Mr Vuong’s conglomerate, whose businesses range from malls to solar farms, and by Mr Vuong himself. As of June, Vietnam’s richest man had pitched in $2bn of his personal wealth to cover VinFast’s losses, and pledged billions more.

VinFast is not getting any more profitable. The firm boasts that it "continues to break records" in car deliveries. Yet it loses money on each vehicle it sells. So far this year it has delivered over 120,000 electric cars and 230,000 electric two-wheelers, from which it generated about $2bn in revenue. The cost of producing these came to nearly $3bn—resulting in hefty losses even before research-and-development expenses and overheads.

The company sells some 90% of its vehicles at home, and is increasing its production there. A new factory in central Vietnam, capable of making 200,000 vehicles, was opened in June. But with profits still elusive, VinFast hopes to find salvation in international expansion. It has failed once before, selling just a few thousand cars in the American market after it tried to expand there in 2022. (The push is still officially on, but delayed until 2028.) The company is now targeting markets closer to home, including India, Indonesia and the Philippines, and soon expects to have a sixth of its production capacity outside Vietnam.

Furthest along is its effort in India, where the company has set up a distribution network of some two dozen dealerships. These are backed by a factory in Tamil Nadu capable of churning out 50,000 cars a year. This month the company announced that it would expand the site to also produce electric scooters and buses. It will be hoping that India's price-conscious consumers will warm to its vehicles more than Americans did. Although the market for electric cars in India is small, with just over 70,000 cars sold in the first half of the year, that figure was up by 65% from the same period in 2024, according to HSBC, a bank.

Yet India is no sure bet. Three local carmakers—Tata Motors, Mahindra and MG Motor (a joint venture between JSW, an Indian conglomerate, and SAIC, a Chinese carmaker)—along with Hyundai of South Korea together account for over 90% of sales of electric cars in India. The rest is contested by big foreign carmakers including Tesla, BMW and BYD. In November VinFast sold 291 electric cars in India, more than Tesla but less than half of BYD. Electric two-wheelers, a more fragmented market, may hold greater promise for VinFast, though sales are growing less quickly than for electric cars. In both segments VinFast will have to compete fiercely on price, which will not help its profitability.

VinFast's one advantage is Mr Vuong's deep pockets. Shares in Vingroup have rocketed by 600% this year, propelling his wealth to over $25bn, up from $4bn in 2024. One reason has been excitement among Vietnamese retail investors over Vingroup's new ventures, says Dominic Scriven of Dragon Capital, an investment firm in Ho Chi Minh City. The conglomerate's transport arm, launched this year, will break ground this month on a $4bn metro line connecting Ho Chi Minh City to a nearby coastal area. Vingroup has also recently expanded into making films (V-Film) and steel (VinMetal). And VinFast has unveiled plans to start building robotaxis. Mr Vuong has a busy year ahead. ■

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Business | Bartleby

A short guide to every business-hotel room

The world's most commoditised experience

December 11th 2025

Welcome to the Marryattilton Hotel. We're delighted that you have chosen to spend time with us, and look forward to making your stay as enjoyable as possible. We offer an entirely commoditised experience which somehow manages to be part of the attraction. Please do take a few minutes to read the following notes. • Guests must check out at midday. If you wish to extend your stay, please just let us know and we will happily charge you a lot extra.• The WiFi password is your room number. You will see a warning that your messages may not be securely protected. Please wonder briefly if you should take this warning seriously and then ignore it.• We have given you two room cards even though you are clearly on your own. Make sure to carry them both around with you so that if you do lose one, you will be sure to lose both. • You have two complimentary bottles of water. Your name will be displayed on the TV screen when you turn it on. For some reason both of these things will make you feel well treated. • Some of our larger rooms come with a bowl of fruit. You would not be excited by the sight of a grape at home. Here you will see it as a mark of very high status.• You have two flannels, four handtowels and eight large towels. If you need more towels, you're almost certainly doing something wrong.• Our amenities include an origami masterclass in your bathroom. The loose end of your toilet roll will be laboriously folded into a swan each morning. The flannels will be shaped into bows. The large towels will be rolled so tightly that this creates a vacuum. • All our carpets have been specially designed to make you feel dizzy. • The windows may or may not be see-through. You'll be able to judge by the behaviour of the office workers across the street from you. • We have given you 20 times as many pillows as you need. Please do not attempt to use them all. It would be like sleeping standing up.• The sheets will be tucked so aggressively under the mattress that it will take you several minutes of intense effort to ram your legs down the length of the bed. Please do not try to create more room by kicking out furiously. You will only do yourself an injury.• All your drinking glasses will be wearing little paper hats.• We take extra care to make the corridors as featureless as possible, so that you have maximum difficulty finding your way back to the lifts.• You have the use of an extremely large, white dressing gown. Please wear it just because it is there.• For people under the age of 25, that thing on your bedside table is a landline phone. Simply dial "0" and no one will pick up. These phones are also placed on a table beside the lifts on each floor, where they must never be used. • We are committed to using entirely unnecessary packaging. Unwrapping the soap will require both time and incredible determination. • There is a safe in the wardrobe. Do not use it. It is not safe.• Sockets are available everywhere throughout the room except close to the desk where you want to work.• To add a bit of fun to your stay, we always have one light that refuses to turn off no matter which switches you press. • All our rooms come with two sets of curtains as standard. One for you, and one for your non-existent companion. • Breakfast is served from 6am. Our scrambled eggs are made of rubber. Our bacon is extremely brittle and will shatter if you apply any pressure. Cereals are available by slowly turning the handle on a dispenser for 20 minutes. If you are tempted to complain, remember that you can go back for more. • The air conditioning has two modes: silent and jet-engine take-off. • If you try to get up in the middle of the night and find that you cannot move, do not panic. You are not paralysed; it's just those sheets again. • If you ask someone at reception for restaurant recommendations they will ask if you would like a map. Despite the fact you have a device in your pocket that can guide you to a point anywhere on the planet, you should say "yes". • A coffee machine is located above the fridge. It takes roughly 30 minutes to make it work. The results are disgusting.

Once again, thank you for choosing the Marryattilton. If you have any other questions, please just dial "0". We hope you enjoy your stay.■

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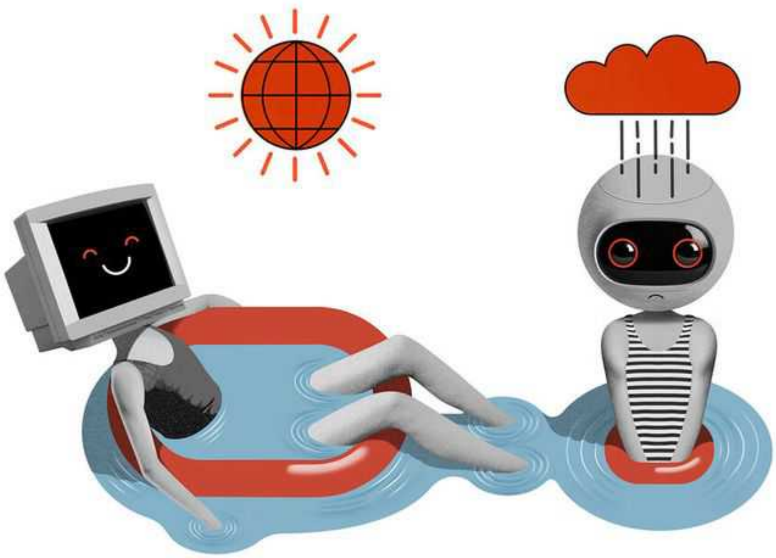
Business | Schumpeter

Oracle and the hard truths about software

Running a giant digital business is not as fun as it used to be

December 11th 2025



RUNNING A GIANT software business used to be fun. Sure, coming up with a great product was a grind. But once you had one that customers could not live without—be it Microsoft Office, Amazon.com, Google search, Facebook or an Oracle database—you could lie back and watch your unit costs fall, your profit margins rise and cash flow in. Debt was optional. Capital spending was an afterthought.

Artificial intelligence is now turning this cosy business model on its head. Capital expenditure has soared as America's hyperscalers—Alphabet, Amazon, Meta and Microsoft—and, more recently, Oracle have poured money into data centres crammed full of pricey AI chips. The combined capital expenditure of the five tech companies reached $313bn in the 12 months to the end of June, up from $146bn in the same period three years before. Amazon's free cashflow (the proceeds left after subtracting operating and capital expenditures) was cut in half over the past year. In October Meta borrowed $30bn in the bond market.

Nowhere has the transition been as unsettling as at Oracle. It was founded 48 years ago to sell "relational" databases, which let businesses cross-reference their digital information with ease. For the first 45 of those years it did mostly that, first in client-owned server farms, then in the computing cloud. In the decade to early 2022 its capex rarely exceeded 5% of sales. Gross margins hovered around 80%. Free cashflow stood at a reliable $12bn or so a year.

The company that reported its latest quarterly results on December 10th looks almost unrecognisable. And that is not just because in September Oracle's long-time chief executive, Safra Catz, stepped down and was replaced by a duo of successors, Clay Magouyrk and Mike Sicilia.

Revenue in the three months to the end of November rose by 14%, year on year, to $16bn. But capex ate up two-thirds of those sales. Free cashflow turned deeply negative. Net debt grew by $11bn, to $88bn. Gross profit is nowadays closer to 70% of sales rather than 80%. Return on capital, which reached 13.5% months before ChatGPT was released in November 2022, has fallen below 10%. Were it not for the steadfast presence of Larry Ellison, its preternaturally youthful 81-year-old founder, chairman and chief technologist, you might have thought you had dialled into the wrong earnings call.

To put those changing finances in perspective, consider how Oracle stacks up against the 1,000 biggest non-financial firms listed on the rich world's top bourses along six measures of corporate performance: operating and free-cashflow margins; operating profit to interest expense; capex to revenue; total debt to operating profit (before depreciation and amortisation); and return on capital. Then run a regression to find the closest match to Oracle's profile across these six variables.

Ten years ago the answer was Amgen, an American biotech giant. The remaining top ten doppelgangers included other innovators (Pfizer and

AbbVie in life sciences and Broadcom in chipmaking), reliable services firms (Equifax in credit scoring, Roper Technologies in business software and Verisk Analytics in consulting) and a few industrial businesses. Today Oracle is a spitting image of Antofagasta, a London-listed Chilean copper miner, followed by nine American utilities.

Investors are not sure what to make of it all. Many applauded Oracle's giant AI gamble three months ago, when it bagged a $300bn, five-year contract to supply computing power to OpenAI, the maker of ChatGPT and poster child of the AI boom. Oracle's market value shot up by $255bn overnight. Days later it briefly flirted with $1trn. Since then it has shed all those gains, and then some. The disappointing pace of AI adoption has put a question mark on the ability of OpenAI and Oracle's other model-building clients to honour their contractual commitments.

This, in turn, has left bond investors wondering if Oracle can honour its swelling commitments to them. Total debt to operating profit (before depreciation and amortisation) is an edgy 4.2, well above the safe range of zero to three. Throw in data-centre leases and Oracle's total liabilities will nearly treble from just over $100bn in its latest financial year to $300bn three years from now, reckons Morgan Stanley, an investment bank. The yield on its bonds, which moves inversely to their price, has spiked in the past two months even as it has declined for the hyperscalers. It costs three times as much to insure against the risk of Oracle defaulting as it did in July, and three times more than for Microsoft.

Things could get dicier. In July Moody's and Standard & Poor's, two credit-rating agencies, put Oracle's debt, which is currently two notches above junk status, on watch for a possible downgrade. Morgan Stanley recommends dumping Oracle's bonds. Short-sellers are circling its stock. Mr Ellison's son, David, may discover daddy's ability to bankroll a $108bn hostile bid for Warner Bros Discovery to be somewhat diminished now that his pocketbook has thinned from a peak of nearly $400bn to $280bn.

Oracle's predicament is more acute than the hyperscalers'. Its business is smaller, its pockets shallower and its lot hitched more tightly to the fate of a single customer, OpenAI, which accounts for over half its $500bn in pledged revenue. Its larger rivals look nothing like a utility.

But the hyperscalers' bosses, starting with Meta's newly debt-curious Mark Zuckerberg, ignore the lessons of Oracle's transformation at their peril. Mr Ellison deserves a big "thank you" for giving them a complimentary crash course on what to do when you find yourself in charge of a capital-intensive, debt-hungry business—and what not to. ■

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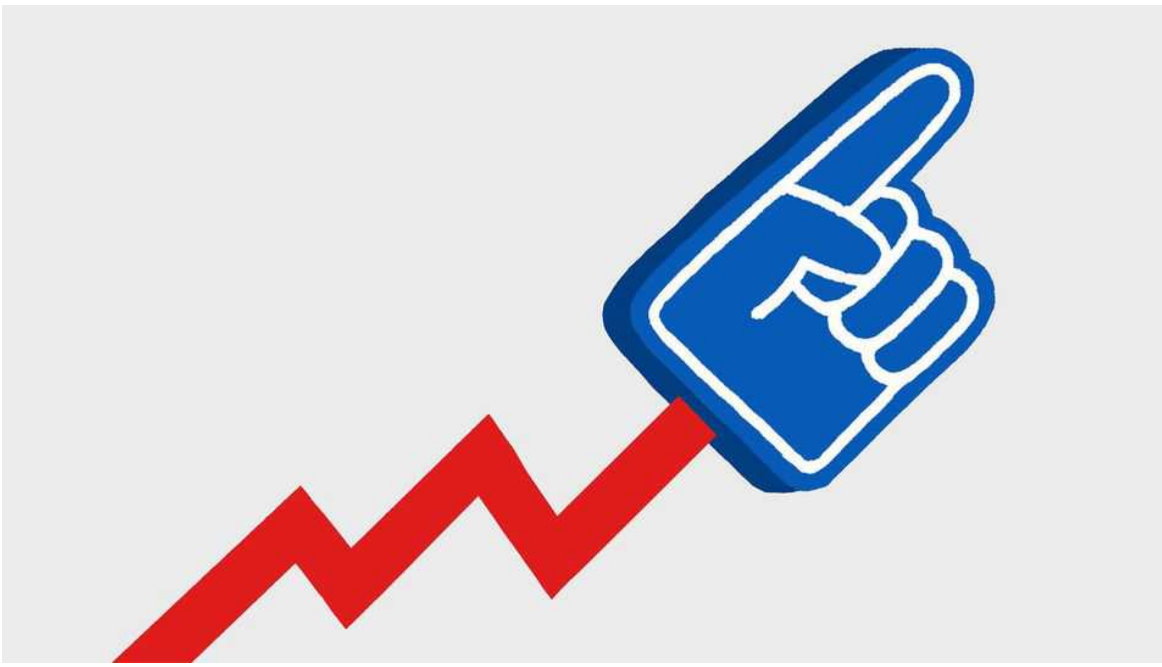
Finance & economics

Finance & economics | Muito bom

Which economy did best in 2025?

Our annual ranking returns

December 11th 2025



It could have been a lot worse. In April, as President Donald Trump started his trade war, investors and many economists braced for a steep global recession. In the end, global gdp will probably grow by around 3% this year, the same as last. Unemployment remains low almost everywhere. Stockmarkets have logged another year of respectable gains. Only inflation is really a worry. Across the oecd it remains above central banks' 2% targets.

This aggregate performance conceals wide variation. So for the fifth year in a row, we have searched for the "economy of the year". We have compiled data on five indicators—inflation, "inflation breadth", gdp, jobs and stockmarket performance—for 36 mostly rich countries. We have ranked them according to how well they have done on each measure, creating an overall score of economic success in 2025. The table below shows our rankings.

It is yet more good news for southern Europe. After Spain's victory last year, Portugal is our best-performing economy this time round. In 2025 it has combined strong gdp growth, low inflation and a buoyant stockmarket. Other members of the euro area that struggled in the 2010s, including Greece (our winner in 2022 and 2023) and Spain, are also near the top. Elsewhere, Israel has continued its strong recovery from the chaos of 2023, and Ireland only just misses out on top spot. Colombia has enjoyed both strong economic growth and a flourishing stockmarket.

The laggards, meanwhile, are mainly northern European. Estonia, Finland and Slovakia jostle at the bottom. Germany does a bit better than in previous years, but still not well, dragged down by a weak job market. Britain has had a similarly "meh" year. (France, despite political chaos, scores pretty well.) Across the Atlantic, America ranks only in the middle—and does worse than Italy. Its job market is strong but not spectacular. Relatively high inflation drags down its overall score.

Indeed, our first measure is core inflation, which strips out food and energy prices owing to their volatility. A country does better on our ranking the closer its annual rate is to 2%, the typical target for central bankers. Turkey's inflation is miles above rates found anywhere else because of the crazy economic policies of Recep Tayyip Erdogan, its president. Estonia is second worst, with core inflation of nearly 7% in the third quarter of 2025, as it continues to recover from the energy shock of 2022. Plenty of other countries have struggles of their own. Britain's core inflation rate is lower than it was this time last year. But at 4% it is still well above where the Bank of England would like it to be.

In some countries core inflation is too low. This includes Sweden, where it is almost non-existent. To many consumers, fed up after four years of sharply rising prices, that might sound wonderful. Yet in such a scenario economists worry about deflation, which discourages spending and raises real debt burdens. Having a little bit of inflation is better than having none at all. A cluster of other countries, including Finland and Switzerland, have similarly anaemic readings. Although Japan has higher inflation than in the 2010s, it is nothing like the overheating elsewhere.

"Inflation breadth" tells a similar story. The measure tracks the share of items in the consumer basket where prices are rising by more than 2% a year. In some countries it has jumped, including America, perhaps as a result of gung-ho fiscal policy. Even today, the prices of more than 85% of the items in Australians' consumer baskets are rising by more than 2% annually.

What about growth and jobs—the other economic indicators that voters care deeply about? Here, Portugal stands out. Tourism has boomed, while plenty of rich foreigners are moving to the country to take advantage of its low tax rates. gdp growth is comfortably above the European average. The Czech Republic posts decent increases in both output and employment, pushing it into the top third of our ranking. By contrast, South Korea has shed jobs. Norway, heavily exposed to commodities and shipping, has struggled with a slowdown in global trade.

In the third quarter of this year Ireland registered economic growth of more than 12% year on year, which is spectacular—and also misleading. The many large multinational firms that book profits in the country distort its national accounts. Irish economists therefore prefer to use "modified total domestic demand", a similar measure produced by the national statistics office, which removes many of these distortions. We have followed suit.

Equity markets round out our assessment. You might expect America's stocks to be runaway winners. Uncle Sam's share-price gains are merely respectable, however. The country's elevated markets mostly reflect success in previous years. France has also seen so-so performance, with the shares of its most valuable company, lvmh, treading water. On this measure, nowhere has done worse than Denmark. In the past year the share price of Novo Nordisk, maker of Ozempic, has fallen by 60%, as the company has lost its lead in the market for weight-loss drugs.

For sizzling stockmarket profits, investors should look elsewhere. Although Czech and South Korean firms have done well this year, nowhere has done better (in local-currency terms) than Israel. In the past year the share price of the country's most valuable listed company, Bank Leumi, has risen by around 70%. Portuguese investors have done well, too, with the country's stockmarket rising by more than 20% in 2025. And there could be more to come. According to our calculations, the stockmarket of the country we nominate as "economy of the year" increases by on average 20% in the following year. We don't give investment advice, but… ■

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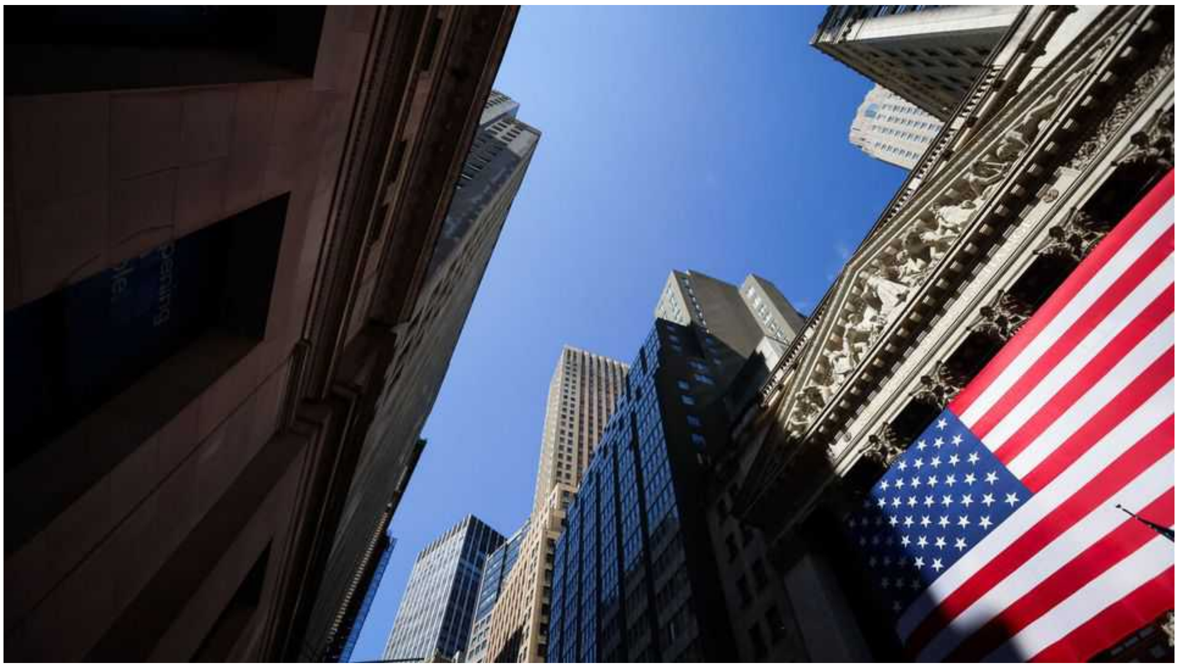
Finance & economics | Deal season

Wall Street is drooling over bank mergers

The world's most fragmented financial industry faces dramatic change

December 11th 2025



FOR MOST of the past two decades, bankers have been waiting for a merger-and-acquisition recovery in their own industry. Their hopes have been dashed by, among other things, regulation, interest rates and economic shocks. Now, however, they may be about to get their wish.

America has around 3,800 commercial banks—a figure that has declined steadily from 12,300 in 1990, but remains far higher than in other rich countries. This year pressure to merge and unlock the benefits of scale has grown, while the regulatory and financial hurdles have shrunk. Banking deals worth around $47bn have been announced so far in 2025, more than twice the amount in 2023 and 2024 combined. And the pace is accelerating: October was the strongest month for deals since 2019.

Why the enthusiasm? According to Gartner, a research group, banks and investment firms are expected to raise their spending on technology from $760bn this year to $1.1trn in 2029 as they modernise systems and experiment with artificial intelligence. JPMorgan Chase, America's biggest bank, alone spent around $18bn this year on various forms of tech. "Retail banking is going the way of every commodified product. It's about tech, breadth and brand," says Richard Ramsden of Goldman Sachs, a bank. "Being bigger gives you that competitive advantage."

At the same time, mergers are becoming simpler. A surge in interest rates, starting in 2022, left banks nursing vast paper losses on long-term assets, making such institutions less appetising to prospective buyers. Yet in the past three years, under more favourable conditions, unrealised losses on holdings of securities have fallen by half, to $337bn. In November the Financial Accounting Standards Board made an important tweak to rules that govern the purchase of loans. Banks will no longer have to double-count the risk of credit losses when they buy another lender.

This is just one part of a broader regulatory revolution. Travis Hill, acting head of the Federal Deposit Insurance Corporation, is now close to confirmation as permanent chair. If he makes it over the line, the Trump administration will have appointed a full cast of bank-friendly regulators.

Capital requirements for the largest lenders are already being eased. Analysts at Jefferies, an investment bank, expect looser rules across the board, which they estimate will free up $2.6trn in lending capacity, equivalent to 16% of total American bank assets, and thus enable acquisitions.

A pair of deals in October shows why Wall Street is so excited. Fifth Third Bank and Huntington Bancshares, two Ohio-based lenders, spent $10.9bn and $7.4bn, respectively, on smaller banks. Those are healthy sums, but most interesting was that each deal pushed the institution above $250bn in assets—where regulatory scrutiny becomes more fastidious. In recent years, banks have lingered below the mark, avoiding the hassle even if that meant avoiding scale, too. Now they are increasingly confident that they will not be dragged over the coals by regulators.

The speed of deals completions is another reason for excitement. Nicholas Holowko, a banking analyst at UBS, points to a $9bn merger announced in July between Pinnacle Financial Partners and Synovus, two banks in the South, which was signed off by regulators in less than five and a half months—the fastest approval of its size since the global financial crisis of 2007-09. According to Mike Mayo, a bank analyst at Wells Fargo, such a pace is fairly typical for the recent burst of deals.

Bank executives are focused on the gains to be had from scale, rather than nervous about the potential for problems. Could anything dampen their mood? There have been spells of concern about the health of American corporate lending this year. Perhaps more worrying, however, would be a shift in the political temperature. Midterm elections in November 2026 will not lead to a change of regulators. But they may shift the make-up of legislators scrutinising the industry, including in the House of Representatives' powerful financial-services committee, and indicate tighter regulation is likely in the future.

Chief executives are inevitably coy when asked about potential mergers. Would-be buyers moan about smaller banks being too richly valued, attempting to talk down prices. Would-be sellers are even more reluctant to make themselves known, seeking to avoid the perception that they are in any way distressed. For now, each side is playing its role to perfection. But even if there is a Democratic landslide in 2026, bankers will have a year before new legislators take their seats, and three years until a new president might toughen the industry's scrutiny. The regulatory, financial and technological fates are aligned. Investment bankers would be well advised to catch up on their sleep over the holidays—next year could be busy. ■

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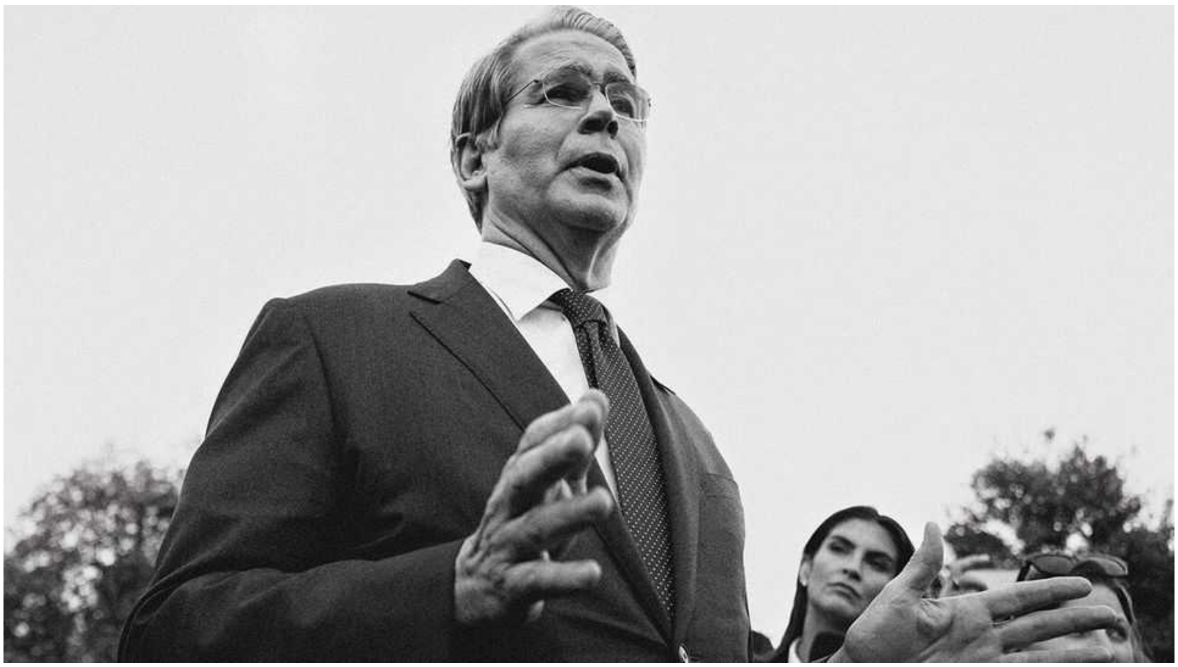
Finance & economics | Interest rates

America’s bond market is quiet—almost too quiet

Scott Bessent has a cunning plan

December 11th 2025



What is happening in the bond market? Not much, it seems. After explosive volatility earlier this year, which peaked around “Liberation Day”, when President Donald Trump announced a slew of tariffs, movements in yields have become remarkably orderly. Indeed, the MOVE index, which aggregates the implied volatility bond investors expect based on trading in derivatives markets, has declined steadily since April, and remains at depths not plumbed since 2021.

Viewed from one angle, such stability makes sense. Volatility tends to be high in times of crisis, when bond yields are spiking and stocks are lurching. Since his trade salvo in April, Mr Trump has calmed down, America’s economy has held up and stockmarkets have risen to all-time highs. All the same, it is odd just how orderly interest rates on long-duration bonds have been.

After all, there is plenty going on. The Federal Reserve is cutting interest rates, and there has been lots of volatility elsewhere in rate markets. In recent months, at the short end, funding markets have been jittery. In October the secured overnight financing rate (SOFR), the interbank-lending benchmark, climbed to its highest over the rate paid by the Fed in six years. Banks have also begun borrowing, on occasion, from the Fed's standing repo facility, which they do only at times of stress.

This has raised suspicions. Mike Howell of CrossBorder Capital, an investment firm, says the term premium—the difference between short-term and long-term rates—is "the little dog that didn't bark". Along with other investors, he points to an unusual explanation for why things have been quite so tranquil: the Treasury has become a big buyer of its own bonds.

America's finance ministry has, of course, always been in the business of selling Treasuries. If the government wants to spend more than it collects in taxes—as it often does—the Treasury must finance that deficit. To do so, it issues bills via auctions. Yet it is much more unusual for it to be a serious purchaser of its own debt.

The change was prompted by a series of market ructions, including a blow-up in the repo market in 2019 and the malfunctioning of bond markets in 2020. Under Janet Yellen, the Treasury began to consider a "buy-back" programme, whereby it would regularly offer to acquire older, illiquid issues of its debt, the kind that can be difficult to offload at reasonable prices in a panic. It would replace these bonds with freshly issued (and therefore much more liquid) debt in its usual auctions.

The Treasury launched such a scheme last year. Scott Bessent, the current treasury secretary, has since drastically expanded it. On his watch the Treasury has bought almost $180bn-worth of bonds so far this year, up from $84bn last year. In general, it has been retiring long-dated debt—20-year or 30-year issuance—and replacing it with shorter-dated bills. Although this move towards shorter maturities will not have a huge impact on the overall maturity of government debt, the Treasury is now one of the largest buyers of long-term government bonds, meaning it has the heft to move markets. Last month Mr Bessent announced plans to make the programme even bigger.

In one way, the scheme has been a tremendous success: its goal was to keep volatility in the bond market in check and the market has indeed been remarkably stable. Yet perhaps things are a little too quiet. The aim, when buying back bonds in order to provide "liquidity support", is to prevent things from malfunctioning by ensuring that prices can clear the market easily, and can do so even in busy times. That is not the same as keeping volatility low in general: sometimes prices need to move a lot in order to clear the market.

Moreover, Mr Bessent, a former hedge-fund manager who calls himself "America's top bond salesman", has another reason to like placidity. He counts low and stable interest rates as a political victory. "We are making substantial progress in keeping rates down following the spending blow-out from the Biden years," he said in November, highlighting the fact that the term premium was either unchanged or had fallen this year, depending on the duration.

The mantra adopted by large swathes of the market after the global financial crisis of 2007-09 was "Don't fight the Fed", as its bond-buying programme tended to drive changes in asset prices. Perhaps they are about to learn a new lesson: “Don’t fight the Treasury, either.” ■

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Finance & economics | Cheap shots

What a stiff drink says about China’s economy

The baijiu business is the latest to be struck by “involution”

December 11th 2025

Baijiu, China’s favourite firewater, is losing its bite. This year retail prices have been hovering around the benchmark of 1,499 yuan ($212) a bottle, as set by Kweichow Moutai, a state-owned giant. Or they were, until rogue vendors recently began to ignore the company’s pricing strategy, selling the booze at a 100-yuan discount in the hope of attracting more customers.

The reduction might seem like an afterthought in a market with over $100bn in annual sales. But for decades Moutai and other Chinese spirit-makers have tightly controlled supply and prices via a complex distribution network. Demand has almost always outstripped supply. Bottles often sold for 3,000 yuan apiece; older vintages have been known to fetch more than 500,000 yuan at auctions. The value does not just come from the spirit itself: bribes are passed in baijiu instead of cash, making the drink a currency for corruption.

Moutai's benchmark-price and distribution system has mainly served as a means of stopping rampant speculation. The firm has ruled over the industry like a quasi-regulator. It conducts spot investigations at vendors to ensure they are complying with price recommendations. To combat hoarding, customers are allowed to buy only one or two bottles a day.

The fact that prices are dropping below the benchmark suggests that supply is now outstripping demand—and that something has gone very wrong in the baijiu market. China binged on the drink during the covid-19 pandemic. Prices surged and Moutai briefly became the country's most valuable listed firm. Since then, however, the hangover has been harsh. Moutai is now worth about half what it was in 2021. An economic slowdown has forced smaller companies to reduce expense budgets and cut back on wining and dining clients. In May a central-government edict banned smoking and boozing at state banquets. Young people have been swapping out baijiu and other strong spirits for lighter, fruitier concoctions, says Rachel Lee of Worldpanel China, a consultancy. The shift in the market has left thousands of distributors across the country with mounting stocks that they are eager to sell.

The troubles of China's economy mean worse may be to come for baijiu. One particularly ugly aspect of the malaise has been gluts in goods leading to vicious price-cutting—a phenomenon that is often referred to as "involution". Many carmakers have been slashing prices even though they are loss-making. In a fight for customers, the country's largest internet platforms have been heavily discounting food deliveries, often at the expense of restaurants. Lower prices might sound like good news for consumers. But across an economy, involution can lead to deflation, which causes people and firms to delay much-needed investment.

Now involution is coming to baijiu. The decision of several vendors on Douyin, a social-media and e-commerce platform, to sell Moutai's flagship bottle at a discount was a shock to the industry. Douyin cracked down on the discounted sales, but similarly priced bottles have appeared on other websites. Pinduoduo, for instance, has started selling bottles at the same discounted price as a way to attract new customers to its e-commerce platform. With distributors sitting on excess stock, it is not difficult to see how baijiu could pour onto the platforms at ever lower prices.

The makers are fighting back. Moutai and Wuliangye, another leading brand, have together launched an "anti-involution campaign". This is mainly a call to fellow producers to avoid excessive competition with each other (and, implicitly, to keep prices high). But involution may force them into more significant changes. The companies have long talked about shrinking their enormous distribution networks, focusing instead on direct sales to customers. In the past few weeks, Moutai has established a sales channel on Douyin, the first of its kind, in an effort to keep some control over prices. Both Communist Party officials and baijiu makers have found common cause in fighting involution. The next step? Perhaps it is time to relax controls on boozing at state banquets. ■

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Finance & economics | Buttonwood

Asia's inexpensive AI stocks should worry American investors

Tech mania looks very different in Japan, South Korea and Taiwan

December 10th 2025

In America, as markets surge despite fears of an artificial-intelligence bubble, one fact looms large: stocks are very expensive. That is true not just for AI darlings such as Nvidia and Microsoft but for the broader market. Consider a popular long-term valuation measure, the cyclically adjusted price-earnings (CAPE) ratio, which benchmarks companies' stock prices against the long-term trend in their profits. On that measure the S&P 500 index of large American firms has only ever been so expensive at the peak of the dotcom mania.

Then, for an illuminating contrast, turn to north-east Asia. The AI frenzy has also taken hold in the stockmarkets of Japan, South Korea and Taiwan. All three have hit record highs this year, with the likes of South Korea's Samsung and Taiwan's TSMC being joined by lesser-known companies. Indeed, one of the fastest-growing firms in Japan's Nikkei 225 is Advantest, a maker of semiconductor-testing equipment, which has seen its share price rise by almost 800% since the release of ChatGPT in late 2022. As in America, AI enthusiasm has been driven in part by improving business fundamentals. Earnings growth over the past 12 months has been stronger in all three Asian countries than it has for the average listed company across the world.

But there is one big difference: north-east Asian stocks remain relatively affordable. When compared on the basis of expected profits over the year ahead, Japanese, South Korean and Taiwanese stocks are less expensive than their peers across the world, and considerably cheaper than those in America. Moreover, looked at through other valuation lenses, such as the ratio of share prices to the book value of companies' assets, these markets appear cheaper still. The average firm in each trades at less than three times its book value, against more than five times in America. For investors who want a cheap way to buy AI firms, north-east Asia is the place to go.

Markets are most enticing in South Korea, where prices suffer from a long-standing "Korea discount", reflecting investors' concerns about poor corporate governance and unwieldy conglomerates. South Korean stocks trade at a pitiful 1.4 times book value. That leads to curious juxtapositions. Shares of SK Hynix, a memory chipmaker, have risen by more than 220% this year amid an AI-fuelled memory shortage, an increase which is in line with that enjoyed by the company's Idaho-based rival, Micron. The American firm, however, is much less profitable. Its multiple, at 13 times expected earnings, is well above SK Hynix's, which is eight times expected earnings. On December 10th SK Hynix announced it was considering listing in America, presumably to take advantage of higher valuations.

Therefore the main risk confronting north-east Asian stockmarkets is not overvaluation but concentration. Blistering performance by a small group of tech stocks, in the context of otherwise so-so conditions, has linked the fate of broader markets to that of a single story. The five biggest stocks in the Nikkei—four of which have some link to AI—now account for 36% of the index's price-weighted total valuation, up from 24% in 2019. In Taiwan's

TAIEX index the five biggest companies account for 53% of total market capitalisation, up from 30% in 2019. As a consequence, Taiwanese and South Korean markets are now more top-heavy than the American stockmarket, which is itself extremely top-heavy by historical standards.

Investors are starting to pay attention, as can be seen by how frequently they are changing their minds about the region. Normally north-east Asian markets swing a touch more than those in America, influenced by movements among heavyweights such as Samsung and SoftBank. This year they have been much more tumultuous. Indeed, average 30-day realised volatility has been 29% higher across Japan, South Korea and Taiwan than in America, compared with a difference of just 6% in 2020-24.

If there is an AI bust, Asian stocks will not avoid the thumping. Yet their relative cheapness might provide some comfort to investors. In the case of a reversion to more normal valuations, Japan, South Korea and Taiwan would have a shorter distance to fall—something that is true of both the region's AI stocks and its markets as a whole.

All the more unsettling, then, that American stocks are so much more expensive. It does not take bubble-level valuations for investors to register their optimism regarding the AI revolution. They can simply look east instead. ■

Finance & economics | Free exchange

Germany has a lawyer problem

Its endless bureaucratic rules trap would-be reformers

December 11th 2025

Most of Germany's famous firms, including AEG, Deutsche Bank and Mercedes-Benz, were established in the late 19th century. The time is known as the Gründerzeit, or founding period, referring not just to the proclamation of the German empire in 1871, but also to the hundreds of companies that set up shop. Less well-known is that in the same era Germany's peculiar—and peculiarly dominant—bureaucracy took shape. It is top-down, formalistic and lawyerly. And it is causing problems.

Germany faces trouble on a number of fronts. Its industrial and export-oriented growth model is struggling because of both fierce competition from China and America's abandonment of global trade rules. The country is ageing quickly at a time when productivity growth has stalled. Indeed, its economy shrank in both 2023 and 2024, and is forecast to have stagnated this year. But inside and outside government, recognition is at last building that Germany's bureaucracy stands in the way of change. On December 4th the government agreed with regional leaders to a major modernisation of how the state works. The question is whether the country's lawyers can be knocked off their perch.

Economists have long appreciated the role played by institutions in nurturing economic growth. By limiting political meddling and efficiently running services, bureaucracies can also raise productivity, as in 19th-century Germany. The problems come when they are entrenched and try to command mature economies. Oliver Falck, Yuchen Mo Guo and Christian Pfaffl, all of the Ifo Institute, a think-tank, looked at 27 big-bang reforms, designed to reduce the bureaucratic burden, introduced globally since 2006. They found that had Germany experienced such reform in 2015, GDP per person would have been 4% higher by 2022.

Germany's bureaucracy has especially deep roots. In contrast to those of America and Britain, it pre-dates democracy. The increasing complexity of industrialising German states in the 19th century, and competition between them, led many to call on experts. This was especially true of Prussia, later to become the dominant power, which modelled its disciplined, hierarchical bureaucracy on its army. In the autocratic, constitutional monarchy that followed, the monarch and the bureaucracy found themselves on one side, with parliament and its liberal reformers on the other, as Max Weber, the godfather of sociology, observed at the time.

The king and his bureaucracy wanted to govern unimpeded by democratic nuisances; parliament wanted a state limited by laws. The result was a compromise in the form of a complex rules-based machine, which only lawyers could navigate, and from which Germany's modern bureaucracy hails. It was swept aside by Adolf Hitler in the 1930s, but returned with a vengeance after the second world war. "The lawyers' monopoly...is based on the idea that, in a state governed by law, administration is above all the application of statutes," wrote Ernst Fraenkel, a legal scholar, in the 1950s.

Such a monopoly is still alive and kicking. According to Victor Lapuente of the University of Gothenburg and co-authors, in 2012-15 just 9% of civil servants had significant experience in the private sector, against 28% in Britain. Sylvia Veit of Helmut Schmidt University and co-authors find that nearly half of leading positions in federal agencies and ministries are today occupied by lawyers. That compares with roughly a quarter in France and less than a sixth in Britain. Those who get ahead have served their time, and made few errors. All of which leads to excessive "fear of criticism from watchdogs or the revocation of decisions by administrative courts", Andreas Vosskuhle, a former president of Germany's constitutional court, has written. A survey by the Institute for Employment Research, an official body, finds that German companies have taken on 325,000 people over the past three years simply to ensure regulations are met, four times as many as were hired overall by IT and engineering firms in the same period.

Cautious, legalistic governance kept things ticking over when Germany's export machine was flourishing. It is less well suited to instability. During the euro crisis of 2012, the finance ministry was led almost entirely by lawyers, who focused on southern Europe's rule-breaking, ignoring potential macroeconomic remedies. Constitutional rules introduced in 2009 kept the German government's own annual structural deficit to 0.35% of GDP. Politicians eventually snapped, creating exemptions first in 2022 and again this year. Other moments of boldness, such as accepting lots of Syrian refugees in 2015-16 and replacing Russian gas in 2022, have also required the circumvention of rules. And it is not just national rules that must be skirted. Each region has its own cautious, legalistic governance, with lawyers closely watching for infringements in areas such as data privacy and planning.

The civil service will not reform itself. Its response to a recent proposal to raise tolerance of errors was, says an insider, that a "German bureaucrat does not make mistakes". What is needed, reckons Christoph Schmidt, formerly head of the government's council of economic experts, is "basically the antithesis of our legally watertight procedures". In July a group of luminaries, including Mr Vosskuhle, published proposals for Friedrich Merz's new government, suggesting that "gold-plating" (ie, adding on to) EU rules should be banned and seeking space for officials to experiment. The modernisation agreed on December 4th incorporates some of their ideas and includes measures such as a tight deadline for planning applications, after which they will automatically pass. Although the agenda will meet its own bureaucratic opposition, the situation is grim enough that change may still be on the way. Weber called politics the "strong, slow boring of hard boards". It is time for Germany to make a start on that work. ■

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Science & technology

Science & technology | Intelligent agents

The next version of the web will be built for machines, not humans

AI will surf, shop and act on your behalf

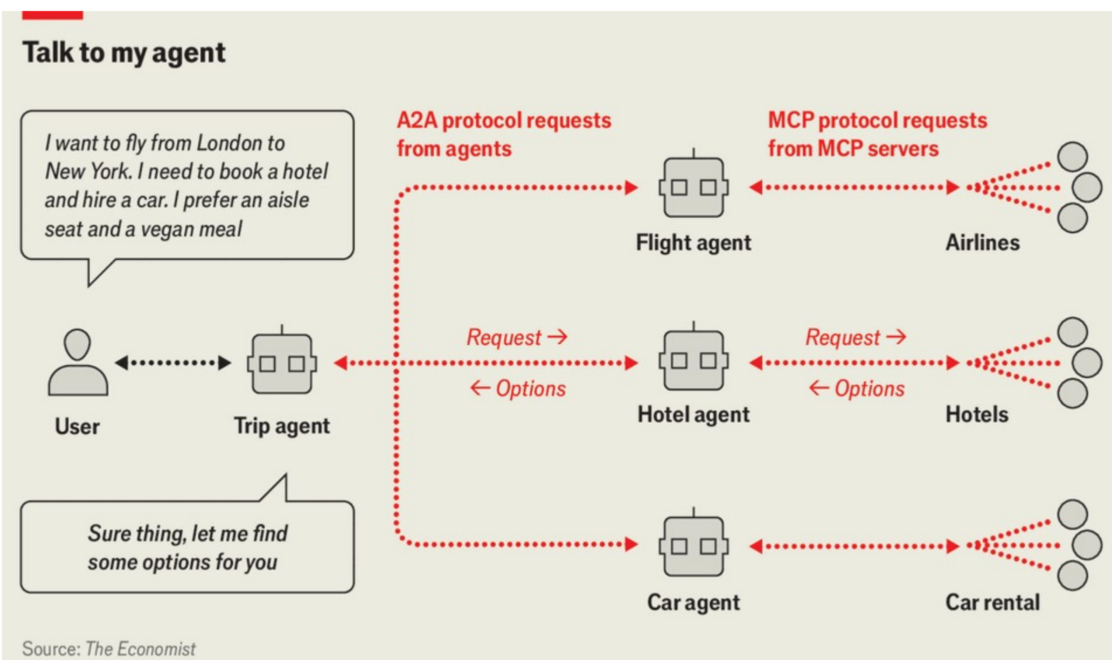
December 11th 2025

In 1999, a decade after inventing the world wide web, Sir Tim Berners-Lee, a British computer scientist, imagined an intelligent version of his creation. In that vision, much of daily life—finding information, making plans, handling mundane tasks—would be done not by people, but by "intelligent agents": machines able to read, interpret and act. The web has evolved dramatically since its invention but the experience has remained manual—users still type, click and browse before they buy, read or watch.

Artificial intelligence (AI) may now bring Sir Tim's dream within reach. Today's large language models (LLMs) can summarise documents, answer questions and reason. What they cannot do for the moment is act. That, however, is changing with “agents”: software that gives LLMs tools which let them perform tasks, not just generate text.

The shift started in 2022 with the launch of ChatGPT. Many users began asking questions of chatbots, rather than putting keywords into search engines, to assimilate information that might be spread around the web. Such “answer engines” barely scratch the surface of the potential, however. Kevin Scott, chief technology officer of Microsoft, a software giant, reckons agents able to handle more complex tasks “are not that far away”. But for them to take over more of the work, the web’s plumbing must change.

A central obstacle is language: giving agents a way to talk to online services and each other. A website or online service normally talks to the outside world through an application programming interface (API), which tells visitors what it can do, such as booking a doctor’s appointment or supplying a map location. APIs, however, are written for humans, and each has its own quirks and documentation. This is a tough environment for AI agents, because they reason in natural language. Dealing with each new API requires learning its dialect. To act independently on the web, therefore, agents will need a standardised way to communicate.



This is the aim of the Model Context Protocol (MCP), developed by Anthropic, an AI lab. Mike Krieger, its chief product officer, says the idea came while linking Claude, its chatbot, to services like Gmail, an email platform, and GitHub, a repository of code. Instead of integrating each application with Claude on a case-by-case basis, the firm wanted a shared set of rules to help agents directly access a user's emails or files. Rather than study technical guides, an agent can ask an MCP server what a system does —book a flight, cancel a subscription, issue a refund and so on—and then take an action on behalf of the user, without bespoke code.

Say you want to book a trip from London to New York. You start by giving your travel plans to a trip agent, which then subdivides the task between specialised agents that can look for flights, hotels and cars (see chart). These agents contact the MCP servers of airlines, hotels and car-hire firms, gather information, compare possibilities and create a list of potential itineraries. Once you pick an option, the trip agent would book the whole lot.

This type of co-ordination requires rules for how individual agents identify, talk to and trust each other. Google's proposed solution is the A2A (agent-to-agent) protocol for this purpose. Agents can advertise their abilities to each other through this and negotiate which agent does what. Laurie Voss of Arize AI, a startup, says companies are in a "landrush" to define the dominant standards for the agentic web. The most widely adopted protocol will let its backers' tools do more, sooner and better. On December 9th Anthropic, OpenAI, Google, Microsoft and others announced the Agentic AI Foundation, which will develop open-source standards for AI agents. Anthropic's MCP will be part of this, signalling its wider adoption as an industry standard for agentic communication.

Still, most of the web that these agents will surf is made for human eyes. Finding a product still means clicking through menus. To let language models access sites more easily, Microsoft has built Natural Language Web (NLWeb), which lets users "chat" to any web page in natural language. Users could ask the NLWeb interface of a travel website, for example, for tips on where to go on holiday with three children; or what the best wine shops are in a particular place. Whereas traditional search might require clicking through filters for location, occasion and cuisine across several menus, NLWeb is able to capture the full intent of a question in a single natural sentence, and respond accordingly. Each NLWeb site can also act as an MCP server, exposing its content to agents. Thus NLWeb bridges the modern visual internet and one that agents can use.

As agents grow more capable, a new platform contest is taking shape, this time over the agents themselves. It echoes the browser wars of the 1990s, when firms fought to control access to the web. Now, browsers are being reimagined with agents at their core. OpenAI and Perplexity, a generative-AI startup, have launched agent-powered browsers that can track flights, fetch documents and manage email. Their ambitions go further. In September OpenAI enabled direct purchases from select websites inside ChatGPT. It has also integrated with services like Spotify and Figma, letting users play music or edit designs without switching apps.

Such moves worry incumbents. In November Amazon, a shopping site, sued Perplexity, alleging the startup was violating its terms of service by failing to disclose that its browser was shopping instead of a real person. Airbnb, a short-term-rentals app, chose not to integrate with ChatGPT, saying the feature was not "quite ready".

Advertising, too, will have to adapt. Today's web runs on monetising human attention, through search ads and social feeds. Alphabet and Meta, among the biggest tech firms, expected to earn nearly half a trillion dollars a year this way, accounting for more than 80% of their revenues. Dawn Song, a computer scientist at the University of California, Berkeley, says marketers may need to pitch not to people, but to "agent attention". Travel sites, for instance, will not persuade the traveller, but their digital proxy. The tactics may stay the same, optimising rankings, targeting preferences, paying for placement, but the audience will be algorithms.

Agent-led browsing could also greatly expand activity online. Parag Agrawal, founder of Parallel Web Systems, an AI startup, notes that the web was built for humans reading at human speed. Agents face no such limits. They can scan thousands of pages in seconds, follow links people overlook and juggle tasks in parallel, much of it never shown on a screen. He predicts agents could use the web "hundreds or thousands" of times more than people do.

Where agents act, they can also err. An AI agent may behave in ways its user does not fully grasp. It can make mistakes, then fabricate explanations. More worrying is outside manipulation. Prompt injection—hiding malicious commands in web pages or files—can trick agents into leaking data, bypassing safety checks or taking unauthorised actions.

Safeguards can reduce the risks. One is to restrict agents to trusted services. Another is to give them narrow powers. Some might be "read-only", allowed to fetch data but not send or change it. Others might act only with human confirmation. For the most sensitive jobs, a person may need to remain in the loop.

Despite the risks, software developers are optimistic. Mr Agrawal imagines a shift from a "pull" internet, where people initiate actions, to a "push" model, where agents act unprompted—setting up meetings, flagging research or handling small tasks. It could be the foundation of a new and very different version of the web. ■

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Science & technology | Head to head

The Chinese rocket industry takes off

A reusable booster failed last week, but showed the Americans they may soon have competition

December 11th 2025

ZHANG CHANGWU and Kang Yonglai are names less familiar in the West than Elon Musk and Jeff Bezos. But that may soon change. They are the bosses, respectively, of LandSpace and Space Pioneer, two of China's leading private space-launch companies. These firms are still a long way behind Mr Musk's SpaceX and Mr Bezos's Blue Origin. But when it comes to technological developments in a wide variety of fields, China's recent history has often felt, to paraphrase Lenin, like one of decades when nothing happens followed by weeks when decades happen.

December 2025 may go down as the start of one of those calendar-compressing times, for it was when LandSpace became the first non-

American firm to attempt to return a rocket stage to Earth for reuse, and thereby break America's grip on the market for cheap satellite launches. Space Pioneer is also preparing such a launch.

The test firing of LandSpace's vehicle, Zhuque-3 (ZQ-3), from the Jiuquan Satellite Launch Centre on the border between Inner Mongolia and Gansu (pictured), ended with the returning first stage, which was supposed to touch down 390km from the launch site, undergoing what Mr Musk refers to jokingly as a rapid, unscheduled disassembly—a spectacular explosion. That might sound like a failure, even though the non-reusable second stage reached orbit. But Mr Musk would certainly have proclaimed a similar result for SpaceX as a success. LandSpace seems to agree, saying it had acquired "critical engineering data under the rocket's real flight conditions".

It is only 11 years since would-be Chinese rocket entrepreneurs were let off the leash, after China's State Council admitted private enterprise to the rocket and satellite industries hitherto reserved to the government. The result has been a period of creative destruction in which new firms, frequently led by ambitious middle-rankers from the state-controlled sector, have tinkered with various ideas, gone up various blind alleys and struggled to steal a march, as it were, on the "Long March" launchers produced by the state-owned China Aerospace Science and Technology Corporation (CASC). These have hitherto been the workhorses of Chinese rocketry.

At the moment, they still are. In 2024, 49 Long March rockets were launched—the biggest capable of carrying 25 tonnes of payload to low-Earth orbit (LEO). And a Long March with a reusable booster is poised to take off from Jiuquan, too. But the ZQ-3 and Space Pioneer's Tianlong-3 (TL-3) are hoping to join them. According to LandSpace, ZQ-3 is capable of lifting up to 21 tonnes to LEO (though less if the first stage is to be re-used). TL-3's capacity is similar. Falcon 9, the reusable foundation of SpaceX's fortunes, has a maximum LEO capacity of 22.8 tonnes.

LandSpace was founded in 2015. Mr Zhang's background is in finance (he took an MBA at Tsinghua University). Among his recruits when he moved into rocketry was Mr Kang, who was the firm's chief technology officer before leaving in 2019 to launch Space Pioneer. Mr Kang, by contrast, is an engineer. He worked previously at the China Academy of Launch Vehicle Technology, the part of CASC which manufactures the Long March rockets.

Both firms already have notable feathers in their caps. LandSpace's was the launch, in 2023, of ZQ-2, the first rocket to reach orbit powered by methane and liquid oxygen (LOX). The standard mixture for rockets of this size is kerosene and LOX, but methane and LOX burns cleaner, which is useful if stages recovered for reuse are to be spruced up and turned round quickly. Both Blue Origin and SpaceX use methane and LOX for their latest projects —New Glenn (45 tonnes to LEO) and Starship (100 tonnes) respectively.

Pioneer's cap-feather was operational rather than technological: it got into orbit with its maiden launch, also in 2023. That was the first time a private firm had achieved immediate success with a liquid-fuelled rocket (though Tianlong uses kerosene, not methane). SpaceX, for contrast, took four attempts to get its first squib, Falcon 1, to circle Earth. Space Pioneer did, however, blot its copybook in 2024, when a TL-3 first stage broke free of its moorings during what was meant to be a ground test and flew hundreds of metres into the air before crashing in a nearby forest.

SpaceX's fortune derives principally from launching the numerous satellites making up the constellations that act as relays for broadband telecommunications, not least the firm's own Starlink service. If LandSpace's and Space Pioneer's launchers prove themselves, both firms will be well placed to do likewise, for two Starlink-like Chinese constellations are now beginning to take shape.

One, Guowang, is run by China's government. The other, Qianfan, is sponsored by the government of Shanghai. Together, these systems will require the launching of more than 28,000 satellites, an improbable proposition without the employment of reusable rockets—an employment most unlikely to involve any foreigners.

Success here would then give both firms the money and confidence to proceed to the next stage: launchers that could rival New Glenn or even Starship. At the moment, only CASC has announced plans for such a behemoth, which it dubs Long March 9. Expect, therefore, to hear more from Mr Zhang and Mr Kang. The final frontier, it seems, has some new settlers sniffing around. ■

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Science & technology | Sparks will fly

Humans were lighting fires from scratch a lot earlier than previously thought

A 400,000-year-old tinderbox is found in eastern England

December 11th 2025

The invention of the wheel aside, the lighting of the first fire is probably the best-known cartoonists' trope about early humans. With good reason. Controlling fire is one of humanity's most important technologies. Some, indeed, think that it was fire—or, rather, the subsidiary technology of cooking—which permitted the evolution of big-brained hominids. The extra nutrients thus liberated, along with the smaller gut required to digest cooked food would, the argument goes, have allowed more resources to be used to enlarge the central nervous system.

Understanding how fire was brought under control is thus of great interest to palaeoanthropologists. And a new piece of the jigsaw has been unearthed from an old clay pit at East Farm, Barnham, in eastern England. It is the oldest evidence to date of the creation artificially of new fires, rather than the careful nurturing of existing ones derived from natural causes, such as lightning strikes. As they write in Nature, Nick Ashton of the British Museum and his colleagues have found evidence of what are, in effect, Palaeolithic tinderboxes.

The strata these tools come from are 400,000 years old, a time (though no actual fossil remains have been found there) when the resident hominids were Neanderthals rather than modern Homo sapiens. The site seems, from the flint tools discovered, to have been occupied on two separate occasions. It is from the second occupation that the signs of fire-setting come.

That fires burned here in the Palaeolithic is not in doubt. Part of the clay at what would then have been ground level is baked in a way that shows it had been subjected to intense heat, and many of the flint tools found nearby also exhibit signs of being heated. Dr Ashton and his colleagues have shown that this heating was not a consequence of a passing wildfire, but rather the result of human action, using a series of tests that compared the magnetic and chemical properties of the heated clay with those of neighbouring, unheated samples.

To achieve a magnetic profile similar to that of the heated clay's, the unheated clay was exposed, in experiments by Dr Ashton's team, for four hours on 12 separate occasions, to temperatures between 400°C and 600°C. The abundance of certain hydrocarbons within it is also characteristic of clay heated by human fires rather than natural wildfires.

The most intriguing finds of all, though, are two pieces of pyrite, an iron-sulphide mineral that, if struck with a flint, produces sparks (and, indeed, is so-called because of this property, the Greek for "fire" being "pyr"). Given the absence of natural pyrite in the area's rocks, Dr Ashton and his colleagues feel confident that the two samples they discovered were imported deliberately, presumably for the purpose of lighting fires.

The human use of fire, attested by evidence from Africa, goes back around 1.6m years. But, hitherto, the oldest signs of deliberate fire-setting by striking pyrite with flints, unearthed in France, are from 50,000 years ago.

The East Farm pyrite does thus seem the oldest evidence to date of the creation of fire from scratch. ■

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Science & technology | Well informed

Why hangovers get worse as you get older

But there are things you can do to help

December 11th 2025

Readers of a certain age may have begun to suspect that downing a few drinks for Christmas cheer no longer gives the same experience it once did. The studies show your feelings are right: those glasses of wine do seem to leave their mark for longer (and a bit more heavily) as you age.

Ageing bodies tend to gain fat at the expense of muscle mass, for a start. Lean muscles hold lots of water, and alcohol is water soluble. As a result, the less muscle a body has, the fewer drinks it can agreeably absorb. Uncomfortably quick jumps in levels of blood alcohol are one result. Harsher after-effects are another.

In a study of 48 social drinkers published in Alcohol in 2022, participants spent nearly three hours on an alcohol drip that maintained a blood level of 0.05%. Using body scans, the researchers had previously measured the lean body mass of each participant. The older participants (aged 55 to 65) had less muscle, and therefore body water, than the younger ones (aged 21 to 25), and that mattered. Though the older group felt just as intoxicated, it also reported, crucially, feeling less pleasure.

Getting older also tends to reduce the size of the liver and its ability to process alcohol, for example by slowing the transit of blood. That increases the body's exposure to toxic metabolites as alcohol is broken down. One nasty by-product is acetaldehyde. A carcinogenic compound, it can cause pounding headaches, terrible nausea and heart palpitations, as well as the hallmark of a truly miserable hangover—the sensation of having been poisoned.

It doesn't help that ageing already tends to erode sleep quality. Reasons include a weakening of the brain's circadian clock, chronic pain and, for men, night-time urination triggered by prostate enlargement. The loss of muscle tone plays a role here, too. Flabbiness in the throat worsens snoring, further degrading sleep by reducing oxygen intake and increasing night awakenings. Alcohol exacerbates snoring by relaxing throat muscles, leading the airway to partially close during sleep. And poor sleep compounds a hangover.

Regular drinking even impairs sleep on dry days. Sleep is regulated by signalling molecules in the brain, such as GABA and melatonin, that alcohol, over time, disrupts. This makes chronic insomnia more likely to eventually emerge, according to a long-term study of 13,851 older Finnish twins published in SLEEP Advances in 2022. After controlling for potential explanations such as genetics and levels of "life satisfaction", the researchers concluded that even moderate habitual drinking "predicts poor sleep quality later in life".

The list goes on. Drinking can aggravate other tolls of ageing such as inflammation, reduced dexterity and memory loss. Alcohol also interacts adversely with many medications, reducing efficacy or worsening side-effects.

Grim as all this may sound, alcohol's unpleasant effects can be tempered. Sipped drinks are more easily absorbed, so don't gulp. Hydrate by alternating booze with water or, even better, a sports drink or coconut water. The latter are packed with electrolytes, electrically charged minerals that improve nerve signalling and the body's fluid and pH balances. Snack throughout the evening. And, to sleep better, don't delay your nightcap until bedtime. ■

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Culture

Culture | Make America Bake Again

The apple-pie-scented world of conservative women's media

Put on your milkmaid dress: it is time to enter the womanosphere

December 11th 2025

Feminism has always raised difficult questions, such as: Can you solve the gender pay gap? How can women combine motherhood and work? What might prevent sexual violence? Now Evie, an American magazine, has raised another thorny issue: "Do You Smell Like A Feminist?"

Evie tackles other issues, too, from socialising ("How To Elevate Your Conversation Skills So Everyone Will Love Talking To You") to love ("Dating Is A Disaster, But Are Men Really To Blame?") and wellbeing ("Why Wearing Dresses Might Actually Be Better For Your Health"). This has led to fears that reading Evie Might Actually Not Be Better For Young Women's Feminism.

Welcome to the womanosphere, the world of conservative women's media. It is a category that might, to many, feel unnecessary: conservative women have always taken part in the media. Emmeline Pankhurst wrote dense articles on women's suffrage with titles like "What Women Demand". Margaret Thatcher wrote denser ones on free enterprise with titles like "Consensus—or Choice".

This is different. Conservative women are a political force: Donald Trump won a majority of white female voters in 2016, 2020 and 2024. Yet these new conservative media—which range from magazines like Evie (whose main audience is women aged 25-34), to podcasters such as Erika Kirk and commentators including Candace Owens—have very little to say about how to achieve constitutional change or a low-tax economy. They have rather more to say about things like the benefits of prayer, the evils of birth control and the "45 Milkmaid Dresses That Will Make Any Man Weak In The Knees". The milkmaid magazines are also accused of myriad other weaknesses: the genre has been called "sinister" and "pernicious" by progressive folk.

The fury can seem odd, as the genre is, at first sight, almost industrially anodyne. Its apotheosis is Hannah Neeleman, a former ballerina-cum-beauty-queen who married the son of a multi-millionaire entrepreneur. Ms Neeleman now lives on a farm in Utah where she farms dairy cows (of which she has about 120), produces children (she has eight) and breeds Instagram followers (10m). As a recent interview in Evie put it, Ms Neeleman "reminds us of the joy and fulfilment" that comes from "embracing your unique calling"—like marrying a multi-millionaire.

Read on through the genre, though, and the cause of the unease becomes clearer. The womanosphere may champion motherhood and desserts, but each slice comes with a slightly bitter aftertaste. A recipe which claims to help every reader achieve "star apple-pie-baker" status appears under the headline "11 Recipes Every Wife Should Know How To Make" if she is "to please any husband".

Whereas the conservatism of Pankhurst and Thatcher was inherently feminist, much of the womanosphere is explicitly not. Brittany Martinez, who co-founded Evie with her husband and is its editor, says that she would not call herself a feminist: the label is “kind of cringe”. Ms Owens calls feminism a “failed revolution against biology”. Ms Kirk has called for a revival of “biblical womanhood” (although presumably not Jezebel).

The womanosphere’s charge-sheet against feminism is lengthy: it has led to rising teen pregnancies (through failed sex-ed); rising abortion (through evidently more successful sex-ed); to the pill; to miserable, sappy men; and miserable, manly women. Feminism, Ms Martinez adds, is a form of “self-hatred” that “seeks to turn first-rate women into second-rate men”.

This is ironic, as the womanosphere evolved to emulate the manosphere. (Podcasts are a big deal in both.) Just as the manosphere gave men muscle-building garnished with MAGA, so the womanosphere offers sourdough seasoned with anti-abortion rhetoric. Sometimes it is overpowering: Ms Owens has called abortion “child sacrifice” performed as part of a “satanic system”. That Is Not The Sort of Topic To Elevate Your Conversation Skills So Everyone Will Love Talking To You.

The womanosphere is accused of peddling a “1950s housewife life”—sometimes referred to online as “tradwife” content. Ms Martinez demurs: she is not sure why journalists are “obsessed” with “one decade that I even didn’t live through”. It is a fair point. Journalists are forever banging on about decades such as the 1920s (in which American women got the right to vote); the 1930s (birth control) and the 1960s (equal pay); yet Ms Martinez was not around for any of it.

She prefers to concentrate on modern women who, she thinks, want “romance, love, beauty, families, faith”, and so with articles like “I’m a Hot Mom, And I’m Tired of Being Mom-Shamed About It”, she offers them this. She does not offer them many quotes from Mary Wollstonecraft, the pioneering feminist who argued that beauty was not women’s power but their “gilt cage”—and that women who focused on looks thus wasted their lives seeking “to adorn [their] prison”. But then Wollstonecraft died 200 years before Ms Martinez was born, so who cares about her?

Others have wider interests. Ms Owens’s previous book, about racial politics in America, was a New York Times bestseller. The subject of her latest, “Make Him A Sandwich: Why Real Women Don’t Need Fake Feminism”, is self-evident. She says she is searching for the “truth”, which she feels the mainstream media ignore. She does celebrate female beauty, but has also found time to attack vaccines (“poison”) and Brigitte Macron (“in fact a man”). One of the mainstream media publications she shuns is the dictionary, for she regularly misuses simple English words like “magnanimous” (which she seems to think means “big”) and “promiscuous” (which she uses as a synonym for “sexy”).

It is easy to smirk at the womanosphere. But it is worse than comedy: it is a tragedy. For, like the manosphere, it touches on many genuine problems. Feminism has rested on some convenient white lies. Working motherhood is hard: women brought up believing that they could “have it all” often feel that they are just failing at it all. There are discussions that can, and should, be had by young women. Then again, those discussions are tricky and might involve quoting cringe feminists who died ages ago. So let’s not bother with that: let’s open up Evie instead and think of “15 Ways To Make Your Christmas Outfits More Feminine”. ■

Culture | Climbing the Tower of Babel

The race to translate the Bible into every language by 2033

Large language models are being brought to bear on the word of God

December 11th 2025

AT THIS TIME of year, scores of millions of people go to church. Even sheep who have strayed from the Lord's flock often find their way back at Christmas. They come to hear the story of Mary, Joseph and the baby Jesus, lying in a manger, because there was no room for them at the inn.

Christian missionaries believe more souls could be saved by the story of Christ. The Bible is already the most translated book ever—it is available in full in more than 750 languages—but they would like to see it in each of the world's roughly 7,000 living tongues. To achieve this, believers are enlisting a new tool for their spiritual quest: artificial intelligence (AI).

Translation is an arduous task. The Old Testament runs to roughly 600,000 words: 70 scholars were supposedly needed to translate them all in the third century BC. The New Testament is written in dodgy Greek, which does not help. Much of it is ambiguous: no one knows what epiousion means in "give us this day our epiousion bread", but translators opted for "daily". Word choices have had theological implications. One translation of the Bible describes Mary as a young woman; another as a virgin. The two are not the same thing.

Translation is also risky. Scholars in the Middle Ages who translated the Bible into English were considered heretics and burned at the stake for their trouble. Thanks to the Reformation, the task is now rather less dangerous, but it remains painstaking. In 1999 Wycliffe, a missions organisation, estimated it would take 150 years to start a translation project in every remaining language. Their model required missionaries to move overseas, learn a language and translate the Bible into it—a process that took decades. Christian groups then started employing local linguists to do the work, but translating the whole Bible still took around 15 years.

AI can speed things up significantly. According to some estimates, it would take two years to produce a polished translation of the New Testament with the help of a large language model (LLM), and six years to do the same with the Old Testament. Missions organisations now aim to have at least a portion of the Bible translated into every language by 2033. IllumiNations, a coalition of Bible-translation agencies, estimates they are already over halfway towards that goal. (The organisation has raised nearly $500m in the past decade to fund its efforts.)

The miraculous turn has an earthly explanation. In 2022 Meta, the parent company of Facebook and Instagram, released an open licence for an AI model for translation. Meta's aim was to enhance web services for 200 languages, with a focus on those in Africa and Asia. But for missions organisations it was providential: Meta's AI model could be adapted for Bible translation, putting a secular tool to sacred work.

A minority language can be tricky. You "can't just stick it in ChatGPT and hope to get out something useful, because ChatGPT has never seen anything from that language," says Daniel Whitenack, a data scientist. An LLM is only as good as the material it is trained on, but what if the material is non-existent? (The industry refers to such languages as “low-resource”.) Sometimes translators must supply it themselves, for instance by translating parts of the Bible by hand. “We are kind of looking for that holy grail of what is the minimum amount of parallel texts that we can feed into the model to fine-tune it to get a good output,” says Jeff Webster, a translation consultant.

Some Christians have doubts about using AI: they worry that it could replace the Holy Spirit’s role in what should be a hallowed task. But tech evangelists argue that the process still requires drafting, multiple grammatical, syntactical and spelling checks and reviews for theological congruence: tasks all led by people.

Creative freedoms must be taken. AI struggles with names, abstract concepts and metaphors. A word such as battering-ram may have no equivalent in a language. Translators have resorted to rendering battering-ram as “machine of war” or “long wooden pole used to ram in city gates”.

AI also has no concept of cultural differences. The Wycliffe website observes that the phrase “accept Jesus into your heart” makes sense if you imagine the heart as a source of feeling. “But did you know that the Awa people of Papua New Guinea think of the liver as their centre? Or that the Rawa people, also from Papua New Guinea, think of the stomach as their centre?” The use of “locally understood analogies to convey the same truths” is required.

Part of the urgency of this initiative is eschatological: some Christians believe Christ will return once the Bible is available in every language. Others, zealous about proselytising, view it as their Christian duty. Missionaries are not only bringing the Bible to new places, but new LLMs in its wake. The effort may bring rewards in this life as well as the next. ■

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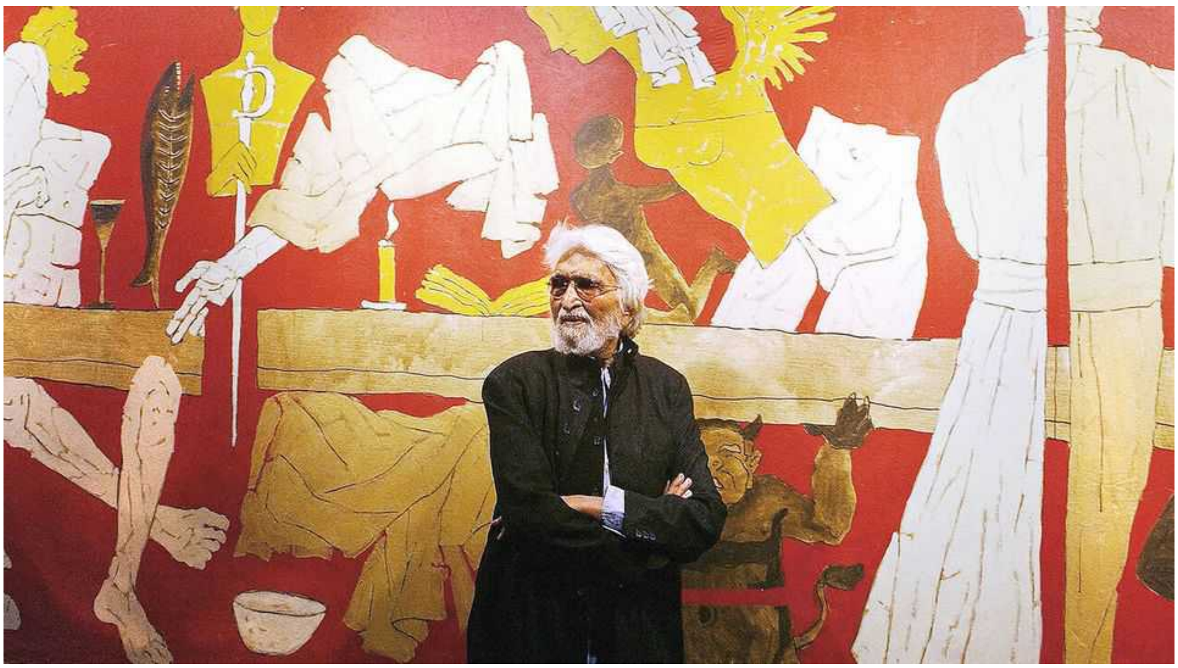
Culture | Art and exile

India’s best-known artist gets his own museum—in Qatar

M.F. Husain was driven out of his home country by Hindu nationalists

December 11th 2025



Although he died 14 years ago, aged 95, M.F. Husain is India’s best-known modern artist. He recently became its most expensive, too: earlier this year one of his works sold at auction for $13.8m, a new record for an Indian painter. The opening of Lawh wa Qalam (The Canvas and the Pen) in Qatar adds one more item to Husain’s list of achievements, for it is the first museum outside India dedicated to a single Indian artist.

Why is the museum in Doha and not, say, Pandharpur, the town of Husain’s birth? The artist, who was Muslim, fell foul of Hindu nationalists, who claimed to be offended by his frequent depiction of Hindu goddesses in the nude. By the mid-2000s the harassment had become intolerable: death threats, vandalism of his artwork, an attack on his home by Hindu militants and an estimated 900 legal cases registered against him. He left India in 2006 and never returned, living between Dubai, Doha and London. "It is a sad day for India," the editor of the Hindu, a newspaper, wrote at the time.

In 2010 Husain was offered Qatari citizenship, which he accepted. Because India does not allow dual citizenship, he renounced the nationality of his birth with "deep pain". He is sometimes described as "an Indian-origin Qatari painter".

Husain was one of India's first "celebrity artists", says Sonal Singh of Christie's, an auction house. He developed an outsize persona, with a rags-to-riches story that involved sleeping on Mumbai's pavements and painting movie posters. "He made that effort to make himself visible while most other artists waited for someone else to take the initiative," says Dadiba Pundole, his gallerist; that helped make him the "brand ambassador for Indian art".

His output was prodigious. Husain produced some 40,000 works over the course of his life, from quick, small sketches to enormous, multi-panel works such as the one auctioned earlier this year. In the popular Indian imagination, he is associated with depictions of horses, daily life and those Hindu goddesses.

His range was far greater, however. Lawh wa Qalam contains just 140-odd paintings, but even with its small sample, the breadth of his oeuvre is on display. Beyond the obligatory horses, it includes abstracts, portraits of Indian luminaries and panels from a 100-foot painting celebrating India's struggle against British rule. Though chiefly a painter, he also made sculptures and films, including a short that won the top prize at Berlin Film Festival. These, too, find space at the museum.

So do works painted in Qatar, where he traded horses for camels. On display are the products of his last commission, 99 paintings on the theme of Arab civilisation. These were sponsored by his patron, Sheikha Moza bint Nasser, the mother of the reigning emir. He completed around 35 before he died. It is Sheikha Moza, in her role as chair of the Qatar Foundation, who commissioned Lawh wa Qalam. At a function on November 27th to mark the opening of the museum, she characterised Husain as both Indian and Arab: "two identities that enriched his understanding of the human condition". Not only did he become a Qatari citizen, she pointed out, but he also had Yemeni ancestry.

Conspicuous by their absence are the paintings that upset Husain's persecutors, whose Hindu-nationalist movement is now the most powerful force in Indian politics. This is a shame. Husain is not merely a victim of the Hindutva brigade, yet what drove him out of India is also what cemented his place in history. Lawh wa Qalam would not exist had he stayed.

Perhaps it is fitting that Husain's museum is in the Gulf, and not just because of his ties to Yemen. South and west Asia share centuries of connections through trade, migration and empire. Language, food and art have all flowed back and forth across the Arabian Sea. The Husain museum, says Noof Mohammed, its curator, can serve as a "bridge between Qataris or Qatar and South Asians". Husain once said that he "never really belonged anywhere or to anyone". The opposite is also true: he belongs to everyone. ■

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Culture | Strike a chord

The best albums of 2025

Emerging stars and established acts alike released remarkable records this year

December 11th 2025

“Addison”. By Addison RaeThe breakout pop album of 2025. Addison Rae, a former TikTok star, pays tribute to musical forebears including Britney Spears and Lana Del Rey, but has a dreamy style all her own.

“Always Been”. By Craig FinnThis record, by the frontman of The Hold Steady, tells a series of interlocking tales about failure. It is an overlooked gem of sophisticated songwriting.

“black British music”. By Jim LegxacyThe most intriguing British hip-hop release of the year. It comes from an artist uninterested in rehashing rap clichés: James Olaloye takes alt-rock instrumentation and acoustic ballads and works them into his sound.

“Blizzard”. By Dove EllisThis Irish singer-songwriter provoked a bidding war between record labels this year and his debut album is a fabulous summation of his promise. His soaring voice will probably be filling very big venues very soon.

“Can’t Lose My (Soul)”. By Annie and the CaldwellsThis American gospel group released their debut album after 40 years. The Lord’s message is carried on sinuous blues and hard funk, as well as in the sublime voices of Ms Caldwell and her daughters.

“A Complicated Woman”. By Self EsteemOn her follow-up to “Prioritise Pleasure”, Rebecca Taylor produces thrilling, propulsive dance-pop. “If I’m so empowered,” she wonders, “why am I such a coward?”

“Double Infinity”. By Big ThiefBig Thief are one of the best indie groups of the age. This record, their sixth, has great spikiness and variety, thanks to Adrianne Lenker’s songwriting.

“EURO-COUNTRY”. By cmatAn Irish singer with a superb voice toys with the conventions of country music for a modern world. There is much to love here—a particular highlight is a song in which she goes into a reverie while browsing deli goods at a petrol station.

“New Threats From the Soul”. By Ryan Davis & the Roadhouse BandThis album travels the highways and byways of American music to tell picaresque stories about lives drifting out of focus. The lyrics are extraordinary.

“West End Girl”. By Lily AllenA divorce album that does not hide behind metaphor or euphemism. Instead, Lily Allen outlines various betrayals and deceptions in detail (inspired by her ex-husband, David Harbour). This is the rawest record of the year by some distance—and a truly compelling listen.■

Culture | A decent proposal

Proposing this Christmas? Go for a yellow-gold ring

Celebrities and economic uncertainty have put the "precious" back in "precious metal"

December 11th 2025

IF YOU HAVE ever used social media, chances are you will have seen someone post an ecstatic announcement of their engagement. Under a snap of the happy couple smiling at the camera, the caption reads: "I said 'Yes'!" or "Forever starts now!" or "Officially off the market!" You are more likely to see such posts in December than at any other time: it consistently ranks as the most popular month for proposals. According to one survey in Britain, almost a third of men think Christmas Eve is the best time to pop the question.

This year, posts enthusing “He put a ring on it!” may show a picture of a sparkler with a yellow-gold setting. The precious metal is firmly back in fashion. Brands, magazines and influencers alike declare that one thing that is glittering is gold.

“We find ourselves in the midst of a yellow-gold renaissance,” Tobias Kormind, the co-founder of 77 Diamonds, a British jeweller, has said. In 2018 only 13.4% of the engagement rings the firm sold were yellow gold; much more popular were white gold (42.2%) and platinum (37.3%). This year, however, 42.5% of sales were of yellow-gold rings, while white gold accounted for 22.5% and platinum 31.7%.

What explains this new golden age? Celebrities are one factor. Just as Princess Diana set off a trend for sapphires, and Grace Kelly made emerald-cut diamonds look anything but square, the rich and famous have burnished yellow gold’s reputation. Taylor Swift and Dua Lipa, two of the world’s biggest pop stars, and Zendaya, a popular actress, have all shown off yellow-gold engagement rings this year. Searches for their styles have soared.

The gold rush also reflects growing demand for items with a vintage look. For centuries yellow gold was de rigueur, symbolising wealth, royalty and romance. It began to be displaced by white metals in the 1990s, partly because they are tougher and partly because they evoked the sleek, minimalist style of the era. (They were favoured by Tiffany, America's leading luxury jeweller.) But now antique-style rings have a certain lustre to them, as they evoke enduring love stories. Such pieces may also include a coloured stone—a ruby, for example—which look brighter and better when set in yellow gold.

Finally, gold is proving its mettle as an investment, hitting a record $4,380 an ounce on October 20th. (It is now around $4,200.) "When I started in jewellery manufacturing, platinum was double the price of gold," says Sally Ryder, the founder of Ryder Diamonds, a jeweller based in Hong Kong. Now platinum is nearly a third of the price. Even the lovestruck want to buy rings that will hold their value. Many consider gold to be a solid choice; speculators and investors have long thought of it as a safe asset. So when it comes to choosing a ring, many believe that nothing is as good as yellow gold. ■

Culture | Back Story

Every sheet of wrapping paper tells a story

The hidden drama of one of the most enervating rituals of Christmas

December 11th 2025

It takes aeons to claw up the edge of the sticky tape. How much of your life have you spent doing this? When at last you manage it, the snippet of tape coils up annoyingly before you can smooth it onto the wrapping paper. You cut off far too much paper for the job, but it seems profligate to throw the leftovers away. They are stuffed into a drawer full of strips discarded at past Christmases.

The Hall brothers of Kansas City have a lot to answer for at this time of year. Short of tissue paper in 1917, they sold fancier envelope linings instead. Thus modern, decorative wrapping paper was born (so, later, was Hallmark). It was handy during the Depression as a way to ornament often ordinary presents. Today the gift-packaging industry consumes billions of dollars and umpteen trees, chiefly at Christmas. But, in life and art, each sheet of wrapping paper also tells a story, turning a simple exchange into a five-act drama.

The first act is the wrapping itself. This is unglamorous and often tetchy, leading to in-house rows over the use of tape and scissors. "Can't I just staple it?" you wonder—though that might lead to a child pricking a finger, and spraying blood around as in a gory "Saturday Night Live" sketch set at a wrapping counter. The actual act of wrapping rarely features in films, an exception being "Love Actually". A salesman (played by Rowan Atkinson, pictured) is so excruciatingly slow about it that a wife catches her husband buying a necklace. She assumes it's for her. It isn't.

The drudgery, though, is part of the narrative. You may only have clicked the link your nephew sent to buy his present, but your creases and corners, and the tedium they involved, insist that you do really care about him. In her new Christmas show on Netflix, Meghan Markle suggests, as a bonus gesture, adding handcrafted miniature wreaths (because everyone has time to make those).

After the matching swag is heaped beneath the tree, the spoils of another outlasted year, comes the drama's next act: the handover. Wrapping drapes gifts in mystery, especially those of indecipherable shapes, like the gun rack Wayne is given in "Wayne's World" despite not owning a gun, or the wrapped-up cat in "National Lampoon's Christmas Vacation". Even obvious objects are shrouded in uncertainty. Yes, it's a book, but which? Sure, those are socks, but how tasteless?

Next, the opening. If wrapping is psychologically revealing, whether of nonchalance or perfectionism, unwrapping is more so. Like other hotly anticipated treats (fireworks, cakes), it is always brief, but in degrees. Some people unwrap languidly, kidding themselves they will reuse the paper. Others shred it in a frenzy.

The moment of recognition is the climactic fourth act. For a second only the recipient sees inside the wrapping paper; everyone else sees their reaction. The scene is like an awards ceremony at which the nominees open the envelopes. Some are thrilled; some are not. Receiving the husband's gift in "Love Actually", his wife expects to find that necklace. Inside is a CD. Inferring that he is having an affair, she nips away for a private cry.

Children are much worse than adults at dissembling. If they already own your offering, or don't like the look of it, you will know immediately. A classic case is the pink bunny suit given to a miffed boy in "A Christmas Story", by an aunt who seems to think he is "not only perpetually four years old, but also a girl". (Very small children are different: for them, manically ripping up the paper is the main event, so wrapping up their old toys is a sound economy.)

“My God, would you look at that mess?” gripes the patriarch in “A Christmas Story”, speaking for every father who surveys the post-presents carnage before trudging around with a bin bag. In the final act of the wrapping-paper drama, the reindeer-patterned scraps are gathered up like limbs after a battle. This is the shard of mortality in the joy, the point when environmentalists fret about landfill, and those stooping dads worry about slipping a disc.

Is wrapping paper worth the waste and bother? Consider one of literature’s loveliest unwrappings. In “The Gift of the Magi” by O. Henry, Della and Jim have only two assets besides each other: her luscious hair and his pocket watch. Della sells all her hair to get Jim a watch-chain for Christmas. He sells the watch to reciprocate. Tearing at the paper, she finds a set of beautiful, useless combs. She shrieks for joy, then wails, then smiles. The surprise still counts, as do the feelings it came wrapped in. ■

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Economic & financial indicators

Economic data, commodities and markets

December 11th 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	2.1	Q2	3.8	1.9	3.0	Sep	2.8	4.4	Sep
China	4.8	Q3	4.5	5.1	0.7	Nov	-0.1	5.1	Oct‡§
Japan	0.6	Q3	-2.3	1.3	3.0	Oct	3.2	2.6	Oct
Britain	1.3	Q3	0.3	1.4	3.6	Oct	3.8	5.0	Aug††
Canada	1.4	Q3	2.6	1.7	2.2	Oct	2.0	6.5	Nov
Euro area	1.4	Q3	1.1	1.3	2.2	Nov	2.1	6.4	Oct
Austria	0.9	Q3	1.7‡	0.4	4.1	Nov	3.4	5.8	Oct
Belgium	1.0	Q3	1.1	1.1	2.6	Nov	3.0	6.4	Oct
France	0.9	Q3	2.2	0.9	0.8	Nov	1.0	7.7	Oct
Germany	0.3	Q3	nil	0.2	2.6	Nov	2.2	3.8	Oct
Greece	2.0	Q3	2.4	2.2	2.8	Nov	3.0	8.6	Oct
Italy	0.6	Q3	0.5	0.5	1.1	Nov	1.7	6.0	Oct
Netherlands	1.6	Q3	1.5	1.5	2.6	Nov	2.9	4.0	Oct
Spain	2.8	Q3	2.6	2.8	3.1	Nov	2.5	10.5	Oct
Czech Republic	3.0	Q3	3.2	2.5	2.1	Nov	2.4	2.8	Q3‡
Denmark	3.9	Q3	9.5	2.8	2.1	Nov	1.9	2.9	Oct
Norway	2.1	Q3	4.6	1.1	3.0	Nov	2.8	4.7	Sep‡‡
Poland	3.8	Q3	3.6	3.3	2.4	Nov	3.8	5.7	Nov§
Russia	0.6	Q3	na	0.6	6.7	Nov	8.8	2.2	Oct§
Sweden	2.5	Q3	4.3	1.6	0.9	Oct	2.7	8.9	Oct§
Switzerland	0.5	Q3	-2.1	1.2	nil	Nov	0.2	3.0	Nov
Turkey	3.7	Q3	4.4	3.2	31.1	Nov	34.5	8.2	Oct§
Australia	2.1	Q3	1.6	1.9	3.9	Oct	2.7	4.3	Oct
Hong Kong	3.8	Q3	2.8	3.1	1.2	Oct	1.5	3.8	Oct‡‡
India	8.2	Q3	8.4	6.8	0.3	Oct	2.8	6.5	Nov
Indonesia	5.0	Q3	4.1	5.0	2.7	Nov	1.9	4.9	Aug§
Malaysia	5.2	Q3	9.0	4.8	1.3	Oct	1.4	3.0	Oct§
Pakistan	3.7	2025**	na	3.7	6.1	Nov	3.5	6.3	2021
Philippines	4.0	Q3	1.6	5.0	1.5	Nov	1.6	5.0	Q4§
Singapore	4.2	Q3	9.8	3.7	1.2	Oct	0.8	2.0	Q3
South Korea	1.9	Q3	5.4	1.1	2.4	Nov	2.1	2.2	Nov§
Taiwan	8.2	Q3	7.0	7.6	1.2	Nov	1.7	3.3	Oct
Thailand	1.2	Q3	-2.2	2.0	-0.5	Nov	-0.1	0.7	Oct§
Argentina	6.3	Q2	-0.2	3.8	31.3	Oct	41.8	7.6	Q2§
Brazil	1.8	Q3	0.4	2.4	4.5	Nov	5.0	5.4	Oct§‡‡
Chile	1.6	Q3	-0.6	2.4	3.4	Nov	4.3	8.4	Oct§‡‡
Colombia	3.4	Q3	5.0	2.5	5.3	Nov	5.0	8.2	Oct§
Mexico	-0.1	Q3	-1.1	0.5	3.8	Nov	3.8	2.6	Oct
Peru	3.4	Q3	5.7	3.3	1.4	Nov	1.6	5.5	Oct§
Egypt	5.3	Q3	39.4	4.3	12.3	Nov	14.1	6.4	Q3§
Israel	3.5	Q3	12.4	3.4	2.5	Oct	3.1	3.0	Oct
Saudi Arabia	2.6	2024	na	4.4	2.2	Oct	2.1	3.2	Q2
South Africa	2.1	Q3	2.0	1.4	3.5	Oct	3.2	31.9	Q3§

Source: Haver Analytics *% change on previous quarter, annual rate †The Economist Intelligence Unit estimate/forecast §Not seasonally adjusted ‡New series **Year ending June ††Latest 3 months ‡‡3-month moving average Note: Euro-area consumer prices are harmonised

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 $ Dec 10th	% change on year ago
United States	-3.7	-5.9	4.1		-9.0	-	
China	2.0	-5.6	1.6	§§	7.0	7.06	2.8
Japan	4.3	-2.9	2.0		91.0	157	-3.6
Britain	-3.0	-4.9	4.5		21.0	0.75	4.0
Canada	-1.7	-2.5	3.5		43.0	1.38	2.2
Euro area	3.2	-3.2	2.9		73.0	0.86	10.5
Austria	2.1	-4.5	3.1		60.0	0.86	10.5
Belgium	-0.6	-5.3	3.4		75.0	0.86	10.5
France	-0.3	-5.7	3.6		67.0	0.86	10.5
Germany	5.2	-2.7	2.9		73.0	0.86	10.5
Greece	-5.2	0.6	3.5		57.0	0.86	10.5
Italy	1.2	-3.1	3.6		36.0	0.86	10.5
Netherlands	7.8	-2.4	3.0		66.0	0.86	10.5
Spain	2.7	-2.8	3.3		56.0	0.86	10.5
Czech Republic	0.7	-2.1	4.7		72.0	20.9	13.9
Denmark	12.5	2.2	2.6		80.0	6.42	10.0
Norway	13.6	9.5	4.2		74.0	10.2	9.6
Poland	-0.6	-7.0	5.3		-38.0	3.64	11.0
Russia	1.8	-2.7	14.2		-214	76.8	29.4
Sweden	6.5	-1.3	2.9		86.0	9.37	16.6
Switzerland	4.5	0.5	0.3		6.0	0.81	8.7
Turkey	-1.2	-3.6	28.6		21.0	42.6	-18.2
Australia	-2.1	-1.8	4.6		34.0	1.51	3.3
Hong Kong	11.9	-4.9	3.0		-35.0	7.78	-0.1
India	-1.0	-4.4	6.7		-4.0	89.9	-5.7
Indonesia	-0.2	-3.1	6.2		-68.0	16,669	-4.9
Malaysia	1.1	-3.9	3.6		-23.0	4.12	7.5
Pakistan	-1.5	-5.5	11.9	†††	-7.0	280	-0.9
Philippines	-4.3	-5.7	5.9		-2.0	59.3	-2.2
Singapore	14.6	0.2	2.2		-46.0	1.30	3.1
South Korea	5.5	-2.4	3.4		73.0	1,470	-2.7
Taiwan	18.2	1.8	1.4		-20.0	31.1	4.1
Thailand	2.6	-5.3	2.1		-48.0	31.8	6.2
Argentina	-2.3	0.1	na		na	1,440	-29.5
Brazil	-3.3	-6.5	13.8		-41.0	5.43	12.0
Chile	-2.6	-1.7	5.3		-31.0	926	4.7
Colombia	-2.5	-7.5	12.2		162	3,861	13.4
Mexico	-0.4	-3.9	9.0		-100	18.2	11.3
Peru	1.9	-2.4	5.9		-67.0	3.37	10.7
Egypt	-2.5	-7.7	na		na	47.6	6.2
Israel	2.7	-4.5	4.0		-36.0	3.23	10.5
Saudi Arabia	-2.2	-5.3	na		na	3.75	nil
South Africa	-0.2	-4.4	8.5		-46.0	17.1	4.2

Source: Haver Analytics §§5-year yield †††Dollar-denominated bonds

Markets

In local currency	Index Dec 10th	% change on: one week	Dec 31st 2024
United States S&P 500	6,886.7	0.5	17.1
United States NAS Comp	23,654.2	0.9	22.5
China Shanghai Comp	3,900.5	0.6	16.4
China Shenzhen Comp	2,492.4	2.1	27.3
Japan Nikkei 225	50,602.8	1.5	26.8
Japan Topix	3,389.0	1.6	21.7
Britain FTSE 100	9,655.5	-0.4	18.1
Canada S&P TSX	31,490.9	1.1	27.3
Euro area EURO STOXX 50	5,708.1	0.2	16.6
France CAC 40	8,022.7	-0.8	8.7
Germany DAX*	24,130.1	1.8	21.2
Italy FTSE/MIB	43,465.3	0.2	27.1
Netherlands AEX	943.7	-0.6	7.4
Spain IBEX 35	16,762.5	1.1	44.6
Poland WIG	112,365.4	2.2	41.2
Russia RTS, $ terms	1,100.2	2.7	23.2
Switzerland SMI	12,921.5	0.5	11.4
Turkey BIST	11,193.9	1.4	13.9
Australia All Ord.	8,868.2	-0.3	5.3
Hong Kong Hang Seng	25,540.8	-0.9	27.3
India BSE	84,391.3	-0.8	8.0
Indonesia IDX	8,700.9	1.0	22.9
Malaysia KLSE	1,611.0	-0.7	-1.9
Pakistan KSE	169,451.9	2.0	47.2
Singapore STI	4,511.9	-0.9	19.1
South Korea KOSPI	4,135.0	2.4	72.3
Taiwan TWI	28,400.7	2.2	23.3
Thailand SET	1,269.9	-0.4	-9.3
Argentina MERV	3,013,646.8	-3.7	18.9
Brazil BVSP*	159,075.0	-1.7	32.3
Mexico IPC	63,409.4	-0.3	28.1
Egypt EGX 30	42,052.8	1.7	41.4
Israel TA-125	3,610.2	2.8	48.8
Saudi Arabia Tadawul	10,726.2	1.4	-10.9
South Africa JSE AS	111,042.9	-0.3	32.0
World, dev'd MSCI	4,400.2	-0.1	18.7
Emerging markets MSCI	1,378.9	0.4	28.2

US corporate bonds, spread over Treasuries

Basis points	latest	Dec 31st 2024
Investment grade	92	95
High-yield	353	324

Sources: LSEG Workspace; Moscow Exchange; Standard & Poor's Global Fixed Income Research *Total return index

Commodities

The Economist **commodity-price index**

2020=100	Dec 2nd	Dec 9th*	% change on month	% change on year
Dollar Index				
All items	139.1	140.2	1.3	2.9
Food	143.5	143.3	-2.0	-4.9
Industrials				
All	135.4	137.7	4.4	10.8
Non-food agriculturals	125.3	125.4	1.8	-6.5
Metals	138.0	140.8	5.1	15.7
Sterling Index				
All items	135.4	135.5	0.4	-1.4
Euro Index				
All items	136.9	137.8	1.0	-7.0
Gold				
$ per oz	4,177.5	4,218.6	2.6	56.9
Brent				
$ per barrel	62.5	62.0	-4.9	-14.6

Sources: Bloomberg; CME Group; FT; LSEG Workspace; NZ Wool Services; S&P Global Commodity Insights; Thompson Lloyd & Ewart; USDA; WSJ *Provisional

Obituary

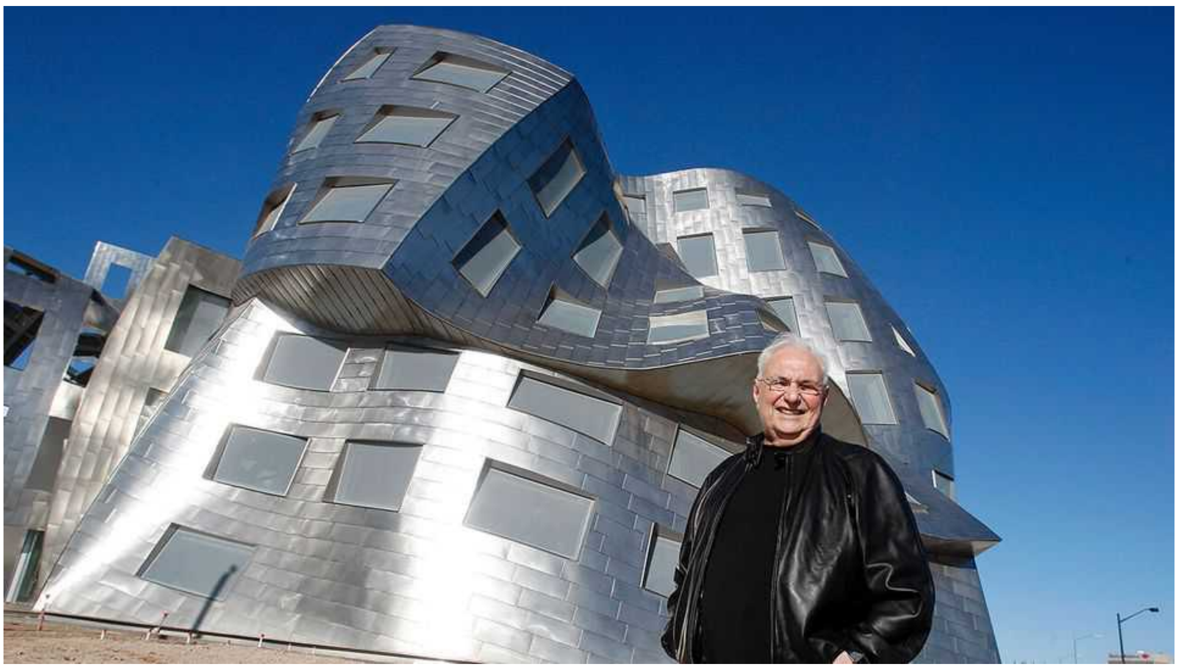
- Frank Gehry shook up buildings as never before

Obituary | Plywood, titanium and light

Frank Gehry shook up buildings as never before

The world's most innovative architect died on December 5th, aged 96

December 11th 2025



There was no mistaking a building by Frank Gehry. Suddenly, from above the roofs, would surge a blaze of light. As you turned a corner, a group of gleaming walls would be tumbling on each other. College halls would turn into punched paper bags, their windows protruding as if about to fall. Beside a lake a building would glitter with thousands of glass-shards, a lizard twisting.

These creations had come not from some showy whiz-kid but from a bespectacled, baggy-trousered man in late middle age, who simply could not stop having ideas. As he talked (not a lot, as he was shy, and preferred laughing) he was constantly sketching, on yellow legal pads, any object under discussion. These pages littered his office, pleasing him with their crumpledness. He loved clutter, and the way random things—a bottle, a pencil, a stone—sat together on his desk. Out of this ferment had come what many thought the best building of the 20th century, the Guggenheim Museum in Bilbao, high waves of titanium bursting alongside the Nervion river; the Walt Disney Concert Hall in Los Angeles, his adopted home, a stainless-steel city in itself, cascading on Bunker Hill; the Mopop building in Seattle, with 21,000 metal shingles to catch every light, and the Fondation Louis Vuitton in Paris, emerging in veils of glass from the Bois de Boulogne.

Their forms often surprised even him. When he first saw the completed Guggenheim in 1997, he thought it was a disaster. It was only later, when he realised that it did a nice thing with the river, that he started to feel proud of it. Just a bit. But he had a long list of precursors and influences to name. Le Corbusier, whose work he had encountered in Paris in 1961, who had painted as well as designed his ideas, treating architecture as art. The chaotic, restless artists and sculptors, Richard Serra, Lou Danziger, Claes Oldenburg and others, he had befriended when in 1947 he moved to southern California. Southern California itself, with its brightness, its risk-taking attitude and the free, open desert, though modernist steel and glass boxes were springing up every instant. Yet he treasured most a tiny 17th-century church in Rome, San Carlino by the long-neglected Francesco Borromini, who had already done all the moves that he, much-applauded Frank Gehry, might like to presume he had done first.

He was a paper and pencil man, but from 1991 his work had been transformed by technology. An impressive app called Catia allowed his growing band of assistants to digitise his models onscreen, make new 3D models from them and send those directly to be scaled up huge. How it worked he hadn’t a clue. It told him whether each project was possible or not, but he didn’t want to hear about limits. In his childhood in a run-down section of Toronto, his wood-block cities were fantastical. In his grandfather’s hardware store he sorted nails and screws, cut glass, cut pipe and took clocks apart, fascinated by everything.

Every week, too, his grandmother bought a live carp to make gefilte fish, installing it in the bath. He spent hours watching it move, gleam and turn. As a result, several huge commissions were covered with myriad metal scales.

A giant fish, fat as a carp and made of strips of gilded steel, was the centrepiece for the Barcelona Olympics in 1992. Sinuous fish shapes, covered with hundreds of tiny shards of shiny Formica, made the “Gehry Lamps” that softly lit his interiors. Swimming fish led on to rippling robes and billowing sails, which were almost his trademark. (He sailed himself, in a yacht called Foggy, sparkling with hundreds of glass inserts.) Unlike the products of dead, stark modernism, he wanted his to live. His “Fred and Ginger” House in Prague persuaded two towers to embrace and dance together.

The human element was always important. He intended his buildings to be as comfortable as a baby in a mother’s arms, and also democratic. His big prestige commissions looked elitist, but he liked to imagine them full of messy, noisy people. Workaday materials were great: plywood, tar-paper shingles, bricks (which could crumple, too). He even tried to find beauty in chain-link fencing for a time. Most of these featured in the “Gehry Residence” he designed for himself and his family in Santa Monica in 1978, an apparent mish-mash of corrugated aluminum, Finnish plywood and, yes, chain-link fencing around an inoffensive 1920s house. His message: this building was busy evolving.

He also built it that way to fit in. The area was not classy, and nor was he (as many neighbours angrily agreed). Trying to integrate was another theme in his life. He had been born Ephraim Goldberg to Jewish immigrants, which won him little luck either in Toronto, where he was beaten up at school, or in LA, where for years he was passed over for commissions. As Frank Gehry he did much better, and could still make nice flowing loops when he signed his name: the main thing.

His designs, too, needed to acknowledge where they were, despite their brash eruption. The Guggenheim in Bilbao was the shining resurrection of a rusting riverfront; his elegant Spruce Street residential tower in New York paid homage to its neighbours, the Chrysler Building and the Empire State; a wine-grower’s hotel in Spain exploded with the colours of a bottle of Rioja. His Guggenheim in Abu Dhabi, still in progress, was designed as a cluster of assorted buildings, an organic Arab village.

As his fame spread, detractors said he was becoming a brand and spreading himself too thin. Naturally he disagreed. He was never too busy to do private commissions for friends. And he kept on working because the ideas kept coming. Shapes appeared to him in dreams, or when he was driving; he easily lost himself in his own world. Sketches would catch those forms first; then hopeful cardboard models. The sober, naysaying computer would too often turn his imaginations into dried-out things. But he had put his finger playfully in the living flame far too many times to stop. ■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