

The Economist

Our presidential-election forecast model

New nuclear threats

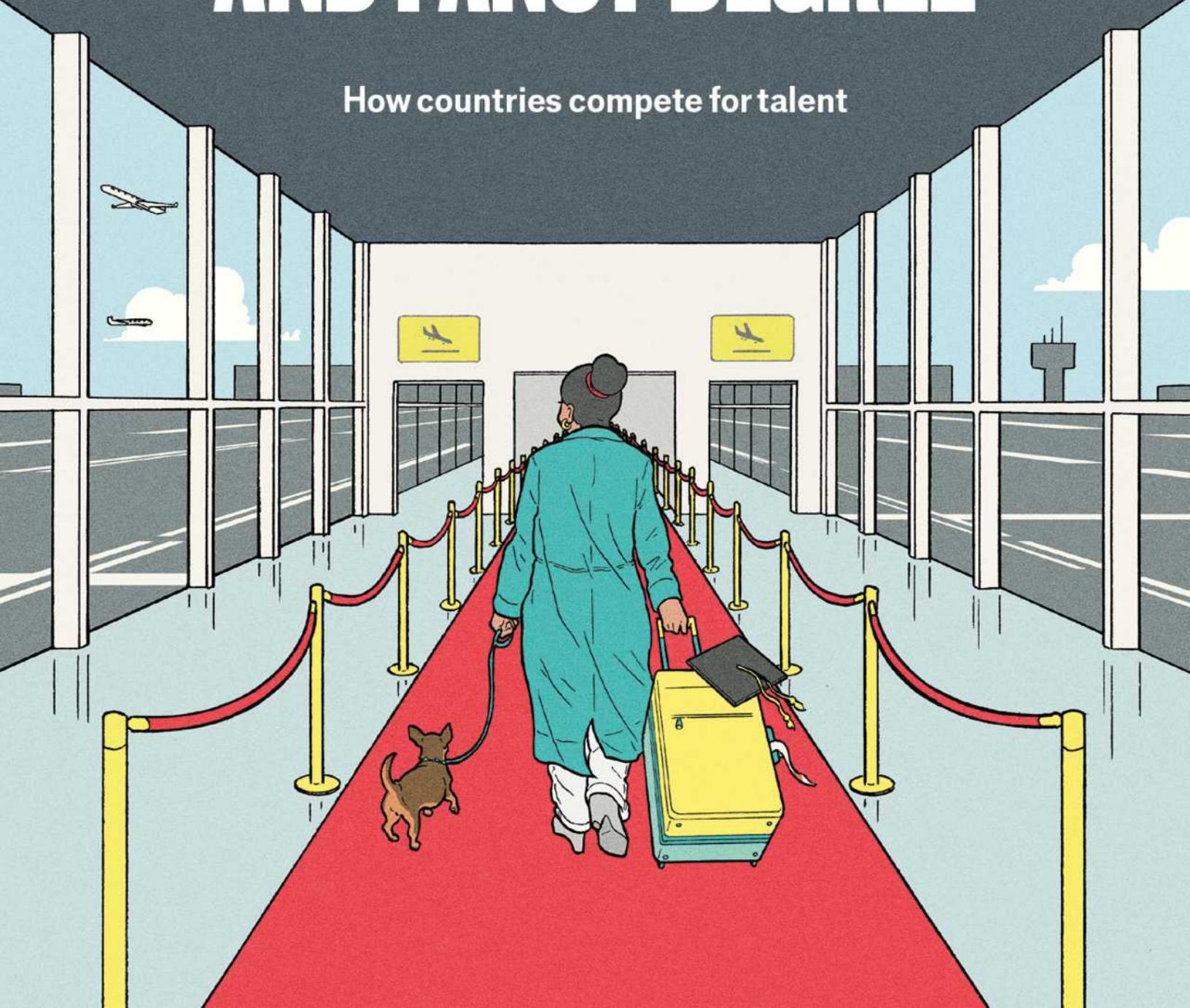
What Ukraine can gain in Kursk

Does the brain learn like AI?

AUGUST 17TH-23RD 2024

FOOTLOOSE AND FANCY DEGREE

How countries compete for talent





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The world this week

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The world this week

Politics

August 15th 2024



An incursion by [Ukrainian troops](#) deep into **Russian** territory caught the Kremlin by surprise. Ukraine's most senior commander claimed his forces controlled 1,000 square kilometres (386 square miles) of Russia's Kursk region. More than 200,000 Russian civilians were evacuated and a state of emergency was declared in a second Russian province, Belgorod, as the fighting spread there. Volodymyr Zelensky said the operation was justified as the region was a launching point for Russian attacks on his country. Vladimir Putin pledged to repel the Ukrainian advance.

German media reported that an arrest warrant had been issued for a Ukrainian diving instructor who is suspected of carrying out the attack on the [Nord Stream gas pipelines](#) in the Baltic Sea two years ago. It remains unclear whether the Ukrainian intelligence services or armed forces had direct involvement in the explosions.

Hamas refused to join a new round of peace negotiations. America has pressed for the continuation of indirect talks in the hope that a ceasefire in **Gaza** would defuse tensions and reduce the risk of a wider war between Israel and Iran and its proxies, including Hizbullah in Lebanon. America has also bolstered its forces in the region.

Mohammad Javad Zarif resigned as vice-president for strategy in **Iran**, a sign of the deep divisions within the government of Masoud Pezeshkian, the new president. Mr Zarif's resignation followed the appointment of a cabinet that includes several conservatives and only one woman.

Mali and its Sahelian neighbour, **Niger**, cut diplomatic ties with Ukraine in response to reports that it provided important battlefield intelligence to Malian rebels. The claims followed a deadly rebel attack in late July that reportedly killed dozens of Malian government troops as well as allied mercenaries from Russia's Wagner Group.

The ^{WHO} declared the outbreak of **mpox**, which has spread from Congo to neighbouring countries, to be a "public health emergency of international concern". More than 15,600 mpox cases and 537 deaths have been reported across Africa this year, though experts believe the true number is much higher.

Mexico's president, Andrés Manuel López Obrador, suggested that he would suspend talks with his Brazilian and Colombian counterparts aimed at pressing **Venezuela** to publish voting data in its disputed presidential election. Nicolás Maduro, Venezuela's autocratic leader, declared victory despite reams of evidence that he lost to the opposition. Mr López Obrador now wants to wait for Venezuela's Supreme Court, which is controlled by Mr Maduro, to rule on the matter.

Fabiola Yañez, a former first lady of **Argentina**, gave testimony to prosecutors claiming that her former partner, Alberto Fernández, who was president from 2019 to 2023, abused her. During an inquiry into alleged corruption under Mr Fernández, evidence was found of possible domestic abuse and a separate investigation was opened. Ms Yañez alleges that Mr Fernández pressed her to have an abortion and regularly beat her. He denies the claims.

The new interim government in [**Bangladesh**](#) said it was gravely concerned about attacks on Hindus and other religious minorities in the wake of Sheikh Hasina's surrender of power. Hindus are traditional supporters of Sheikh Hasina's Awami League, which they consider a secular party in the Muslim-majority country.

Reports surfaced of a drone attack on [**Myanmar's**](#) Rohingya Muslims, possibly killing 200 people. Villagers were apparently fleeing fighting near Maungdaw, in Rakhine state, and waiting to cross into Bangladesh when they were mown down. The Arakan Army, a rebel group fighting the ruling junta on behalf of the ethnic-Rakhine minority, was reportedly to blame, though it has denied any involvement.

The establishment rules, OK

[**Thailand**](#) was thrown into political turmoil, as the Constitutional Court dismissed Srettha Thavisin as prime minister. In a 5-4 decision, the court found that Mr Srettha was disqualified from holding office because he had appointed a convicted lawyer as a cabinet minister. The lawyer had once represented Thaksin Shinawatra, the de facto leader of Mr Srettha's Pheu Thai Party. Mr Thaksin is on trial charged with criticising the royal family when he was in exile in 2015.



Getty Images

Kishida Fumio announced that he would stand down as the leader of Japan's Liberal Democratic Party, and thus as prime minister. His three years in power have been blighted by a political corruption scandal, rising living costs and a weak yen. "Politics cannot function without public trust," Mr Kishida conceded at his press conference. He did not endorse any of the candidates who may join the race in September to become the LDP's new leader and Japan's prime minister.

India's government withdrew a draft broadcasting bill that it had circulated to a small number of people in the industry amid concerns that it would obstruct free speech and unduly restrict entertainment and online content. The government is providing extra time for comments. That it is listening at all is seen as a sign of its weakened power following the recent election, when it lost its parliamentary majority.

Minouche Shafik resigned as president of **Columbia University**, the third head of an Ivy League university to step down over their handling of the fallout from the war in Gaza. Protests have caused chaos on campuses across America.

Elon Musk held a live-streamed interview with **Donald Trump** on X. Despite a delayed start, the event was listened to by over 1m people, giving Mr Trump a wide audience as he tries to re-boot his campaign following Kamala Harris's entry into the presidential race. Mr Trump was his usual erratic self, calling Ms Harris "a radical left lunatic" one minute and describing her as a "beautiful woman" the next.

Heroes and villains

Shortly before the Musk-Trump event the European Union's internal-markets commissioner, Thierry Breton, wrote a (non-approved) letter to Mr Musk warning him that he had an obligation to mitigate "the amplification of **harmful content**". Mr Musk responded with an expletive-themed meme suggesting Mr Breton do something that is anatomically impossible. X's owner has also riled the British government, with his posts savaging its handling of recent riots. Meanwhile Venezuela did actually ban X, accusing it of promoting pro-democracy protests.

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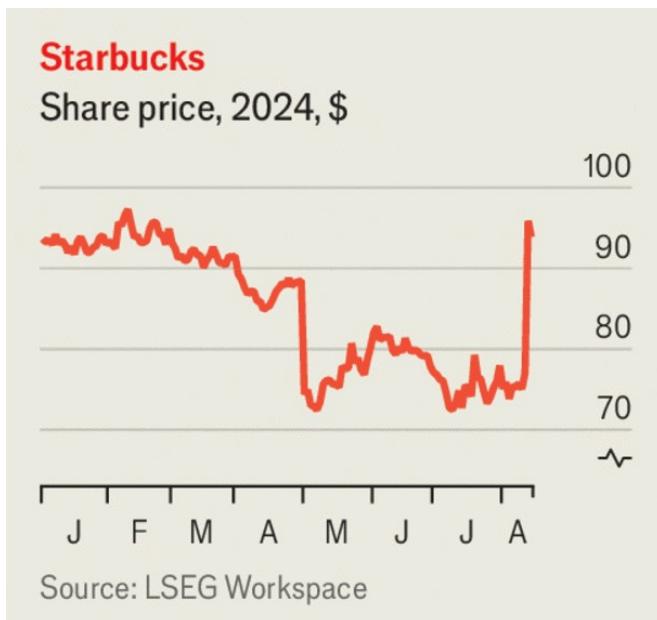
The world this week

Business

August 15th 2024



Alamy



The Economist

Starbucks surprised markets by ditching Laxman Narasimhan as chief executive with immediate effect, replacing him with [Brian Niccol](#), who has run Chipotle, a fast-food chain, since 2018. Mr Niccol will take up his new job next month, and become the fourth CEO at Starbucks within the past two years. Mr Narasimhan came under pressure to improve sales from Howard Schultz, an influential former CEO. Elliott Management, an activist hedge fund, had also sought changes. The company's share price soared after the shake-up in management was announced.

Fasten your seat-belts

Elliott Management is also circling **Southwest Airlines** and has launched a proxy fight to replace ten of the carrier's 15 directors. Elliott has built an 8% stake in the company and wants it to implement a plan to boost its share price, which has fallen by 25% over the past year. Southwest's profit margins are below its rivals' and it is contending with delivery delays of Boeing's 737 MAX aircraft. The airline has adopted a poison-pill strategy to stop any investor amassing more than 12.5% of its shares.

One of the biggest-ever takeovers in the snacks industry was announced, when **Mars** agreed to buy **Kellanova** for \$36bn. Mars, which is privately held, owns many chocolate brands, including Bounty, M&M'S and Snickers; food brands such as Ben's rice and Dolmio sauces; and pet foods and health services, including Pedigree and Whiskas. Kellanova was spun out of Kellogg's last year and produces its cereals outside America. It also holds the Pop Tarts and Pringles brands in its portfolio.

America's annual **inflation** rate fell slightly in July to 2.9%, the first time it has been under 3% since March 2021. The core rate, which excludes energy and food prices, also cooled, to 3.2%. The easing of inflationary pressures makes it more likely that the Federal Reserve will cut interest rates in September. In Britain the rate of inflation rose in July for the first time this year, to 2.2%.

The International Energy Agency forecast that the global **demand for oil** will have risen by less than 1m barrels a day this year, far below last year's growth of 2.1m b/d. America is still soaking up oil but in China demand

contracted in June for a third consecutive month. In July China's crude-oil imports sank to their lowest level since the draconian lockdowns of September 2022.

China's direct investment liabilities, a measure of foreign capital flowing into the country, fell by \$15bn in the second quarter, only the second time the figure has turned negative, according to official statistics. Foreign investment into China has fallen sharply since 2021, when it hit a record \$344bn.

Sales of pure-electric and hybrid vehicles overtook those of conventional cars for the first time in China. According to the China Passenger Car Association, these **new-energy vehicles** accounted for 51% of total vehicle sales in July, up from 7% just three years ago.

A wheel Indian success story

The biggest initial public offering in India for more than two years took place when **Ola Electric Mobility**, which makes electric road scooters, raised 61bn rupees (\$732m) on the Bombay stock exchange. Its share price rose by 20% on the first day of trading. Ola sold 330,000 scooters in its latest fiscal year, double that of the previous year.

Japan's stockmarkets recovered most of their losses from the recent turmoil, which saw the Topix plunge by 12% in a day, its worst performance since 1987. Both the Topix and the Nikkei ²²⁵ indices are roughly back to where they were before the rout, but still below the record peaks they reached at the end of July. The ^{S&P 500} and ^{NASDAQ} Composite have also rallied.

With inflation easing, the central bank of **New Zealand** lowered its key interest rate by a quarter of a percentage point, to 5.25%. It was the first cut to the rate since March 2020.

^{UBS} made a net profit of \$1.1bn in the second quarter, twice as much as analysts had forecast. Revenues from its investment bank rose by 38%, year on year, to \$2.8bn. It was the Swiss bank's first quarterly report since formally completing its acquisition of Credit Suisse in May, 15 months after the Swiss government asked it to rescue its rival.

AstraZeneca passed £200bn (\$257bn) in stockmarket value, the only London-listed company to currently attain that benchmark. The drugs giant is now worth £30bn more than Shell, but its market capitalisation is dwarfed by that of Novo Nordisk, Europe's most valuable company. It is now worth \$600bn, boosted by demand for its diabetes and obesity drugs, Ozempic and Wegovy.

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The world this week

KAL's cartoon

August 15th 2024



Our regular illustrator, KAL, is away this week. We have chosen to re-run this poignant cartoon from 2012.

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

[Iran's electronic confrontation with Israel](#)

[America prepares for a new nuclear-arms race](#)

[What if South Korea got a nuclear bomb?](#)

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

The world this week

This week's covers

How we saw the world

August 15th 2024

THIS WEEK we published two covers. In most of the world we considered how countries compete for talent. Most rich countries are reluctant to let in more labourers, but claim to be eager to attract top talent. America, China and most European countries all profess to welcome such people. But other priorities often intrude.



Leader: [How America is sabotaging itself in the global contest for talent](#)

Briefing: [Talent is scarce. Yet many countries spurn it](#)

Britain: [Britain has many levers for controlling migration. Which ones should it pull?](#)

In Asia we looked at how America is preparing for a new nuclear-arms race. It is more complex and less predictable than the old, bipolar context between

America and the Soviet Union. That makes it more dangerous. America now faces more adversaries and less-confident allies. It will have to expand its nuclear arsenal.



Leader: Reluctantly, America will have to build more nuclear weapons
America: America prepares for a new nuclear-arms race

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Leaders

- [America is sabotaging itself in the global battle for talent](#)
- [Reluctantly, America eyes building more nuclear weapons](#)
- [The rights, wrongs and risks of Ukraine's Kursk incursion](#)
- [Our forecast puts Kamala Harris and Donald Trump neck and neck](#)
- [Time to shine a light on the shadowy carry trade](#)

Leaders | Footloose and fancy degree

America is sabotaging itself in the global battle for talent

Some countries are much more serious about attracting the highly skilled

August 15th 2024



Who said the following? “You graduate from a college, I think you should get, automatically as part of your diploma, a green card [permanent residence in the United States].” The surprising answer is Donald Trump. Whether he meant it or not—and his record in office suggests not—his words suggest that even a nativist politician understands, at some level, that highly skilled foreigners can be useful.

In fact they are [extra-useful](#), since their skills tend to complement those of locals. They bring different experiences, knowledge and contacts, making local co-workers more productive. A Harvard study tried to measure this by looking at what happened to researchers when a colleague died. The loss of an immigrant brainbox reduced co-workers’ productivity (measured in

patents) by nearly twice as much as the loss of a native. From this, the study estimated that immigrants in America, though only 14% of the population, are responsible for a colossal 36% of innovation. As the globalisation of capital stagnates, the flow of brains across borders becomes an ever-more important way for new ideas to spread.

Most rich countries are [reluctant](#) to let in many more labourers or asylum-seekers), but claim to be eager to attract top talent, especially in fields deemed strategic (such as [AI](#)) or of obvious benefit to voters (such as medicine). America, China and most European countries all profess to welcome such people. Monaco even has an “attractiveness secretary” to lure high-flying entrepreneurs.

Yet other priorities often intrude. China’s obsession with security has made life irksome for foreigners there. Police snoop on them, their local lovers are warned they may be spies, and consultants they hire may be arrested for sharing information subsequently deemed a national secret. In Britain an obsession with cutting overall migration has led the Labour government to urge tech firms to [hire fewer foreign engineers](#), on the false premise that this will create more high-tech jobs for natives. As for America, though it has the world’s most attractive labour market, it has one of the world’s most dysfunctional immigration systems.

The border brain barrier

When a company applies for an [H-1B](#) (temporary work visa) on behalf of a highly skilled worker with a six-figure job offer, there is a 75% chance it will be rejected. But not quickly. It can take a year of faffing: an eternity in the tech business. And if the over-achiever in question eventually wants permanent residence—so she can settle in, plan for the future and not worry about her children being deported when they turn 21 and are no longer deemed dependants—she had better not be from a populous country. Thanks to a ludicrous rule that no more than 7% of work-based green cards may go to any one country each year, Indian citizens can expect to wait 134 years for one.

Many give up and go elsewhere. Some 73% of foreign graduates of American universities tell pollsters they want to stay in America, but only 41% actually do so. The blockage in the pipeline from campus to job is one reason why American universities, though the best in the world, have been losing market share to Australian and Canadian ones for two decades.

Contrast this with Dubai, where anyone with a salary above a certain threshold can get a work visa in a week. Settling in is easy—a fully digitised system lets you obtain a driving licence, open a bank account and so forth in a few days. Expats can sponsor nannies for work visas, so both halves of a power couple can work. This extraordinarily welcoming system has helped turn Dubai from an obscure port on the edge of the desert into a global business hub in barely a generation.

Democracies cannot simply copy autocratic Dubai. Voters like to feel in control, and would not tolerate being outnumbered nearly nine to one by migrants. And few welfare states could get by without an income tax. Nonetheless, Dubai is a useful benchmark for how a government can make an immigration system nearly frictionless for the people it most wishes to attract. Its success is an implicit rebuke of places that still have paper forms and surly border officials, such as America. If they want to, democracies can quickly improve their immigration systems, as Portugal has, turning itself from a relative backwater into an oasis for digital nomads in a decade or so.

A smart system for attracting talent should observe two principles. First, removing obstacles is more effective than offering inducements for specific professions, as many governments do. Second, the criteria for deciding whom to admit should be as simple and objective as possible. For example, a country could accept anyone who earns more than a certain amount, or who has graduated from a reputable university. Some guardrails are needed, to avoid salaries being faked or diploma mills offering shoddy degrees solely for the purpose of obtaining work visas, as Canada has found. But objective measures are quicker and fairer than allowing too much bureaucratic discretion. Immigration officials are poor judges of business plans or research projects.

The downsides of attracting more talent are mostly manageable. If expat bankers bid up the price of housing, allow more house-building. Another

worry, that talent-poaching rich countries may leave poor places bereft of human capital, is more complex. When scientists move to better labs, they innovate more, to the greater benefit of humankind. When people emigrate from poorer countries they earn more and send money home, often paying for their relatives' education.

Studies find that developing countries benefit from a “brain drain” of up to about 10% of their graduates, meaning India and China could afford to lose a lot more. Many poorer nations suffer from higher outflows, though the migrants themselves benefit hugely, and it is not obvious that their countries’ interests should trump theirs. In any case, it is not altruism that stops most rich countries from poaching footloose talent more effectively. It is incompetence. Those that fail to roll out a better welcome mat will squander a chance to speed the spread of knowledge and make themselves more prosperous. ■

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Leaders | The new nuclear threat

Reluctantly, America eyes building more nuclear weapons

The superpower faces more adversaries, new technologies and less-confident allies

August 15th 2024



The nuclear de-escalation that followed the cold war is over, the Pentagon warned this month. In its place is a new rivalry among nuclear and almost-nuclear powers, some of them paranoid. It is more complex and less predictable than the old, bipolar contest between America and the Soviet Union. That makes it more dangerous.

Facing new nuclear threats will be a test for America, even as its resources are strained and its politics have grown more isolationist. It must reassure allies that its nuclear umbrella still protects them. And, unfortunately, it will have to expand its nuclear arsenal. Falter on either count and this will fuel

proliferation among enemies and friends alike, making America and the world less secure.

Evidence of new dangers is everywhere. China is building hundreds of missile silos in its northern deserts. Vladimir Putin blusters about using nuclear weapons and threatens to aim more Russian missiles at Europe. Even as it is poised to launch another conventional attack on Israel, Iran is closer to a bomb than it was five years ago, having reportedly recently made advances in weaponisation, the process of turning enriched uranium into warheads. North Korea says it is “bolstering” its nuclear programme. This week Donald Trump claimed he would build an “Iron Dome” missile shield to protect America. “It just takes one maniac,” he explained.

All this is a big shift. Between 1986 and 2023 the number of warheads worldwide fell from 70,000 to 12,000 as the end of the cold war ushered in defence cuts and arms control. America slimmed its arsenal while keeping a powerful deterrent. Today it has a smaller “triad” of nuclear weapons that could be launched from land, air or under the sea. Many of its warheads are aimed at its adversaries’ warheads. And it offers “extended deterrence”: a promise to defend allies if required. As recently as 2009 Barack Obama still hoped for “a world without nuclear weapons”. When he became president, Joe Biden aspired to re-energise arms control after the chaos of the Trump administration.

Instead, nuclear threats have [proliferated and mutated](#). The number of warheads is rising again, as China’s arsenal expands from a few hundred a decade ago to perhaps 1,000 by 2035. This will create a third nuclear superpower for the first time. Meanwhile, technology is spreading into new domains and hands. Russia plans to put a bomb in space; North Korean warheads can reach the continental United States. Militias such as those of the Houthis have sophisticated missiles (albeit conventionally armed). China, Iran, Russia and North Korea are co-operating on military matters and could collude on missile technology, too.

The Pentagon fears all this will stretch America’s arsenal thin—will it have enough warheads to deter China, Russia and North Korea at the same time? —and further complicate the psychology of brinkmanship. It also makes extended deterrence more difficult. When America first brought South

Korea under its nuclear umbrella, for example, North Korea had no nukes and no long-range missiles. Now it has nuclear missiles that could incinerate American cities. The hope that Iron Dome shields, of the kind used in Israel and Ukraine, can protect America is misplaced: [they work less well](#) against long-range missiles. For any American president, the question looms: would you sacrifice Los Angeles to avenge Seoul? And do your enemies believe you would?

Allies face tough questions, too. They know isolationist populism isn't going away in America, regardless of who occupies the Oval Office next year. They understand that America's forces are stretched and its promise of extended deterrence is less credible than it was. If South Korea doubts America's umbrella, it might build its own bomb—and [70% of South Koreans think it should](#). Japan might follow a similar logic. Europe is discussing whether British and French nuclear weapons are enough to deter Russia if America abandons NATO. If Iran gets the bomb, so might Saudi Arabia. Proliferation would be destabilising. With more fingers on more red buttons, the chance of miscalculation increases. The odds of conventional war may rise, too, if countries try to stop their enemies from crossing the nuclear threshold.

How should America respond? Arms-control talks have stalled. Russia has suspended its participation in New START, a pact which expires in 2026. China, never much interested in nuclear-risk reduction talks with America, halted them in July. North Korea has spurned offers to talk; Iran is mercurial. It would be unwise to give up on arms control. But if these foes return to the table, they are more likely to negotiate seriously if they know America is in a strong position.

That means America should be prepared to build a larger and more diverse arsenal, once New START expires. Mr Biden's Pentagon has already begun the pivot, embracing new weapons such as a sea-launched nuclear-armed cruise missile. It is exploring how to “upload” warheads quickly to existing launchers, should Russia and China sprint ahead. A President Trump would probably continue the build-up.

Mutually assured disruption

But a lack of bipartisan agreement over extended deterrence creates uncertainty. Mr Biden has rightly sought to reassure allies by sending more nuclear-capable bombers and submarines to Europe and Asia, and by consulting them more closely, so they understand how weapons might be used and feel confident that America's promises are not idle.

Mr Trump and some isolationist Republicans may argue that none of this is necessary to protect America. They are wrong. Extended deterrence is both essential and in its narrow self-interest. Counterintuitively, America chooses to make its homeland more vulnerable in order to protect allies thousands of miles away. In so doing, it helps avert destabilising nuclear proliferation. This logic has kept America, and perhaps even its adversaries, safer for 80 years. In a dangerous world, it would be reckless to let America's nuclear umbrella fray.■

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Leaders | Fighting back

The rights, wrongs and risks of Ukraine's Kursk incursion

Ukrainian forces should be careful not to overreach

August 14th 2024



For the first time since the second world war, [Russia has been invaded](#). On the previous occasion the Red Army's Ukrainian troops helped beat back the Nazi assault in Russia's Kursk province. Now it is Ukrainians who are [advancing](#) over the same ground. [Ukraine's surprise attack](#), which began on August 6th, is bold and daring, and could change the narrative of the war. It is also a gamble which could go badly wrong.

Morally and legally, Ukraine has every right to take the fight into Russia. Every state is entitled to defend itself, and that right does not stop at the border. Russia is waging an unprovoked war of conquest in Ukraine, and has conducted thousands of attacks on Ukraine's Sumy region from over the

frontier in Kursk. The troops, kit and bases that enable those attacks are legitimate targets.

[*Read more of our recent coverage of the Ukraine war*](#)

Ukraine's Kursk offensive has already achieved some successes. Its forces have cut through the region, occupying scores of settlements and taking hundreds of prisoners. That has had three immediate effects. One is to boost morale at home, which needed a jolt: Ukraine's army is on the back foot in the Donbas region and its counter-offensive last year fizzled out. The second is to show international partners that Ukraine can regain the initiative. Encouragingly, America and Germany, among others, have indicated that they are comfortable with their weapons being used on Russian soil.

The third is to expose Russia's vulnerabilities. Vladimir Putin will use the incursion to reinforce his big lie that Russia is waging a defensive war against the West. But it also adds to the evidence that Mr Putin's carefully constructed image of strength and control is hollow. He thought he could conquer Ukraine in a few days in 2022, but two years later he still hasn't. When his former chef led a mutinous march much of the way to Moscow last year, Russian troops stood aside. When Ukraine invaded Kursk, local civilians did not resist.

For all that, Ukraine's gambit also carries grave risks. Ukraine surely hopes that its Kursk offensive will draw Russian forces away from Donbas, easing the pressure on Ukraine's beleaguered troops there. But there is little sign that Russia has pulled many troops off the front line. And this cuts both ways: Ukraine has also diverted many of its best forces away from Donbas and into Kursk. Indeed, Russia has continued to advance in eastern Ukraine since August 6th; it is now less than 13km from Pokrovsk, an important crossroads.

Ukraine should try to reap the political rewards of its success in Kursk without becoming overextended. Its supply lines will soon be stretched thin. Russia is beginning to counter-attack. If Ukraine suffers heavy losses of men and equipment in the weeks ahead, this could accelerate its setbacks in Donbas while also reversing the sense of momentum built up in the past week. An ambitious occupation would be a mistake, though holding onto

some defensible territory in Kursk as a bargaining chip for future talks might be sensible.

Kursk also holds a broader lesson for Ukraine's partners. A good defence sometimes requires offence. America, Britain and France continue to bar Ukraine from using their long-range missiles on Russian soil. Some restrictions are fine: Western missiles should not be used against Russian nuclear sites, for instance. But the risk of escalation should not be exaggerated. It is perverse that Ukraine is not allowed to strike Russian air bases from which jets deliver glide bombs to devastate Ukrainian cities and kill its soldiers. Russian forces that blatantly and criminally violate Ukraine's borders should expect no shelter behind their own. ■

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Leaders | A coin toss for the White House

Our forecast puts Kamala Harris and Donald Trump neck and neck

We relaunch our presidential-election model for a transformed race

August 15th 2024



THE MOOD among Democrats, as they prepare to gather for their national convention in Chicago next week, is ebullient. Kamalamentum has transformed the presidential contest. Meanwhile, the Republicans are finding it hard to adjust to the new dynamics: the glitch that delayed the start of Donald Trump's conversation with Elon Musk, carried live on X on August 12th, was emblematic of a campaign that is no longer going to plan. Yet if there is one lesson from this wild election year, it is that things can change with remarkable speed.

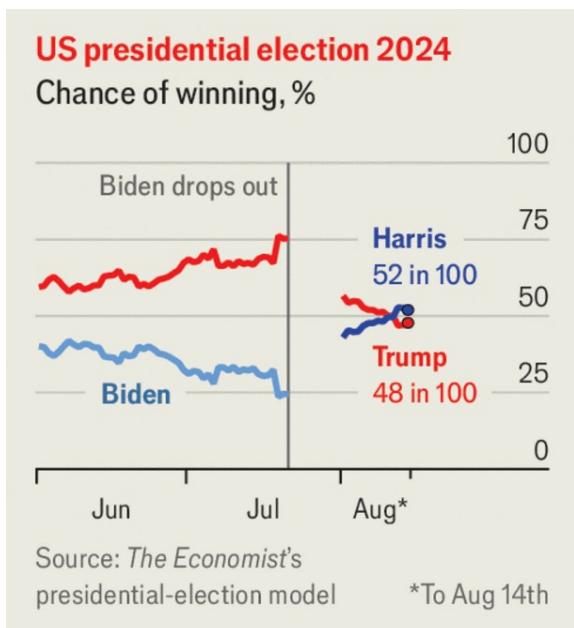
It was not so long ago that some Democrats were deluding themselves that, even with a mumbling 81-year-old Joe Biden as their candidate, the election

was in essence a coin flip. In mid-June, when *The Economist* launched its election model, its findings should have been a wake-up call. The forecast—which takes into account information from opinion polls and “fundamental” factors such as the state of the economy, presidential approval ratings and the share of swing voters—was that Mr Biden’s chance of winning was in fact well below 50:50. By the time Mr Biden dropped out of the race on July 21st, a few weeks after a calamitous debate with Mr Trump, the model showed that his likelihood of victory had plunged still further.

Since then Kamala Harris has made a stunning start to her campaign. [Our nationwide poll tracker](#) now gives her a three-point lead over Mr Trump, who had been ahead of his Democratic rival since last October. Ms Harris has sharply improved the position in swing states, too. The latest *New York Times*/Siena College poll in Michigan, Pennsylvania and Wisconsin puts her four points ahead in all three states. And now that enough data are available on the new matchup, we can [relaunch our forecast model](#) (with a few tweaks) for the Trump-Harris election. It, too, shows that Ms Harris has moved ahead.

Reality check

But only just. Our model gives her about a 52% chance of winning. It shows that her chances have improved by about ten points since the beginning of the month. These findings are in line with those of another forecasting model, run by Nate Silver, an election-statistics guru. They mean that, with less than three months to go to polling day, the race is wide open.



The Economist

So small shifts between now and November could swing it one way or the other. Of late the shifting has been all in Ms Harris's favour, helped by the novelty and energy of her candidacy as well as by a number of unforced errors from Mr Trump. The former president did not help his cause by, for example, gratuitously attacking the popular [Republican governor of Georgia](#), or questioning Ms Harris's sense of her own ethnicity.

But it would be naive to assume that Ms Harris's current momentum, impressive as it has been, will carry her all the way to the White House. Republicans will surely hone their attacks on her, especially on issues such as immigration and inflation, where she is particularly vulnerable. Mr Trump will have an opportunity to confront her face to face in at least one debate next month. Above all, Ms Harris can expect more scrutiny than she has had so far, and rightly so: voters need to know what she truly believes and what policies they can expect from her on everything from defending America to tackling crime and handling the economy.

A feel-good convention—casting the election as a choice between the future and the past, and between hope and gloom—is all very well. But it risks giving Democrats a false sense of inevitability. An antidote to such delusion is data. Our forecast model, updated daily, will capture an objective

assessment of the likely outcome of the presidential election. And right now, it points to a coin flip. ■

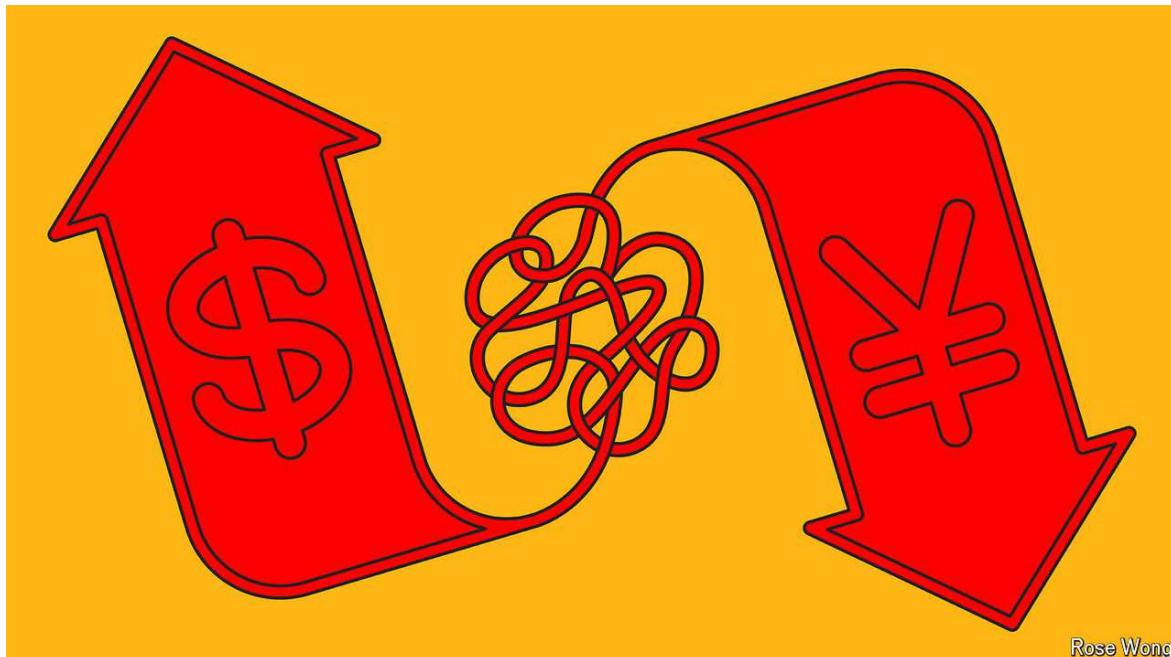
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Leaders | Billions or trillions?

Time to shine a light on the shadowy carry trade

Transparency will help to avoid financial blow-ups

August 15th 2024



Rose Wong

Soon after markets tumble, the search for the culprits begins. [Choppy trading](#) over the past two weeks has put a dent in stock prices globally, while safe government bonds have rallied. Concerns about the health of America's economy and its expensive tech stocks are part of the explanation for the surge in volatility. Analysts and investors have identified another culprit behind the tumult: the reversal of opaque "[carry trades](#)", particularly in the Japanese yen.

A carry trade—in which investors borrow in a currency where interest rates are low, and invest where returns are high—can quickly unravel. Traders had made speculative bets based on the assumption that the gap between interest rates in Japan and those in America would remain wide. But the Bank of

Japan's decision to raise rates by a fraction of a percentage point on July 31st, while expectations for American rates were falling, was enough to expose them to losses. As they unwound their trades, they are thought to have set off a cascade of forced selling in everything from American tech stocks to the Mexican peso. But far too little is known about the scale of the carry trade, and the associated risks. It is time to shed light on a murky part of global finance.

What seems clear is that carry trades have grown. One way to see this is to look at banks' lending to non-bank institutions. Hyun Song Shin of the Bank for International Settlements (^{BIS}), a club of central banks, notes that yen-denominated cross-border lending from banks to non-banks now runs to ¥41trn (\$271bn). The figure has risen by 52% in the past two years, as the Federal Reserve raised interest rates while the Bank of Japan mostly stayed put.

Bank lending in yen alone is likely to be a vast underestimate of the true scale of the trade, though. Most foreign-currency borrowing is not found on banks' balance-sheets, but hidden in the wider world of foreign-exchange swaps. The market for swaps involving the yen runs to around \$14.2trn in size. Those contracts are not counted as debt, and go unrecorded on the balance-sheets of financial institutions.

Although some swaps are likely to represent ordinary hedging activity, another chunk probably reflects more speculative trades. But a lack of official data makes it impossible to say precisely how big that chunk is. Analysts at ^{UBS}, a bank, estimate that the dollar-yen carry trade reached around \$500bn at its peak, half of which has now been unwound. Those at JPMorgan Chase put it at a staggering \$4trn.

This murkiness makes it hard to know precisely how much the carry trade contributed to recent market volatility. Fortunately, there was little damage this time. But there is no knowing how severe the next blow-up could be.

Increased financial supervision has often followed crises. The collapse of Germany's Herstatt Bank in 1974, which caused a minor crisis in cross-border lending, was a landmark moment in the monitoring of the global financial system. Three years later, the ^{BIS} began to publish regular statistics

on the exposures of major commercial lenders, using data from national authorities.

Central banks and regulators around the world should not wait for a crisis to act. Collecting and publishing detailed data on the flows and participants in the market for foreign-exchange swaps would uncover its riskier elements. Shining a light on the shadowy and enormous swap market would benefit not only the analysts who monitor it, but also the investors who otherwise have little understanding of how crowded the trades they are piling into have become, until it is too late. ■

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Letters

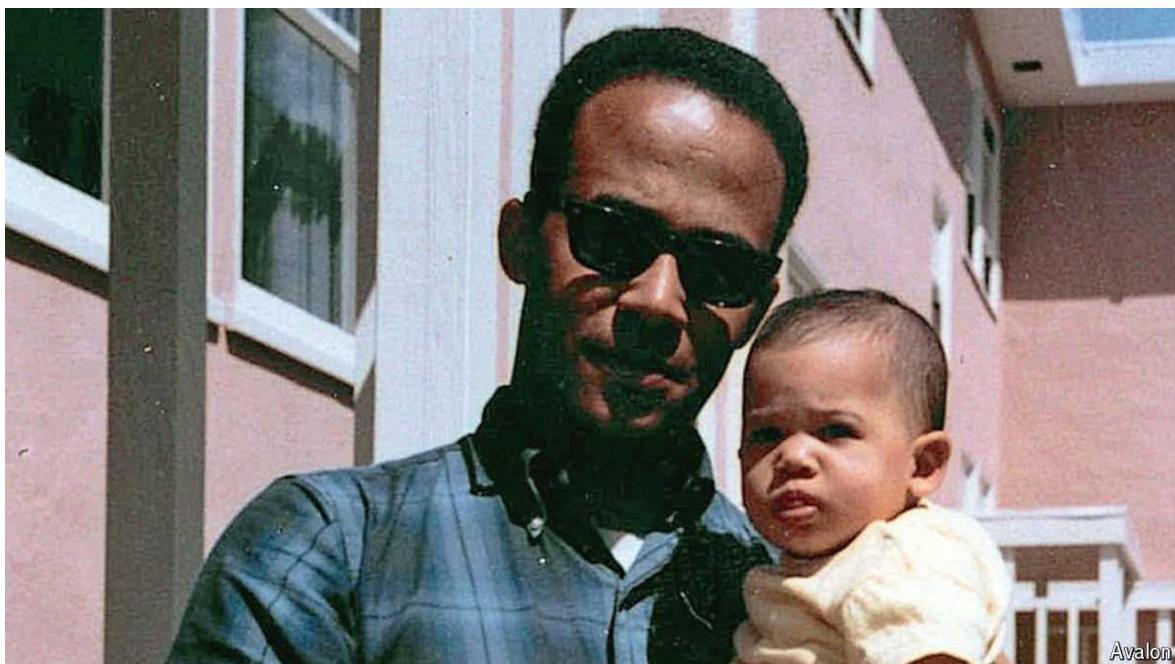
- [Letters to the editor](#)

Letters | On Donald Harris, Burberry, sickle-cell disease, Vienna, Katherine Parr, reading books

Letters to the editor

A selection of correspondence

August 15th 2024



Letters are welcome via email to letters@economist.com

In defence of Donald Harris

Your article on the intellectual trajectory of Donald Harris, the father of Kamala Harris, described him as a “combative Marxist economist” (“[The other Donald](#)”, July 27th). That is misleading and inflames the already heated political discourse in America. Far from being an orthodox Marxist, Mr Harris (our professor and the supervisor of our PhD dissertations at Stanford) applied his deep critical thinking to a remarkable variety of economic theories. He encouraged his students to do the same.

His research includes Marx's analysis of capitalism, but he was especially critical of particular aspects, including the Marxian labour theory of value and the theory of the tendency of the rate of profit to fall. His engagement with economic theory is much broader. Mr Harris's work also explores the ideas of Adam Smith and David Ricardo, mainstream neoclassical theory and the work of John Maynard Keynes.

It is not right to say he "did not move on". Mr Harris continued to evolve in his thinking and in his applied work on economic development throughout his career. The "combative Marxist" label thus mischaracterises the breadth and subtlety of his intellectual contributions.

DR ROBERT BLECKER

Professor of economics
American University
Washington, DC

DR STEVEN FAZZARI

Professor of economics
Washington University in St Louis

DR P. SAI-WING HO

Professor of economics, emeritus
University of Denver

You say that Mr Harris "proposed that firms must choose from a 'book of blueprints', which need different capital goods" in his book published in 1978. Alas, that had been proposed more thoroughly and rigorously in 1953 in a brilliant paper by Edmond Malinvaud, for which he should have won a Nobel prize. And Robert Dorfman, Paul Samuelson, and yes, Robert Solow, whom you cite as author of the aggregate capital-growth model, covered it more comprehensively in a book from 1958. Perhaps the mathematics of all this were beyond the capacity of the so-called Marxists of Cambridge.

AVINASH DIXIT

Professor of economics, emeritus
Princeton University
Princeton, New Jersey



Fashioned out of war

Burberry has a rich heritage (“[Lower your aspirations](#)”, July 20th). Some styles of its traditional trench coat can cost close to £3,000 (\$3,800), which is impressive considering it was designed at the start of the 20th century as part of the British military uniform designed by Thomas Burberry. His coat became known for keeping British troops warm and dry in the trenches of the first world war. I doubt many would have thought it would be a luxury garment 110 years later. The new boss should not forget this important piece of history when deciding the brand’s next manoeuvre.

MARK KUMMERER
Director
MKA Economics
Stirling

Treating sickle-cell disease

“[High and mighty](#)” (August 3rd) discussed the need for new pricing strategies to increase access to genomic medicines for the treatment of common genetic diseases, such as sickle-cell disease. However, most people with sickle-cell disorders live in sub-Saharan Africa and will never have

access to these therapies. This stark reality is the result of market forces—if payers have money, products will be developed and priced highly. But it is also a consequence of weak infrastructure in low-resource settings. Genomic treatments require conditions that are suitable for hematopoietic stem-cell transplantation, such as specialised medical facilities and highly trained health-care workers, which don't exist in most African countries.

It is therefore essential to fund approaches that have better chances of widening access in the developing world. For example, accessible *in vivo* gene therapy for sickle-cell disease could potentially be administered once, directly to the patient, without the need for complex health infrastructure.

JAVIER GUZMAN

Director of global health policy
Centre for Global Development
Washington, DC



Katharina F Rossboth/Anzenberger/Eyevine

Home truths in Vienna

Vienna's government-sponsored housing system is better described as public or subsidised housing, not social housing (“[Paradise cost](#)”, August 3rd). There is social housing (*Sozialbau*) in Vienna, but it is a subcategory of public housing and targets relatively low-income households. The most

prevalent type of public housing in Vienna, the one which you described, benefits the middle classes and is called communal housing (*Gemeindebau*). The city's higher-income population easily qualifies for this type of housing.

The implications of Vienna's aggressive public intervention in the property market are serious. The city government owns many apartments and controls many more through regulations, so most housing is only ever for rent, never for sale. This restricts the supply for sale and makes homeownership expensive. That reality is reflected in Vienna's rents remaining relatively flat, while prices for house buyers have gone through the roof. Austria's homeownership rate is the second-lowest in the EU. In Vienna, less than 20% of residents own their home, which makes it difficult for Viennese to build wealth through property, the oldest asset class.

RAMIN AMIGHI
Vienna

A woman for all seasons

Thank you for highlighting that otherwise obscure story about how the brilliant Katherine Parr survived the plot against her by conservatives, who were fearful of her reformist views, in the court of Henry VIII ("Heads will roll", July 13th). A royal physician warned her to agree with everything the king said, as soldiers would be ready to arrest her for heresy if she contradicted him on theology, which they often discussed. She did as she was told. Henry, who had approved the plot, grew befuddled and asked why she now concurred with him when she had always argued. She explained that she had just been trying to distract him from his constant physical pain. And, as God created Eve to obey Adam, every wife should obey her husband.

Professor Susan James has plausibly speculated that Kate's otherwise inexplicable metamorphosis to obedient wife near the end of Shakespeare's "Taming of the Shrew" deliberately alludes to these events, which happened to the last of Henry's six wives.

By the way, Anne Boleyn was beheaded just four months after Henry sustained a traumatic brain injury after a jousting accident, in which his fully

armoured horse fell on top of him. His brain damage probably led to a severe deterioration of his personality, along with marked irascibility and cruelty. He developed frequent migraines and gained huge amounts of weight.

DR RICHARD WAUGAMAN

Clinical professor of psychiatry

Georgetown University

Washington, DC

Mastering Tolstoy

Regarding how long it would take to read the world's greatest books, I am reminded of a quote from Woody Allen: "I took a speed-reading course and read 'War and Peace' in 20 minutes. It's about Russia" ("[The greatest books of all time](#)", August 3rd).

JASON SMITH

London

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By Invitation

- [Indermit Gill on what China and India must do to join the rich club](#)
- [Kamala Harris must define herself before Donald Trump does it for her](#)

By Invitation | Economic development

Indermit Gill on what China and India must do to join the rich club

First invest, then infuse foreign technology and then innovate, says the World Bank's chief economist

August 12th 2024



Dan Williams

“TO GET RICH is glorious” is the maxim that inspired one of the most successful development strategies of the past 50 years. It’s an aspiration widely shared across developing countries—and for good reason. When countries become wealthier, the results can be glorious. Living standards rise. Poverty recedes. The propensity to pollute dwindle, as products and production methods improve.

That’s why a growing number of developing countries are setting national deadlines to become developed economies: China by 2035, Vietnam by 2045, India by 2047. In the absence of a miracle, their chances of success

are slim—because of a distinctive affliction that strikes countries as they climb the income ladder. In the coming decades the fate of the world will depend on whether it can be cured.

In their drive for wealth, few countries get anywhere near the top. Economic growth in developing countries tends to level off during the middle-income stage. It's what the World Bank calls "the middle-income trap". This idea has been disputed over the past decade or so. Yet the latest evidence is compelling: since 1970 the average per-person income of middle-income countries has never risen above 10% of the level in America.

Since 1990 only 34 economies have managed to move up from middle- to high-income status—and more than a third of those were beneficiaries of either integration into the European Union or previously undiscovered oil. The number of people living in these economies is less than 250m—roughly the population of Pakistan.

Today middle-income countries (defined by the World Bank as having gross national income per person of between roughly \$1,150 and \$14,000) are home to about 6bn people and nearly two-thirds of those who struggle in extreme poverty. They produce about 40% of the world's economic output and nearly two-thirds of its carbon emissions. In short, the global effort to end extreme poverty and spread prosperity and liveability will largely be won or lost in these countries.

Middle-income countries now face far heavier burdens than their predecessors did: ageing populations, geopolitical and trade frictions, and the need to speed up growth without fouling the environment. Yet most remain wedded to an approach out of the last century: policies focused heavily on attracting investment. That's the equivalent of driving a car entirely in first gear: it will take forever to get to the destination. A few try to leapfrog to innovation. That's the equivalent of shifting from first gear to fifth and stalling the car.

There is a better way. The World Bank proposes a sequenced, three-pronged plan.

Low-income countries are best served by a strategy focused mainly on attracting investment. Once they become lower-middle-income countries, they need a more sophisticated approach. Investment must be supplemented by the deliberate infusion of technology from abroad. That means acquiring modern technologies and business models and diffusing them domestically to enable enterprises to become global suppliers of goods and services.

Infusion requires an ever-larger talent pool: more engineers, scientists, managers and other highly skilled professionals. To expand the pool, skills must be sharpened across the workforce. One of the most self-defeating attributes of middle-income economies is their proclivity to sideline women by limiting their educational and economic opportunities. The payoff can be immense when such practices are halted. In America, for example, more than a third of the growth that occurred between 1960 and 2010 can be attributed to decreasing racial and gender discrimination in education and the workforce. Without these changes, America's income per person would now be \$50,000, not the \$80,000 it is.

Once a country has mastered both investment and infusion, it is ready for the final push—towards global innovation. South Korea stands out in all three categories. In 1960 its per-person income stood at just \$1,200. By the end of 2023 it had climbed to \$33,000. No other country has managed to pull off a performance like that.

South Korea began with a simple set of policies to increase public investment and spur private investment. That morphed in the 1970s into an industrial policy that encouraged South Korean firms to adopt foreign technology and more cutting-edge production methods. Samsung, once a local trading company dealing in dried fish and noodles, began making televisions using technologies licensed from Japanese companies.

Samsung's success fuelled demand for engineers, managers and other skilled professionals. The South Korean government did its bit to help the economy meet this demand. The education ministry, for instance, set targets and increased funding for public universities to help develop the new skills sought by domestic firms. The results are clear to see. Today Samsung is an innovation powerhouse—one of the world's two largest smartphone manufacturers and its largest memory-chip manufacturer.

To make the transitions necessary to reach high-income status, governments in middle-income countries must enact competition policies that create a healthy balance between large corporations, mid-sized firms and startups. The benefits will be greatest when policymakers focus less on the size of the company and more on the value it brings to the economy, and when they encourage the upward mobility of all of their citizens instead of fixating on zero-sum policies to reduce income inequality.

They should also seize opportunities arising from the need to tackle climate change—by producing and exporting electric vehicles, wind turbines, solar panels and so on. Middle-income countries should not be expected to immediately forgo the use of all fossil fuels in their quest for faster economic growth. But they should be expected to become more energy-efficient and cut emissions.

If they stick to the old approach, most developing countries will miss their target of reaching high-income status by the middle of this century. On current trends it will take China another 11 years to reach just one-quarter of America's income per person. It will take Indonesia 69 years and India 75. By adopting a “3i” strategy—first investment, then infusion, then innovation—they can multiply their odds of getting there. The rest of the world would benefit, too, because policies that reward merit and efficiency enable growth that is quicker, kinder and cleaner. ■

Indermit Gill is chief economist and senior vice-president of the World Bank Group.

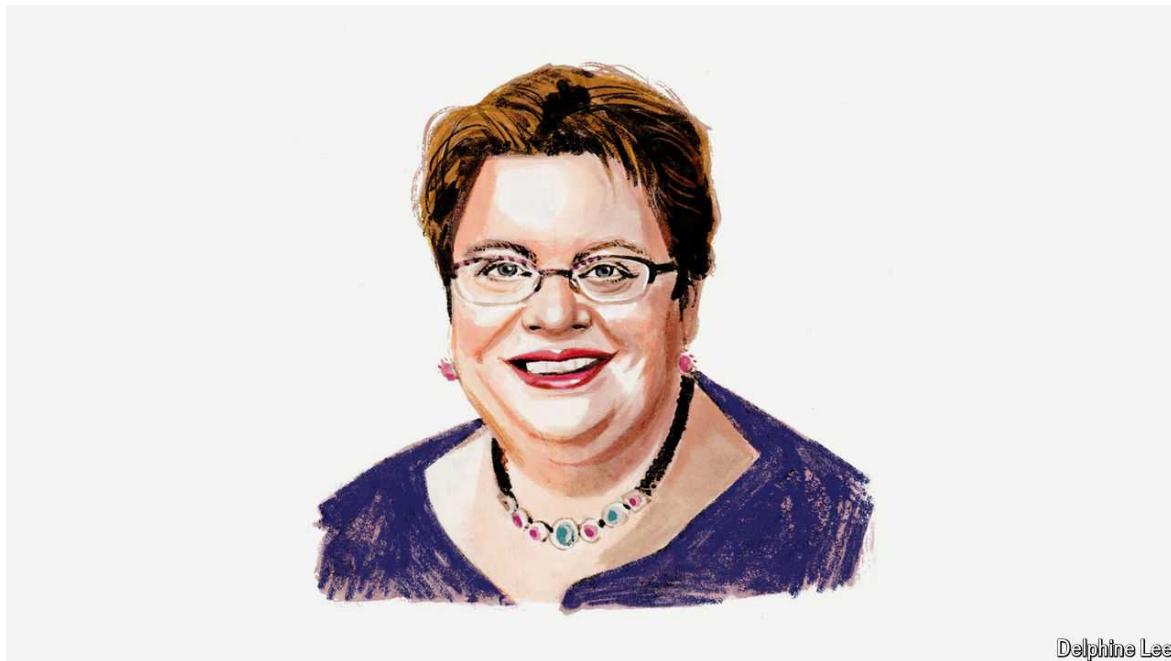
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By Invitation | American politics

Kamala Harris must define herself before Donald Trump does it for her

High on her list should be wooing older, less-educated white women, says Celinda Lake, a Democratic pollster

August 15th 2024



Delphine Lee

THIS YEAR'S American presidential election has already had its twists and turns, and none has been bigger than President Joe Biden's decision to drop out. With his withdrawal of his candidacy, the roadmap for a Democratic victory in November—with Vice-President Kamala Harris at the top of the ticket—has been redrawn. When the election was between Mr Biden and Donald Trump, voters thought they already knew both candidates. Now, while voters' views on Mr Trump are baked in, the race to define Ms Harris is on. She has had a strong start.

Ms Harris needs to energise traditionally Democratic voters who have been unenthusiastic in recent years without hurting her standing with swing voters. She has already made great strides with women—especially unmarried women—younger voters, Latinos, Black voters and voters who identify as Democrats. For instance, in the Economist/YouGov poll conducted just before the debate on June 27th, Mr Biden was winning 70% of Black voters, 44% of 18- to 29-year-olds and 87% of Democrats. In the most recent Economist/YouGov poll, Ms Harris is winning 80% of Black voters, 52% of 18- to 29-year-olds and 93% of Democrats.

Ms Harris must win among women by more than she will probably lose among men. The key swing group will be older white women without a college degree, and Ms Harris must stop them from voting like their husbands. These women have problems with both parties and both candidates. They are often pro-choice on abortion, but prefer Republicans on the economy, and are often surrounded by conservative personal networks, such as their families, neighbours and churches. Ms Harris must reach this key group with the right message, while overcoming implicit biases that it may have about women and people of colour.

There is no shortage of policies and messaging that appeal to both swing voters and Democrats alike. A strong narrative frame for the Harris-Walz ticket is that this election presents a choice between two different futures: one that moves America forward and protects its freedoms versus one that moves it backward and takes them away. This also plays into the vast difference between the personalities of Ms Harris and Mr Trump. Views of candidates' personalities and character play an important role in presidential-vote choices—as much as 40%, according to the University of Michigan's election-studies project. Ms Harris is keen to portray herself as someone who fights for ordinary people and brings them together, whereas Mr Trump is only interested in his own gain.

We see in focus group after focus group that, while voters criticise Mr Biden for not being effective, they are not interested in hearing about his long list of legislative accomplishments. This has been enormously frustrating for Democrats. Ms Harris opens a door. She can attach herself to past accomplishments, treating them as part of her own general record, and still be a voice of change. We have found in our focus groups that voters give her

the benefit of the doubt and think her policies will be different from Mr Biden's. Part of defining herself as her own candidate will come from running on her record as a district attorney and attorney-general of California. This also helps Ms Harris to inoculate herself from inevitable attacks on her record on crime and the situation at America's southern border.

Most important, Ms Harris needs to establish her economic credentials, as all Democrats must. Voters like Democratic economic policies but think that the Democrats have no economic plan and are out of touch on the economy.

The national mood does not allow for a victory tour. Voters see high prices in grocery stores, and, at least in part, they blame the government. If their wages go up, they credit themselves, not politicians. They don't feel that laws passed by Mr Biden, such as the American Rescue Plan and the Inflation Reduction Act, are helping them. They are uninterested in statistics or what economists have to say. They recall the economy as having been in great shape during the pre-covid Trump years, and they think that Mr Trump, as a businessman, has real economic credentials. They think that Democrats do not emphasise economic issues enough.

Ms Harris will not win the election if she does not draw even with Republicans on trust in managing the economy. The good news for her is that she has hit this threshold in some recent polling. Now she must shift the conversation to which candidate is more likely to improve the economic well-being of families, a goal that voters are more likely to associate with Democratic candidates.

Abortion will play a big role in this election, too, and Republicans still haven't found a good response for when Democrats draw contrasts on the issue. Ms Harris has consistently served as a critical messenger since the ^{us} Supreme Court's *Dobbs* decision in 2022, which let states set their own laws on abortion, including complete bans. She must continue to stress that Mr Trump would bring in a national abortion ban and would not stop there. ^{IVF} and birth control would be at serious risk of a ban or severe restrictions under a Trump presidency.

Ms Harris can win this election. But she must define it on her terms. The candidate who sets the narrative usually wins the contest. She must energise her base while also appealing to swing voters. She needs to draw the contrast with Mr Trump in her favour: a forward-looking future versus a backward-looking one; an economy that helps working families versus one that helps big corporations; a society in which people can make their own health-care decisions versus one where they cannot. She has less than three months. ■

Celinda Lake is president of Lake Research Partners. McCauley Pugh, a senior analyst at the firm, contributed to this article.

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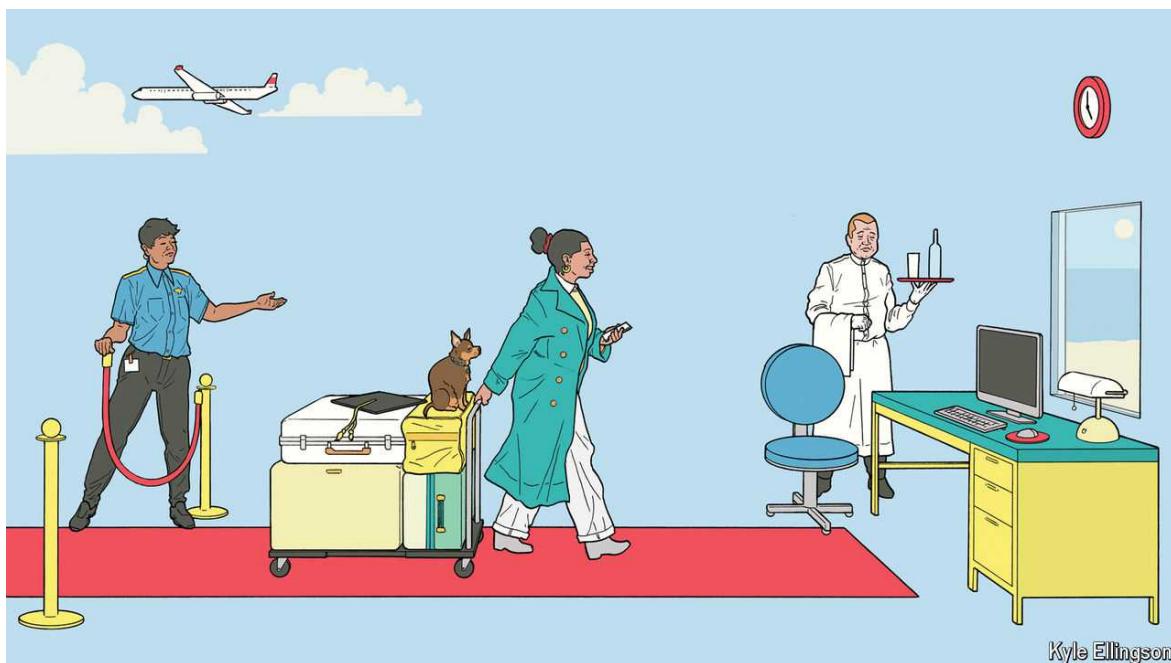
Briefing

- Talent is scarce. Yet many countries spurn it

Talent is scarce. Yet many countries spurn it

There is growing competition for the best and the brightest migrants

August 15th 2024



Zeke Hernandez was worried. His 12-year-old son, Lucas, had not grown for two years. The family paediatrician told him to eat more, but it didn't work. Eventually, after a battery of tests, another doctor diagnosed Lucas with celiac disease, which was damaging his small intestine. The solution was to stop eating wheat.

Mr Hernandez, who teaches at Wharton business school, tells this story to illustrate a point about immigration. His (now healthy) son owes a debt to Alessio Fasano, an Italian-born doctor who helped improve understanding of gluten intolerance in America. Dr Fasano migrated from a country where celiac disease is common (Italy) to one where it was thought to be rare (America). Having grown up surrounded by sufferers, he wondered if the

condition was really so uncommon in his new homeland, or simply underdiagnosed. In a landmark study in 2003, he proved that celiac disease afflicts Americans just as much as Europeans. Diagnosis and treatment have now markedly improved.

Clever immigrants like Dr Fasano bring huge benefits to the countries where they relocate. Yet many governments make it hard for them to settle or turn them away outright. Even governments receptive to skilled immigrants often bungle the job of attracting them. Some, however, do it ruthlessly and reap big rewards.

Brain germane

When brainy immigrants arrive in a country, they do not just bring their brains. They bring fresh ways of looking at things. They know things that locals don't, and can tap foreign-language sources that locals can't. So in a variety of fields, from business to science, their skills are likely to be unusually beneficial. "Immigrants are different in useful ways," argues Mr Hernandez in "The Truth about Immigration", a new book.

A study by Shai Bernstein of Harvard University and others found an original way to measure this. They looked at what happens to scientists when a colleague with whom they have collaborated dies prematurely (before the age of 60). Naturally, any such tragedy makes the surviving scientists less productive. But intriguingly, the death of an immigrant colleague hurts more. The number of patents subsequently received by the surviving scientists falls by nearly twice as much (17% versus 9%).

"Immigrant inventors are more likely to rely on foreign technologies, to collaborate with foreign inventors, and to be cited in foreign markets, thus contributing to the... diffusion of ideas across borders," the authors conclude. Immigrants are 14% of the population in America, 16% of inventors and directly produce over 23% of innovation, measured by patents, patent citations and the economic value of those patents, the authors estimate. Taking into account how they make their native-born collaborators more productive, they are responsible for a staggering 36% of total innovation.

Given the advantages that highly skilled immigrants bring, you might think that countries would compete as vigorously to attract the best and brightest as companies do. Many governments say they want to lure the world's top talent. China's ruling party recently vowed to "improve the support mechanisms for recruiting talent from overseas", perhaps by allowing foreign scientists permanent residence. In America Joe Biden's administration has promised to streamline the process for admitting talented foreigners, especially those with skills in ^{AI}. Donald Trump has said that anyone who graduates from an American college should "automatically" get a green card (ie, permanent residence).

The smartest people are highly mobile. Only 3.6% of the world's population are migrants. But of the 1,000 people with the highest scores in the entrance exam for India's elite institutes of technology, 36% migrate after graduation. Among the top 100, 62% do. Among the top 20% of ^{AI} researchers in the world, 42% work abroad, according to MacroPolo, a think-tank in Chicago.

Yet few governments think systematically about luring talent, as a corporate recruiter would. Many have schemes to attract people with specific skills, in medicine or ^{AI}, say, but these are often piecemeal and bureaucratic. China's "Thousand Talents" programme, which involved big cash gifts to lure academics from abroad, enrolled only 8,000 scientists and engineers between 2008 and 2018, mostly of Chinese origin. In many countries, far more political energy is expended keeping out the huddled masses than enticing the excellent. Indeed, though some governments fight fiercely for footloose talent, others actively harm their own cause. Consider how America treated Deedy Das, a young ^{AI} whizz.

Mr Das, a Cornell graduate, has worked for Google (on search) and was part of the founding team at Glean, a startup that created an ^{AI} assistant and is now worth over \$2bn. He is precisely the kind of immigrant that both Mr Biden and Mr Trump say they want.

Yet when he wanted permanent residence, he faced a snag. America mandates that no country may receive more than 7% of green cards in a given year. This is tricky for applicants from populous countries, such as the Indian-born Mr Das. A typical Indian applicant can expect to wait 134 years for approval, estimates the Cato Institute, a think-tank. That the system is

still paper-based, when even much poorer countries such as Pakistan and Zambia have shifted to digital, does not help.

So Mr Das applied for what is colloquially known as the “genius visa”. He had to send 926 pages detailing his technical and commercial accomplishments to bureaucrats who struggled to understand either. He was rejected on what he calls “nonsensical” grounds: for failing to provide evidence he had, in fact, provided. He appealed and was eventually granted a visa.

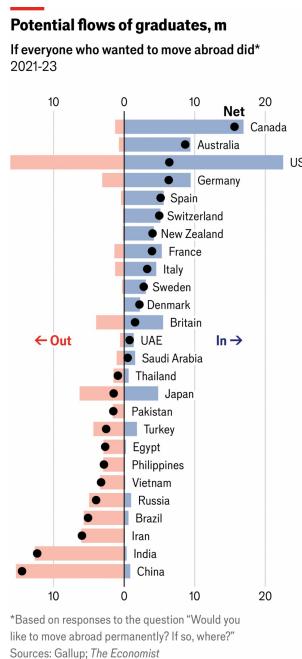
The process “stifles innovation”, he says. Certainly, it repels talent. A hefty 73% of foreign graduates of American universities say they would stay in the country if a visa were readily available. But it often isn’t, so only 41% actually stay, according to the Economic Innovation Group, a think-tank. This may also be why, although American universities are widely considered the world’s best, America has been losing market share to Australia and Canada over the past two decades.

Brain retain

Contrast this with how Dubai welcomed Simon Williams, a British banker with HSBC. It took him a week and minimal hassle to get a residency visa. The United Arab Emirates (of which Dubai is part) almost never allows foreigners to become citizens, but work permits for well-paid professionals are straightforward. Anyone who earns more than 50,000 dirhams (\$13,600) a month is eligible for a “golden visa”, valid for up to ten years, as are scientists, inventors and even some artists.

Settling in is simple, too. Mr Williams says it took him only a week to obtain a local ID, driving licence, phone number, bank account, credit card and a licence to buy alcohol, which devout locals shun. A “super-efficient” airport helps. Mr Williams contrasts “the dreaded 90-minute queue at a US airport to deal with an immigration officer who rarely seems pleased you’ve come to visit” with the UAE’s high-tech system. Arriving in Dubai, “My passport stays in my pocket, the camera recognises me, the screen says, ‘Hello Simon J. Williams’ and the gate opens.” He feels both more welcome and more secure.

To estimate how much footloose talent countries might gain if they were more open to it, *The Economist* analysed data from the Gallup World Poll. This is an annual survey of nearly 200,000 people from more than 150 countries and territories. Among other things, it asks people whether they would like to move abroad permanently if they had the chance and if so, where? As a proxy for talent, we considered only respondents who said they had completed an undergraduate degree. Using data from 2010-23 (excluding 2019 and 2020, when few surveys were conducted), we estimated how many graduates each country could expect to gain and lose if moving were easy.



Three big, rich, English-speaking countries are the most powerful magnets (see chart above). If there were no barriers to entry, 23m graduates would move to America, 17m to Canada and 9m to Australia, we estimate. Taking account of the number who would consider leaving these countries, global free movement for graduates would raise the number of them in the US by 7% (see chart below). Canada, Australia and Switzerland would see their graduate populations rise by a factor of around 2.5; New Zealand by over fourfold.

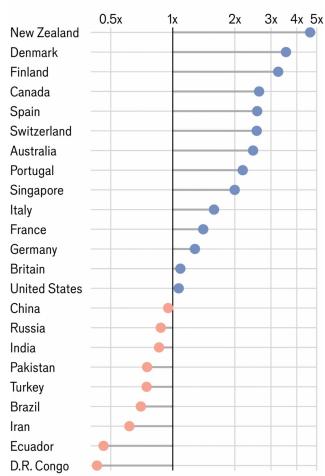
At the other end of the scale, China and India would lose the largest number of graduates in absolute terms (14m and 12m respectively). In relative terms,

however, places like Iran, Ecuador and the Democratic Republic of Congo would see the biggest net outflows. The UAE would see only a modest inflow. A port in the desert is not inherently attractive—it is policy that makes it so.

Disproportionate effect

Potential brain gain/loss, 2021-23

Change in size of graduate population if everyone who wanted to move abroad did*, selected countries, log scale



*Based on responses to the question "Would you like to move abroad permanently? If so, where?"

Sources: Gallup; *The Economist*

Many things that make a country attractive are beyond a government's control. Belgium cannot aspire to New Zealand's scenic beauty, nor New Zealand to Belgium's location. The most important pull factor—the quality of job opportunities—is hard to change in the short run.

Places where talent clusters have an enormous advantage, since high-flyers like to work with other high-flyers in the same field. This is why, for example, 57% of the top 20% of AI researchers worked in America in 2022. China is catching up fast, largely because it trains a huge number of AI experts at home. But more than half of elite Chinese AI researchers work outside China, whereas America hosts nearly twice as many elite AI researchers as it trains.

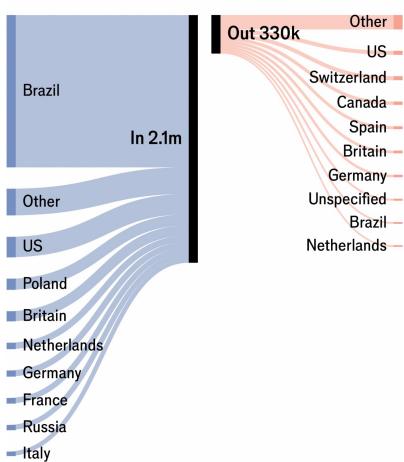
Still, whatever their starting-point, there are plenty of things governments can do to make their countries more appealing to foreign talent. They can simplify the processes by which highly skilled workers enter the country, and foreign graduates of local universities enter the workplace. They can treat foreigners with respect. They can adapt to changes in global labour

markets, such as the rise of digital nomads. And they can make it easier to build infrastructure to accommodate newcomers.

Portugal is something of a model in this respect. Only a decade and a half ago, it was considered a backwater. By *The Economist*'s calculations, using survey data from 2010-12, if all graduates who had wanted to move there had done so, its graduate population would have increased by just 1%. But repeating the calculation using survey data from 2021-23, its graduate population swells by 140%.

Portugal, potential flows of graduates

If everyone who wanted to move abroad did*
2021-23



*Based on responses to the question "Would you like to move abroad permanently? If so, where?"

Sources: Gallup; UN; World Bank; *The Economist*

In some ways, the global financial crisis helped. The country was so broke it needed a bail-out. The government had to sell the national airline, and the new private owners initiated many more flights to the United States, putting Portugal on the map for many Americans. More broadly, the Portuguese government had to think harder about how to foster growth, and opted to open up to talented and rich immigrants. "It has made a real effort to make it easier to get visas [for skilled workers]," says André Filipe of Critical TechWorks, a Portuguese firm that designs software for ^{BMW}. "There's much less red tape."

Portugal is also adept at integrating skilled newcomers into the labour force. A study by Lighthouse Reports found that college-educated migrants in

Portugal were more likely than those in other EU countries to be doing jobs that matched their skills. Many governments do not recognise qualifications earned abroad, or make the process difficult. As covid-19 was spreading, Jeanne Balatova and Michael Fix of the Migration Policy Institute estimated that there were 165,000 foreign-trained nurses and doctors in America whose skills were being wasted.

Portugal has made shrewd use of other advantages, too, such as a mild climate and tasty but healthy cuisine. For example, NOVA, a business school, relocated from the centre of Lisbon to a new campus by the beach in 2018. It entices foreign students not only with instruction in English and a rigorous curriculum, but also because “It’s nice to live here,” as Pedro Oliveira, the dean, puts it. Overlooking the main concourse is a jaunty, turquoise statue of an executive in a business suit, barefoot and carrying a surfboard. A walkway leads to the sea. Half the staff and 70% of master’s students are foreign, with Germans and Italians forming the largest contingents. The diversity of perspectives in the classroom enriches debate, says Mr Oliveira.

Portugal’s population of legal immigrants has shot up, from fewer than 400,000 in 2015 to more than 1m today. On June 3rd the new prime minister, Luis Montenegro, came to NOVA to unveil a new immigration policy that aims to make Portugal even more alluring to young, highly skilled migrants.

Brain campaign

Lowering barriers is more effective than offering carrots. Raj Choudhury of Harvard Business School and others used a data set of work-related migration reforms in 15 countries over 26 years and found that policies discouraging inventors from moving had a large negative effect on patenting by multinational firms. Policies designed to encourage such mobility had a positive but much smaller effect.

In some countries, such as Canada, Sweden and the UAE, getting a work visa is relatively easy for the highly skilled. Some places make it easy for foreign students to enter the workplace, too: graduates of Danish universities automatically get a three-year work permit, for instance. Simple, objective

rules speed things up: allowing in anyone who earns more than a certain sum, for example, or giving applicants points for such things as youth, qualifications or linguistic proficiency.

Giving bureaucrats too much discretion tends to have the opposite effect. Whereas Finland uses ^{AI} to issue residence permits to students who meet certain criteria, reserving human immigration officials only for difficult cases, Italy has a government commission to decide which startups are innovative enough to merit an investor visa. “It’s insane,” says Chris Kaelin of Henley and Partners, a consultancy. “Governments are no good at judging business plans. It would be much better to say, ‘Invest 500,000 euros and you’re in.’”

Fragomen, a law firm, compiles indices on more than 100 countries’ immigration systems. On its index of “restrictive practices”, America is rated second-worst, after Iraq. Another measure looks at how long it takes, on average, to obtain a visa for a foreign employee. The range in rich countries is astonishingly wide, from 34 days in Israel to 232 in Italy.

Delays deter not only jobseekers but also potential employers, notes Mr Hernandez. Suppose a firm in America has a crucial vacancy that needs filling right now, and has found the perfect candidate. Alas, she is foreign, so she needs an ^{H-1B} visa (for highly skilled workers). The firm must apply to the Department of Labour, showing it has tried to find an American citizen and will not undercut local wages. If the Labour Department approves, the firm must then apply to the immigration authorities, which will sit on the application until the following April, when they hold a lottery. At this stage three-quarters of applications—all for professionals with firm job offers, on average pay of \$130,000 a year—are rejected. If the firm is unlucky, which it will not know until May, it has paid an immigration lawyer serious cash for no result.

If the company wins the lottery, it must wait until the following October to fill the post. Even then, the visa is valid for only three years, and renewing it is complicated. “[G]iven the choice between a prostate exam and sponsoring a work visa, hiring managers will probably choose the former,” suggests Mr Hernandez. An analysis by the *Washington Post* found that it would be

easier for a skilled worker to get a work permit by crossing the border illegally and claiming asylum.

The randomness of the lottery does at least make it easier to study its baleful effects. Jun Chen of Renmin University and others looked at 17,000 startups based in America and backed by venture capital between 2003 and 2016. Over a third petitioned for at least one H-1B visa, but on average they were granted barely half the visas they wanted. By comparing firms that won the lottery with those that didn't, Mr Chen and his co-authors found that getting more visas improved a firm's "financial performance, likelihood of going public, and quantity and quality of innovation".

Many high-flyers do not fly alone. To woo them, countries need to consider their families, too. In Dubai holders of a golden visa can sponsor their spouses for a work visa, as well as an "unlimited" number of domestic staff. "It was only two hours' work to get our nanny a visa," gushes one expat. Add cheaper property and zero income tax and his family is much more comfortable in the UAE than they were in London, he says.

Brain disdain

In America, in contrast, skilled migrants may find that their children are deported when they reach adulthood and are no longer deemed dependants. Fedora Castelino, for instance, moved to the US at the age of six. In 2015 her father, who works for a life-sciences firm, applied for a green card, which would grant permanent residence to him and his dependants. But like Mr Das, he is an Indian citizen, so the wait could be excruciating. In November, when Ms Castelino turns 21, she may have to leave the country she calls home and pursue her career—she hopes to be a doctor—elsewhere. She is considering Canada.

Treating foreigners with respect ought to be easy. But many governments are so obsessed with security that they fail. China under Xi Jinping has become far more prickly. Expats have to register with the police every time they leave and come back. Hotels must alert the authorities when a foreigner checks in; many small ones simply turn foreigners away to avoid the hassle, as your correspondent discovered when half a dozen refused him a bed on a

snowy night in Hebei province. Official campaigns warn Chinese women that their foreign boyfriends could be spies.

China's reputation as a land of opportunity for expats is "long gone", says Jens Eskelund of the European Union Chamber of Commerce in China. "Ten years ago, you needed to have China on your cv. [Now] people will ask, 'Why are you in China, couldn't you find anything better?' [There's a] perception that it's difficult to live [here], and that is exacerbated when you arrive at the airport and you cannot pay for anything unless you have a Chinese app... You cannot even buy a cup of coffee."

There is little public appetite for immigration. In 2020 a proposal to ease the path to residency for rich or skilled foreigners faced a populist backlash, with men promising to protect Chinese women from immigrants. The head of a think-tank which promoted the scheme was vilified online as a traitor. Small wonder that, as a study by MERICS, a think-tank, concluded, China "has not been very successful" in attracting talent that does not already have strong ties to the country.

Even Hong Kong, the most open part of China, has lost much of its appeal for expats. A banker who was in Hong Kong during the pandemic recalls the misery of ultra-strict lockdowns, homeschooling three children in his flat and being forced to wear a mask indoors or risk being reported by his neighbours. He contrasts Hong Kong's "atmosphere of mistrust" with Dubai, where he now lives. "You talk to any Emirati and they say 'Do you like it here? What can we do make you like it better?'"



Helal al-Marri, the director-general of Dubai's Department of Economy and Tourism, offers a trivial but revealing example. Some expats complained that a local rule barred them from walking their dogs on beaches. Emirati officials had thought the rule uncontroversial (and many Muslims consider dogs unclean). But on realising that it bothered foreigners, they reached a compromise. Some beaches are now dedicated to dog-walkers.

Since covid-19 revealed that many white-collar jobs could be done remotely, many countries have tried to attract digital nomads. Dozens offer remote-worker visas. Growth in the number of American digital nomads has slowed since the height of the pandemic, according to MBO Partners, a consultancy, but a hefty 11% of American workers describe themselves as such. They tend to be younger than average, and happier with their work.

The places that lure them best often have low taxes or a pleasant lifestyle and relatively easy entry requirements. Vivek Shankar, a content marketing strategist for financial firms, has been a digital nomad since 2019. He tried living in Dubai but found it "very consumerist". "The minute you land you are bombarded with messages saying you need to buy this or that, and ... need to have a certain income or you're not worth much." So he moved to Portugal, which is "more normal". There are places to hang out and meet people without spending money, he says. And he can surf in his spare time.

Places that compete for digital nomads typically hope to persuade them to stick around. This can be hard. A study of nomads in America found that they stay on average only 71 days in a city. However, a study of a scheme to attract such people to Tulsa, Oklahoma found that it helps to make them feel part of a community, for example by helping them with office space and encouraging them to join school boards. Three-quarters of the participants stayed at least two years.

One problem with migrants is that they need somewhere to live. If lots of well-heeled ones arrive in a place where housing supply is limited, they can drive up prices, infuriating locals and creating a backlash. This has happened in many places, from Sydney to Singapore. It is especially likely if governments offer visas to those who simply buy a property, as happens in Greece, Hungary and Malta. Such schemes have recently been scrapped in Ireland, Spain and Portugal.

House-price inflation is one reason why Australia and Canada, previously welcoming places, have recently sought to curb the inflow of immigrants. However, house prices can be kept in check by allowing more construction. Dubai has far less land than Australia or Canada, but its government is confident that it can cope with the population more than doubling by 2040.

This year is the biggest election year in history, with countries that are home to 4.2bn people holding ballots. That bodes ill for talent mobility, says Julia Onslow-Cole of Fragomen. Candidates for office often promise to tighten immigration policies, sometimes using rhetoric that puts off top talent from abroad. The first promise of Mr Trump's manifesto is to "SEAL THE BORDER". "We're gaming what a second Trump administration might look like and it's bleak on legal immigration," says Ms Onslow-Cole.

Which hardly sounds like a recipe for making America great again. To adapt Damon Runyan, the race is not always to the swift nor the greatest success to the country that attracts the most human capital—but that's how the smart money bets. ■

United States

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- [Our new forecast for America's presidential election](#)
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United States | On the eve of escalation

America prepares for a new nuclear-arms race

Its build-up could start as early as 2026

August 12th 2024

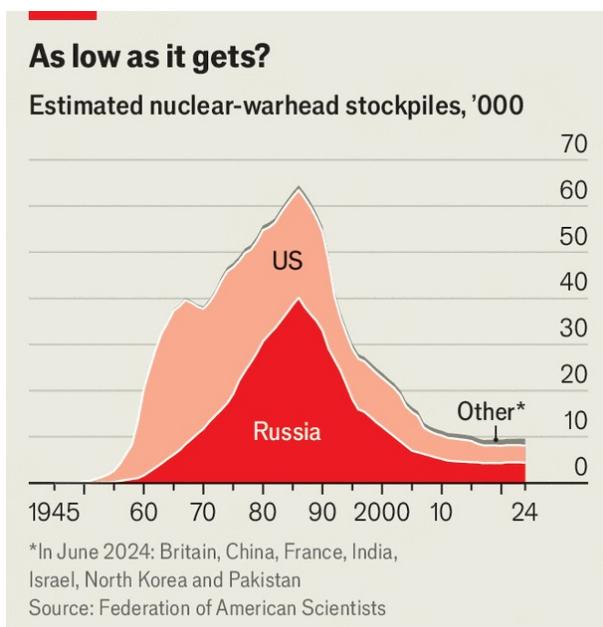


IN THE PENTAGON these days, those who plan for Doomsday have a new nightmare: no longer yesteryear's dread of one big nuclear foe, but of several at the same time. What if, asks one official, [Russia](#) attacked a [NATO country](#), drawing America in to defend Europe; then China seized on America's distraction to invade [Taiwan](#); and then North Korea decided to attack the south? Three wars; three sets of friends and allies; three unpredictable nuclear crises. Could America handle them all?

The answer seems to be “probably not for much longer”, to judge from striking recent statements by senior American officials. Indeed, President Joe Biden’s administration has begun preparing for the expansion of America’s deployed nuclear forces, after decades of deep cuts.

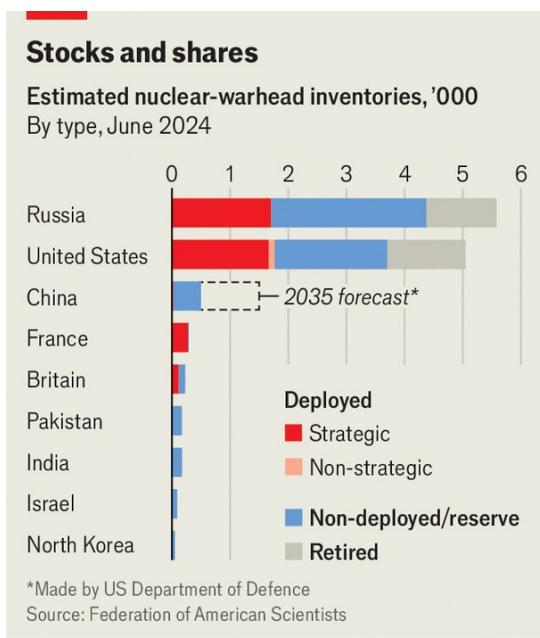
The build-up could begin in 2026, with the expiry of New START, a treaty between America and Russia that restricts the world's two largest nuclear arsenals. "If the president were to decide, upon the expiration of New START in February 2026, that we need to increase the size of the deployed force, we want to be in a position to execute relatively quickly," says a senior American defence official. How far and fast any build-up goes will depend in part on whether the next president is Kamala Harris, who may try to preserve efforts to limit nukes, or Donald Trump, who was a nuclear hawk in his first term.

Biden administration sources are careful to say that the current arsenal meets current threats, that they still hope for agreements to limit nuclear weapons and that no decision has been taken to deploy more. But carefully in June, and now bluntly, officials are warning of growing risks. "We now find ourselves in nothing short of a new nuclear age," said Vipin Narang, a senior Pentagon official, in a speech on August 1st. He pointed to the "unprecedented mix of multiple revisionist nuclear challengers who are uninterested in arms control or risk-reduction efforts, each rapidly modernising and expanding their nuclear arsenals". Their actions "have forced us to shift to a more competitive approach".



Thanks to arms-control treaties, the world's nuclear stockpile shrank from more than 70,000 warheads in 1986 to about 12,000 today. In 2009 Barack Obama spoke of seeking "a world without nuclear weapons". As recently as October 2022 the Biden administration's nuclear posture review clung to the notion of "reducing the role of nuclear weapons in ^{us} strategy".

Now Mr Narang says the quarter-century of "nuclear intermission" is over. Russia has repeatedly threatened to use nuclear weapons in Ukraine. America says Russia also plans to deploy nuclear weapons in orbit, designed to destroy satellites, in breach of the Outer Space Treaty of 1967. China's arsenal, meanwhile, is expanding rapidly. The Pentagon estimates it could grow from a few hundred warheads to perhaps 1,500 by 2035. North Korea has intensified tests of intercontinental ballistic missiles (^{ICBMS}) to carry its nukes. In June it signed a mutual-defence treaty with Russia. North Korea has supplied Russia with artillery shells. What is Russia giving in return? America fears it could be missile and other weapons technology. Similar worries apply to Iran, now a nuclear "threshold" state, which has supplied Russia with drones and missiles.



The Economist

Russia has suspended parts of New ^{START}, though both sides abide by its limits for "strategic" (long-range) weapons: 1,550 deployed warheads and 700 missiles and heavy bombers. Russia does not seem interested in resuming

arms-control talks; China, wanting something closer to parity with its peers, has never much cared for them. Preparing for a nuclear free-for-all, says Mr Narang, may yet “help incentivise our adversaries to engage in strategic arms-control discussions”; if not, America is “prepared to do what is necessary” to deter rivals and assure allies.

James Acton of the Carnegie Endowment for International Peace, a think-tank in Washington, DC, says such talk points to “the increasing inevitability of a new arms race”. It is also evidence that, as he puts it, the Pentagon and Strategic Command, which would oversee any nuclear war, “are increasingly convinced that they need more nukes” and are winning the bureaucratic battle.

The fate of the nuclear-armed sea-launched cruise missile (^{SLCM-N}) highlights the new mindset. The system was proposed in 2018 by the Trump administration to provide “low-yield” or “tactical” nuclear weapons, to be fired from ships or submarines in potential regional conflicts. The Biden administration tried to cancel ^{SLCM-N}, arguing it would “divert resources” from an already ambitious programme to modernise all three legs of America’s “triad” of land-, sea- and air-launched nuclear weapons. The upgrade includes new ^{ICBM}S (Sentinel missiles replacing Minuteman IIIIs), new ballistic-missile submarines (Columbia-class boats succeeding Ohio-class ones) and new bombers (^{B-21} jets superseding ^{B-2}s and ^{B-52}s), as well as new nuclear command-and-control systems.

Congress, however, has preserved ^{SLCM-N}. Now Mr Narang extols its virtues. Using tactical nuclear weapons in a regional crisis, he argued, would free strategic ones to strike at the growing number of strategic targets (eg, China’s large new ^{ICBM} silo fields which, officials say, are already straining the capacity of America’s nuclear force). He said ^{SLCM-N} would also reduce the “risk of miscalculation”, ie, that a foe could mistake a limited nuclear exchange for an all-out nuclear attack.

To comply with New ^{START}, America disabled some launch tubes on submarines, tipped long-range missiles with single rather than multiple warheads and converted some nuclear bombers to conventional use. America can still reverse the process by “uploading” some or all of the 1,900 warheads it holds in reserve. In 2002 an air-force general, Franklin Blaisdell,

suggested it could take just days to load reserve warheads onto aircraft; months to add them to submarines; and a year or so to convert ^{ICBMs}. Building a larger total stockpile would take longer, experts say.

How many nukes are enough?

Mr Narang insists that America does not need to match its foes warhead for warhead. Officials add that much depends on esoteric calculations about the probability of destroying a particular target, whether nuclear-armed submarines can be destroyed by conventional means, how many weapons are likely to survive an enemy's first strike and so on. Franklin Miller, a former Pentagon official, has suggested roughly doubling the current force to 3,000-3,500 deployed warheads.

Critics decry such reckoning as the madness of modern-day Dr Strangeloves. They also argue that, in a war over Taiwan, say, China is unlikely to distinguish between tactical and strategic attacks on its forces. Some want a "minimum" deterrent: just enough to destroy the enemy's main cities after a surprise attack. "What nuclear weapons are good for is destroying countries that use nuclear weapons against you," says Jeffrey Lewis of the Middlebury Institute of International Studies. To confront the likes of Russia, he says, America's 5,000-plus warheads do not offer much more deterrence than France's 300-odd.

Yet China, the most prominent proponent of minimum deterrence, has adopted the logic that more nukes are better. What of China's rival, India; and of India's rival, Pakistan? A new nuclear arms race could be more complex than the terrifying Soviet-American rivalry of the cold war. ■

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United States | The Gaza question

Can Kamala Harris win Michigan without Arab-American voters?

The Democratic nominee will have tricky territory to navigate at next week's party convention

August 13th 2024



Getty Images

Kamala Harris's first encounter with pro-Palestinian protesters since [becoming the Democratic nominee](#) unfolded at a campaign rally in a Michigan suburb on August 7th. As Ms Harris spoke to thousands of buoyant supporters, the dissenters disrupted the party vibe: "Kamala, Kamala, you can't hide! We won't vote for genocide!" Ms Harris acknowledged their right to speak, but as they carried on, she lost patience: "You know what? If you want Donald Trump to win, then say that. Otherwise, I'm speaking."

The setting for the confrontation was hardly surprising. Michigan gave birth to the movement that encouraged Democrats to cast “[uncommitted](#)” ballots during the primaries, to protest against Joe Biden’s handling of the war in Gaza. Some 13% of voters in Michigan’s Democratic primary did so. The protest vote was most pronounced on college campuses and in the city of Dearborn, where a majority of residents are of Arab heritage. In nearly half of Dearborn’s precincts the uncommitted vote beat Mr Biden. In Michigan, a swing state, Mr Biden’s poll numbers sank well below the support he enjoyed in 2020, when he won by 2.8 points.

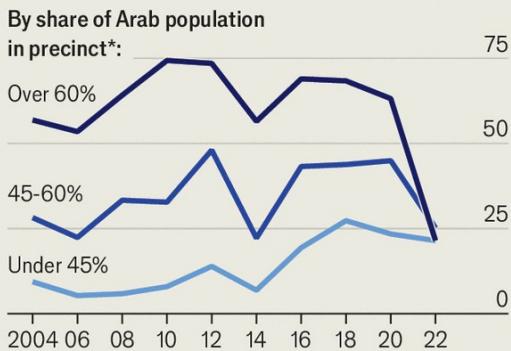
Keep up with the contest between Kamala Harris and Donald Trump with our [us election poll tracker](#)

In a close election, young pro-Palestinian voters and the small but changeable Arab-American electorate in Michigan may be decisive. But Ms Harris is doing better in the state, for now. A *New York Times*/Siena College poll of likely voters has her up by four points. There is evidence that she is not being as widely blamed as Mr Biden was for the bloodshed in Gaza.

Democratic weakness among Michigan’s Arab-American voters—2-3% of the state’s electorate—predates Gaza. Their preferences track America’s forever wars and culture wars. George W. Bush won a majority of the state’s Arab vote in 2000. But after September 11th 2001 and the invasion of Iraq, Arab-Americans drifted towards Democrats. For the next five presidential elections Democratic strength among these voters seemed unshakable. In 2020 mostly-Arab precincts in Dearborn favoured Mr Biden by a 67-point margin.

Before the war

Michigan, Democratic vote margin in precincts* relative to state margin in presidential and midterm elections, percentage points

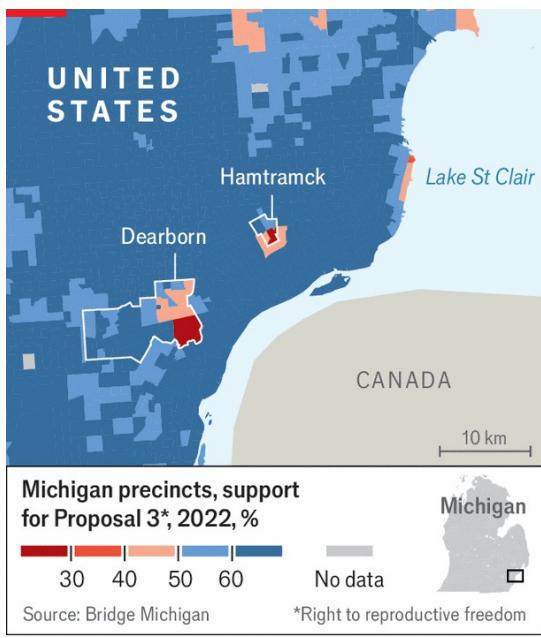


*Within the cities of Dearborn, Dearborn Heights and Hamtramck
Sources: Michigan Secretary of State; New York Times; The Economist

The Economist

But in the 2022 midterms, long before the war in Gaza, the vote moved back towards Republicans (see chart). The culture wars had come for Dearborn. Concerns that the school library stocked young-adult books with gay characters turned school-board meetings combative. “Republicans were gaining a foothold,” recalls Abed Hammoud, a Democrat and founder of the Arab American Political Action Committee.

A referendum that year to enshrine abortion rights in Michigan’s constitution won statewide by 13 points. But it lost outright in some Dearborn precincts and the city of Hamtramck (see map), which is home to a large Yemeni population. Gretchen Whitmer, a Democrat, won re-election as governor but saw her vote share fall by 22 points in majority-Arab precincts in Dearborn compared with four years earlier.



The Economist

Then came the war in Gaza. “You had a fire that was simmering, and somebody poured gasoline on it,” says Mr Hammoud. “At this point everything is seen through the lens of Gaza,” he added. As the devastation there mounted, opposition to Mr Biden intensified. Yet since she has become the nominee, Ms Harris appears much better positioned to withstand the protests.

In June some 65% of Democrats who said they were more sympathetic to the Palestinians in the Israel-Palestinian conflict said they had a favourable view of Ms Harris. In the first poll conducted after Mr Biden dropped out, favourable views of her among this group rose by 14 points. And she has also improved her support among Democrats more sympathetic to Israel, whose favourable assessment of Ms Harris rose from 73% to 89%.

Next week Democrats will gather in Chicago to hail Ms Harris as their nominee. Protesters are also expected. A group that puzzlingly still calls itself the Abandon Biden campaign will hold a convention in the city headlined by two pro-Palestinian third-party candidates, Jill Stein and Cornel West. The “uncommitted” movement hopes to organise the handful of delegates it won in the primaries to show support inside the Democratic convention for an arms embargo, something Ms Harris’s campaign has rejected. Ms Harris will be speaking, but will she be listening? ■

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United States | Too close to call

Our new forecast for America's presidential election

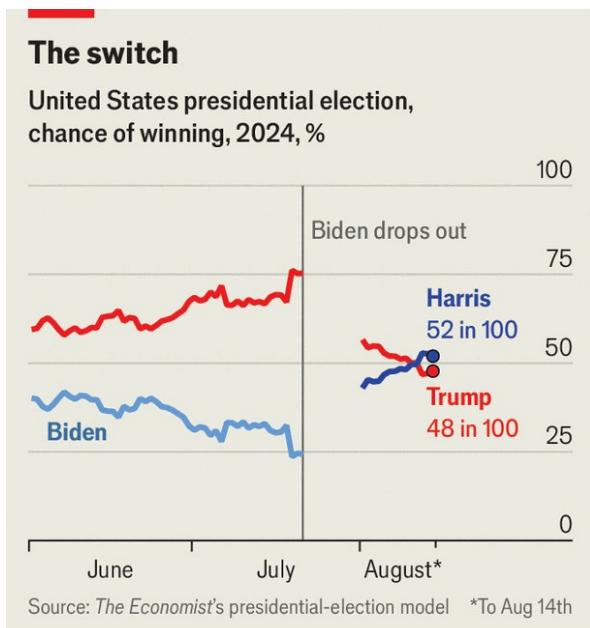
Why the polls don't tell the whole story

August 15th 2024



Getty Images

With the benefit of hindsight, it is easy to paint Kamala Harris's polling surge as inevitable. Americans consistently told pollsters they were dissatisfied with their presidential nominees. But Ms Harris has far exceeded expectations. She has transformed her personal ratings and enthused the Democratic base. She leads Donald Trump nationwide by three percentage points and has overtaken him in the most recent polling of most swing states. Our revised presidential forecast, launched this week, shows that on July 21st, the day he withdrew, Joe Biden had a 24% chance of re-election. Now, Ms Harris has a 52% chance of winning in November—in effect, it's a toss-up.



The Economist

Our model believes she would be the narrow favourite if the election were held today, with a 61% chance of winning. But history cautions against relying too heavily on polls at this stage. So far there are only three weeks' worth of polls with Ms Harris and Mr Trump as candidates. During that time, Ms Harris's numbers have improved markedly. But what has recently gone up could very well come back down. Our forecast therefore combines polling with "fundamentals"—based on more stable, long-term trends.

Keep up with the contest between Kamala Harris and Donald Trump with our [us election forecast model](#)

So what is our fundamentals prediction? Based on past elections, it suggests that Ms Harris will win the national popular vote by 1.8 percentage points. She benefits from not being the president at a time when our model takes the economy to be a slight political burden for the incumbent, thanks to accumulated inflation and lacklustre consumer sentiment. She also benefits from the Democrats being in power for only one term (parties in power for eight years or longer tend to suffer at the ballot box). But history suggests she will still be hurt by Mr Biden's low approval ratings.

Crucially, our fundamentals model expects Democrats to continue to face an electoral-college disadvantage. In 2016 and 2020 polls underestimated Mr

Trump's performance in swing states in the Midwest. Our model expects Ms Harris to do worse in those states than she does nationwide. As a result, the fundamentals point to her winning the popular vote while losing the election—as Hillary Clinton did in 2016.

For now, Ms Harris is outperforming this prediction, leading by more than 1.8 points. Her swing-state polling has been mirroring this picture. Recent polling by the *New York Times*/Siena College had Ms Harris leading Mr Trump by four points in each of Michigan, Pennsylvania and Wisconsin. Another pollster, David Wolfson, found her leading by six points in Nevada; others put her ahead in Arizona; and a poll by YouGov Blue showed her tied in North Carolina, a state Mr Trump won in 2020.

Our forecast takes these polls seriously, but cautiously. Ms Harris's success may partly be the result of a sugar high. In a matter of weeks, American news coverage turned from very unfavourable for Democrats—lauding Mr Trump's debate victory, reacting to his brush with death by assassination and reflecting an enthusiastic Republican National Convention—to very favourable for them.

The rapid change in mood could have led to a phenomenon known as “partisan non-response bias”, when enthused partisans are more likely to respond to pollsters, artificially boosting their candidate's score. Opinions of Ms Harris may shift as Republicans hone their attacks over the coming weeks. Intense campaigning between now and November could remind voters why they have such a negative view of the administration in which she serves.

Ms Harris has achieved an impressive improvement on Mr Biden's position. But she has a lot more work to do to establish a lasting lead. ■

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United States | God and grades

Pious pupils in America perform better

But that does not justify Republican efforts to put Christianity into classrooms

August 15th 2024



Religion is making a comeback in American public schools, and Republicans are leading the charge. In April Ron DeSantis, Florida's governor, signed a bill to allow clergy in public schools (Texas and Louisiana have passed similar laws). In June Louisiana passed a law requiring that the Ten Commandments be displayed in every public-school classroom. A week later Oklahoma's state superintendent directed all public schools to teach the Bible.

America is very religious compared with other rich countries. In 2018 a study by Pew, a pollster, found that 53% of Americans say religion is important to their lives, whereas only 27% of Canadians, 22% of Spaniards

and 10% of Britons agree. But the picture is uneven. Republicans are much more likely than Democrats to identify as religious (61% versus 37%). Southern states are also generally more religious than others. Whereas 77% of adults in Alabama and Mississippi identify as highly religious, only one-third of adults in New Hampshire and Massachusetts do.

So it is no surprise that the push to insert religion in schools is coming mostly from Republican-led states in the South. And it is resisted by many who are deeply sceptical about religion in public schools. The Supreme Court has generally ruled in favour of the separation of church and state, with a few recent exceptions.

Amid the arguments, one thing that tends to be overlooked is the evidence of religion's impact on performance. Research shows that religious pupils do better in school. Pious pupils have higher grades, better attendance records and complete more years of college.

Perhaps the fear of God motivates these holy high-achievers. "There are kids who really believe that God is watching them or God is intervening in their life or somehow judging them," says Ilana Horwitz, an assistant professor at Tulane University and the author of "God, Grades, and Graduation". "It prompts kids to behave in ways they think are pleasing to God." A child who regularly attends church will also have more adults in the community watching over them, says Dr Horwitz. They may think twice before shoplifting or skipping school. Studies find that more religious children drink and use drugs less and have fewer sexual partners than their peers.

"A lot of religious communities...are learning communities," says Michael Wear, founder of the Centre for Christianity and Public Life, a non-profit organisation, and a former White House staffer under President Barack Obama. "They read together, they engage in dialogue together and build all kinds of skills."

Naysayers, such as those suing to prevent the implementation of those new laws in schools, may dismiss these findings as proxies for strong families and societies. Parents who can attend weekly services or teach their children about God may simply be more stable. Yet a study from Stanford University

and the University of North Carolina at Chapel Hill found that even within families, the more religious sibling performs better in school.

Although the academic evidence seems to support the positive academic impact of religiosity, there are wrinkles. First, atheists also do better in school when compared with the mildly faithful. While religious pupils seem to be motivated by God, atheists seem to be motivated by the pursuit of knowledge (and they probably also enjoy being defiant). Second, religion leads to outperformance only for certain people. Religiosity is most helpful for working-class and middle-class children. Poor children have too many barriers to overcome, explains Dr Horwitz, and wealthy ones will probably do well regardless. Lastly, religious children underperform in one area: graduation from selective colleges. They tend to prioritise their families and communities; pursuing an elite education is less important to them.

Crucially, there is little evidence that the proposed school programmes—adding clergy, requiring Bible readings, displaying religious text—will do anything to help pupils reap the benefits of religiosity. God is good but, as the Bible argues, His name should not be taken in vain. ■

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United States | Solo and the city

Studio flats are now affordable in many more American cities

According to our Carrie Bradshaw index

August 15th 2024



Getty Images

Living alone is the height of ambition for many young renters. The urge to shed untidy, loud or plain weird housemates pulls many towards a studio flat, akin to the one that Carrie Bradshaw, the heroine of “Sex and the City”, a hit TV series, once lived in. But how affordable are such places?

Carrie trade

Selected US cities, median wage relative to the affordable-studio wage, 2023, log scale



Sources: Bureau of Labour Statistics; Zumper

The Economist

To calculate this, *The Economist* applied the rule of thumb that you shouldn't spend more than 30% of your gross salary on rent. Using the latest studio-apartment rents in America's top 100 cities gathered by Zumper, an online property platform, we extrapolated the wage needed to be able to afford them. We then divided the actual median wage in each metropolitan area by this hypothetical wage, to produce a "Bradshaw score": any tally below 1 is unaffordable (see chart; and to see an interactive version, you can go to economist.com/Carrie-Bradshaw-2024). New York, where we reckon renters would need to earn a punchy \$147,000, scores just 0.4. Miami, Chicago and Boston follow closely. The best studio bargains include Detroit and Tucson, which need a salary of roughly \$30,000, well below the local medians.

Overall, rents (at least in our index) are falling. A construction boom, particularly in the Sun Belt, looks likely to mean that more than 500,000 new rental units are completed by the end of the year, a record. High interest rates have dampened sales, putting more rental properties on the market. And wage growth has helped. Last year our index deemed 38 cities affordable for an aspiring Carrie to rent. This year the number has shot up to 62. Cities that have become affordable include Phoenix, Dallas and Philadelphia. Good news for a chic scribbler looking for solace—if she's willing to branch out beyond Manhattan. ■

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United States | Trump v Kemp

Donald Trump plays with fire in Atlanta

Going after Georgia's popular Republican governor will do him no good in the state

August 12th 2024



AP

Among many [odd moves](#) Donald Trump has made since [Kamala Harris](#) swooped into the presidential race, one of the strangest came at a rally in Atlanta on August 3rd. Mr Trump devoted 11 minutes of his speech to insulting Brian Kemp, Georgia's Republican governor. He reprimanded "little Brian" for being "disloyal" by refusing to overturn Georgia's election results in 2020. He said that under Mr Kemp the state had "become a laughing-stock" and Atlanta a "killing field", suggested the governor was behind his criminal prosecution in Fulton County and accused him of "doing everything possible" to make Republicans lose in November.

Georgia's Republicans swiftly came to their governor's defence. "History has taught us this type of message doesn't sell well here in Georgia, sir," Brad Raffensperger, the secretary of state, wrote on X. Yet Mr Trump doubled down in a press conference on August 8th. Patricia Murphy, a columnist at the *Atlanta Journal Constitution*, summed it all up as a strategy for "how to lose a state in ten days".

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Trash-talking the home team is never a good idea. But there are three reasons why this move looks like a massive misstep. First, Mr Kemp is wildly popular. At 63%, his approval rating is better than that of any other battleground leader. He has brought new business to Georgia and passed a slate of conservative bills, including an election-integrity law, an abortion ban and permitless carry for gun-owners, without the bomb-throwing rhetoric of the ^{MAGA} movement. The cool-headed conservatism he has come to represent in Georgia has kept establishment Republicans on board. His southern drawl and love of Georgia's football make him the type of politician voters want to get a beer with.

Second, when Mr Trump feuds with Mr Kemp, he tends to lose. The tiff between them began years ago when the governor appointed a senator without the president's input. It simmered when Mr Trump criticised Mr Kemp for opening nail salons and gyms during the pandemic. And it boiled over in 2021, when Mr Kemp refused to recognise fake electors planning falsely to verify the president's re-election. When Mr Trump went after Mr Kemp the next year it did not go well. The governor trounced David Perdue, a former senator whom Mr Trump recruited to challenge him in the primary, by 52 points. Georgia's Republicans sent a clear message: if it is between their governor and their former president, they choose the governor.

The main reason Mr Trump's attack looks like a blunder is that most paths back to the White House run through Georgia—and the state is not looking nearly as locked in as his campaign had hoped. Before Joe Biden dropped out in mid-July, polls suggested Mr Trump would easily win there. New

numbers released last week show Mr Trump and Ms Harris in a dead heat. With 16 electoral-college votes, Georgia is the biggest prize after Pennsylvania among swing states. Mr Trump himself told the crowd at that same Atlanta rally that “If we lose Georgia, we lose the whole thing and our country goes to hell.”

Ridin’ the storm out

Mr Kemp has never swung back at Mr Trump. But there are signs of displeasure. In April Marty Kemp, Georgia’s First Lady, said she plans to write her husband’s name on the ballot in November rather than voting for Mr Trump. And in an interview in June, the governor admitted he had cast a blank ballot in the presidential primary.

Since the Atlanta rally, which he did not attend, he has been polite but firm. “My focus is on winning this November and saving our country from Kamala Harris and the Democrats—not engaging in petty personal insults, attacking fellow Republicans, or dwelling on the past,” he wrote on X, asking Mr Trump to “do the same”.

At a conservative conference in Atlanta days later he reiterated his pledge to use his political machine to turn out Republican voters and help Mr Trump win Georgia (without mentioning him by name). Nonetheless he alluded to Mr Trump’s barbs, joking about the two “big storms” that came through the state that week—one caused by the man at the top of his party’s ticket, the other a tropical hurricane. Charles Bullock, a political scientist at the University of Georgia, reckons that Mr Kemp will not actively campaign for Mr Trump this autumn, but instead distance himself as he did from Herschel Walker, a Trump-endorsed Senate candidate who lost to Raphael Warnock in the midterms.

Pundits suspect that Mr Trump will struggle to redeem himself from his Georgia snafu. At a Chamber of Commerce event in Atlanta, where Mr Kemp won standing ovations, business leaders who had previously backed Mr Trump talked about following in Ms Kemp’s footsteps and writing their governor’s name on their ballots in November. Others loyal to Mr Kemp might just stay at home—as they did after Mr Trump complained about how

“rigged” Georgia’s elections were on the eve of two run-offs that handed Democrats control of the Senate in 2021.

Swing voters want Mr Trump to show some restraint, respect and appreciation “for the kind of governance in Georgia that they’ve been blessed by”, says Cole Muzio, a Christian lobbyist close to Mr Kemp. “Georgia is not a state that wants to vote for Kamala Harris,” he believes. “But they will vote for Kamala Harris if Donald Trump cannot clear a basic hurdle of showing that he cares more about cause and country than his personal grievances.” ■

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United States | Lexington

Why the 2024 Chicago convention is not the 1968 convention

And the war in Gaza is not Kamala Harris's Vietnam

August 15th 2024



David Simonds

Democrats plan to convene in Chicago next week to celebrate as their presidential candidate a sitting vice-president who did not win a single primary vote. The candidate, a former senator, has a good record on civil rights but is tied to the White House's support for an unpopular war. Kamala Harris may be no Hubert Humphrey, but the parallels with the Democrats' calamitous Chicago convention of 1968 have sharpened since she replaced President Joe Biden at the top of the ticket. Party insiders ordained her, as they did Humphrey to replace Lyndon Johnson, and like Humphrey she has yet to distance herself from the president's handling of a war that has infuriated her party's left.

One could play this game for quite a while. As the Democrats head to Chicago, the echoes of the late 1960s can be deafening. In the foreground are protest organisers wrangling with Chicago's mayor over permits for what they say will be marches by tens of thousands; in the background is a society convulsed over arguments about academic freedom, free speech, race and income inequality, over surveillance and conspiracy theories and predictions of a cybernetic revolution that could make humans irrelevant, over fears of political violence and a fraying of law and order.

"The hottest idea was that a mood of radical helplessness was blanketing the land—America was suffering an epidemic of 'alienation', " writes Rick Perlstein in "Nixonland", his study of the forces that led to the rise of Richard Nixon, who won the presidency in 1968. In 1966 the Harris polling organisation invented an "alienation index" that averaged rates of agreement with five statements such as "The rich get richer and the poor get poorer" and "The people running the country don't really care what happens to you". All this anxiety and frustration was helpful to a Republican nominee seeking to motivate the white working class—the "forgotten" Americans, Nixon called them then, as Donald Trump does now—and to a third-party candidate, George Wallace, who wanted to divide Democrats.

Drawing such parallels is useful, but more for the reminder of how long such forces and tactics have shaped American politics than for any indication of a probable result. (Even the outcome in 1968 was not so obvious as it is often seen in retrospect: Humphrey lost the popular vote by less than a percentage point.) The war in Gaza presents a political challenge for Ms Harris but nothing like the burden Humphrey carried in 1968, the deadliest year of the Vietnam war for American forces, when half a million American troops were in place and the draft stalked a generation.

For the organisers of the protests next week, the elevation of Ms Harris has made no difference. "Let's be honest," says Hatem Abudayyeh, a spokesperson for the Coalition to March on the Democratic National Convention. "Kamala Harris is not a progressive." Since before Ms Harris became the nominee she has tried to offer tonal comfort to anti-war Democrats, but she has not deviated from the administration's policy. "None of us from the community are just willing to listen to her paying lip service"

to the plight of Palestinians, Mr Abudayyeh says. He wants an arms embargo and a halt of other aid to Israel if it does not stop the war.

In 1968 the protesters in Chicago had many allies inside the convention hall intent on writing the platform and nominating an anti-war candidate, Senator Eugene McCarthy of Minnesota. During the convention, on August 28th, the Democrats held a televised debate over their position on Vietnam. That night, police attacked protesters in Grant Park, outside the hotel where many delegates were staying. “It’s incredible, like a Bruegel,” McCarthy said, as he watched from his window.

Mr Abudayyeh is optimistic there will be no violence this time. But he is even more certain the Democrats will not accommodate protesters’ demands. The protesters have far fewer allies in the hall—perhaps 30 “uncommitted” delegates out of more than 4,600. The platform is already written. The draft, released before Mr Biden dropped out, describes Democrats’ support for Israel as “ironclad” and calls for defeating Hamas, as well as a ceasefire and the release of Israeli hostages.

The alienated American

The divide in the party over Israel is deep, but the anti-Israel left is on the defensive. Two Democratic members of Congress who accused Israel of genocide in Gaza lost their primaries this summer, in part because a pro-Israel group spent a combined \$25m on ads to defeat them. Both were vulnerable to accusations that they neglected their constituents’ real interests. That very vulnerability underscores that the war in Gaza does not matter as much as other issues to most Democrats, let alone to most Americans, who feel very alienated these days, according to the Harris Poll. Its index stood at 66 last year, compared with 36 in 1968.

Cannier leftists, while demanding an end to the war, have calibrated their positions with care. The Democratic Socialists of America recently withdrew its endorsement of Representative Alexandria Ocasio-Cortez of New York, accusing her of doing too little to help Palestinians and of a “deep betrayal” because she joined in an event to combat antisemitism. Ms Ocasio-Cortez appears to have concluded that to achieve outcomes one must

win elections. She was a stalwart supporter of Mr Biden until he dropped out, and is now of Ms Harris.

Before the election, Humphrey moved away from Johnson on Vietnam. But for Ms Harris the political risk of breaking with Mr Biden over Gaza is greater than that of sticking with him. Not only might she anger Democrats feeling renewed appreciation for the president, she would lend credence to Mr Trump's claims that she is in thrall to her party's left. One might also hope she actually believes that the policy she has been defending is the right one. ■

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The Americas

- [A bold plan to close the deadly Darién Gap unravels](#)
- [Peru's crazy drivers offer a data deluge for self-driving cars](#)

The Americas | Law of the jungle

A bold plan to close the deadly Darién Gap unravels

America and Panama struggle to control surging migration

August 15th 2024

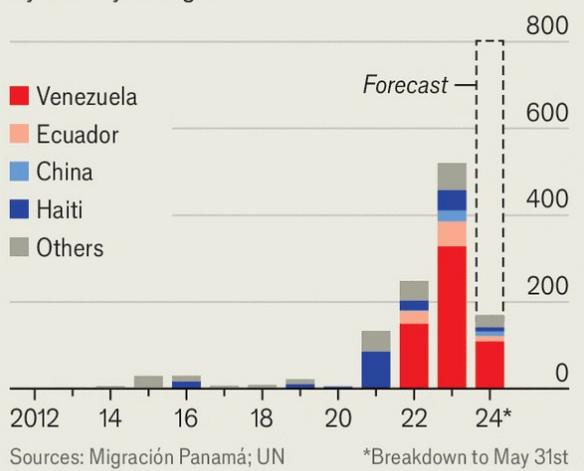


At a migrant shelter in the thick jungle of Colombia's Darién region a restaurant advertises fried fish, pork chops and 5G internet. A sign in cheerful bubble letters points the way to the border with Panama. Yet just a 30-minute walk along the muddy, steep path from the restaurant, a razor-wire fence stretches between the trees. "All I can say is that this route is closed," says an agent from Senafront, Panama's border force, an automatic rifle hanging from his shoulder. "As for 500 metres that way, or a kilometre that way, I don't know what to tell you."

Chasing the American dream

Irregular crossings through the Darién Gap, '000

By country of origin



Sources: Migración Panamá; UN

*Breakdown to May 31st

The Economist

The border agent's response typifies the mess at the Darién Gap, a treacherous stretch of jungle between Colombia and Panama. In recent years the number of migrants crossing it en route to the United States has rocketed (see chart). President Joe Biden's administration is desperate to stanch the flow. It thought it had found a kindred spirit in Panama's new president, José Raúl Mulino, who campaigned for office pledging to "close" the border. On July 1st Mr Mulino's government signed a memorandum of understanding with the United States which laid out the countries' intention to send illegal migrants home. But just weeks later Mr Mulino appears to be backtracking. This has blindsided the United States and is worsening the chaos in the jungle.

The Darién Gap was long considered too dangerous to cross. Those who dared had to cope with poisonous snakes, rapid rivers, and bandits who rape and rob travellers. But rising violence, tyranny and economic hardship in Latin America and beyond are pushing ever-larger numbers of people to make the perilous trek. In 2014 fewer than 10,000 migrants crossed the gap. Last year more than 500,000 did. Another surge is expected as a result of Venezuela's presidential election on July 28th, which was stolen by the ruling autocrat, Nicolás Maduro.

Under the agreement signed by the governments of Messrs Mulino and Biden, migrants who do not have the right to be in Panama would be sent home on flights paid for by the United States. Panama has received an initial sum of \$6m to equip and train Senafront agents and to pay for repatriation flights. On August 14th the two heads of state had a telephone call in which they confirmed that the flights would begin at the end of the month. Mr Mulino has sent more agents to patrol the border and has blocked several routes through the jungle with barbed wire.



On paper, the plan is clear. In practice, it is impossible to fulfil. Almost everyone needs a valid passport to enter Panama legally, and many people need a visa. But according to the United Nations High Commissioner for Refugees only 7% of Venezuelan migrants, who make up two-thirds of those crossing the gap, have valid passports. Visas are also vanishingly rare. This means that virtually all Darién Gap migrants could be deemed fit for deportation. In order to send them home, Panama would need to have agreements with the receiving countries. Discussions are beginning with Colombia and Ecuador. Following Mr Maduro's electoral fraud, Panama's government suspended diplomatic relations with Venezuela.

In the face of these and other logistical hurdles, Mr Mulino appears to have given up on the original plan. On July 18th he said that deportation flights

would be voluntary. If migrants do not want to return home, he said, “then they’ll go [to the United States]. I can’t arrest them, we can’t forcibly repatriate them.” Only wanted criminals would be forcibly expelled.

Yet hardly anyone will choose to go back home. Venezuela is in economic free-fall, which has led almost 8m people to flee the country. Mr Maduro is tightening his tyrannical grip. Since the election, over 2,400 protesters have been detained. Haiti and Ecuador, the sources of the next-largest groups of travellers, are dealing with extreme gang violence. With the worst of their journey behind them, the vast majority of migrants will push on.

Instead of closing the border, Panama’s government is now talking about creating a “humanitarian corridor”. Jorge Gobea, the head of Senafront, says the barbed wire and additional border agents are intended to “funnel the flow of migrants through a single route” which can be managed. Many migrants now have their biometric data taken and undergo criminal-record checks at Cañas Blancas (see map). Then they hike to Lajas Blancas, where aid workers dole out food and shelter.

A puzzled Uncle Sam

The United States seems startled by this about-face. On the call on August 14th Mr Biden thanked Mr Mulino for supporting “orderly and humane migration.” Seemingly no mention was made of whether deportation flights would be voluntary.

The crux of the issue is that the two countries have different interests. Panamanian voters care little about migrants, who hop on buses heading north after emerging from the jungle. Instead, voters are worried about the growing lawlessness at the border. New Panamanian gangs are ambushing migrants. Colombian criminals are thriving, too. According to the International Crisis Group, a think-tank, the Clan del Golfo, a gang that controls the entrance to the jungle on the Colombian side, nets over \$4bn a year. Much of it is thought to come from human trafficking.

In the United States worries over immigration could swing the coming presidential election. Historically, most migrants at the southern ^{us} border have come from Mexico and Central America. But since December 2023

more than half have come from farther afield, mainly Venezuela, Haiti and Ecuador. Almost all of these first cross the Darién Gap.

Differences over policy may widen. To reduce the gangs' profits Frank Abrego, Panama's public security minister, says that his office is considering running ferries to carry up to 2,000 people at a time from Colombia to Panama. As long as the migrants are not wanted criminals, they would be allowed to "continue in search of their American dream," he says. That would raise eyebrows in Washington.

The confusion muddies matters on the ground. On their widely followed social-media accounts, smugglers offer "^{VIP}" routes to skirt the humanitarian corridor and avoid the border authorities—sometimes with dire consequences. One Venezuelan woman says the traffickers promised her family that the trip would take two days and "we would be safe". Instead they slogged through the jungle for five days, passed corpses of migrants who had died on the way, and were robbed by bandits. While governments quarrel, the suffering of migrants goes on. ■

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The Americas | The lawless roads

Peru's crazy drivers offer a data deluge for self-driving cars

A startup sees value in the chaos of the country's streets

August 15th 2024



Getty Images

Tuk-tuks with precarious cargo zoom down highways. Street vendors, angry protesters and careless llamas weave through vehicles. Buses literally overflow with passengers. Welcome to Peru, home to some of the world's most chaotic streets. According to Compare the Market, a car insurance aggregator, Peruvian drivers are the world's worst after Thailand's. The ranking considers factors such as deaths caused by car accidents and time wasted in traffic. Typical road journeys in the capital, Lima, take nearly twice as long as they need to as a result of congestion. Police prefer asking for bribes to enforcing rules.

One startup sees opportunity in the chaos. “It’s a hidden goldmine of data,” says Arturo Deza of Artificio Inc, which is creating a dataset from Peru’s shoddy roads to train self-driving cars. Many tech firms train autonomous cars in Europe and the United States. But conditions there “are too clean and pristine”, says Mr Deza, a former researcher at MIT and Harvard University. Such cars still struggle to identify traffic cones, and would fare hopelessly amid roving livestock. Artificio plans to collect 10m hours of driving data from Peru and other Latin American countries by getting transport companies to install cameras on their fleets of vehicles. It would then license its dataset to tech firms.

Other startups also see value in the unruly roads of emerging-market countries. Swaayatt Robots and Minus Zero, two Indian tech firms, have tested their algorithms on the streets of Bengaluru, Bhopal and Jalandhar. Minus Zero recently partnered with Ashok Leyland, one of India’s largest commercial vehicle-makers, to develop self-driving lorries. In June Swaayatt Robots said that it had secured \$4m as part of a larger fund-raising round.

Far more money and data are needed to scale up such projects. Artificio, for example, has gathered a scattering of videos from three Peruvian cities in a pilot phase. Even 10m hours of driving data is puny compared with what companies like Tesla own. But if the likes of Tesla want to sell in developing countries, they may need to shift gear. ■

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Asia

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Asia | Extended uncertainty

What if South Korea got a nuclear bomb?

An America First world will force allies to face uncomfortable questions

August 15th 2024

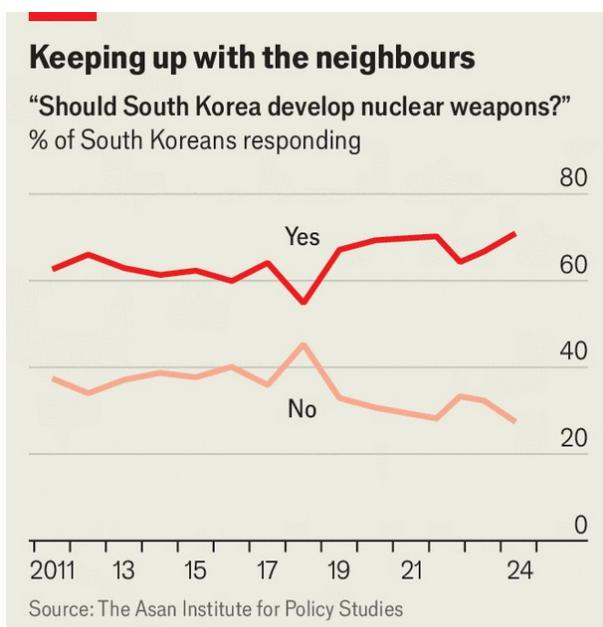


Alberto Miranda

SOUTH KOREAN dramas keep millions of viewers around the world on edge. The country's next thriller may be an explosive political spectacle: South Korea learns to love the bomb.

The scenario is closer to a reality show than the science fiction it may once have seemed. South Korea has toyed with going nuclear in the past. The idea has gone from fringe to mainstream in recent years. Even the country's president, Yoon Suk Yeol, mused openly about South Korea building its own nukes in early 2023. Public support is high, fuelled in part by North Korea's growing nuclear arsenal: polls now show that some 70% of South Koreans think their country should have nuclear weapons (see chart). "Without them, South Korea won't have a chance to fight off the North," says Kim Young-

sik, a former district head on Yeonpyeong Island, a flashpoint near the maritime border.



The Economist

Under President Joe Biden, America has tried to reassure its unsettled ally. After Mr Yoon's comments last year, America and South Korea signed a declaration restating their commitment to "extended deterrence", America's promise to shield allies with its nuclear arsenal. A new consultative group brought South Korea closer to America's nuclear planning; an American nuclear-armed submarine docked in South Korea last year for the first time since 1981. In recent statements, Mr Yoon has talked down the chances of going nuclear.

But if Donald Trump, who in the past threatened to pull American troops out of South Korea, is re-elected, the calculus will change. Many will ask if America can be trusted to defend South Korea, especially now that North Korea's intercontinental missiles put American cities at risk. "If Trump is president in America, it's all the more reason for us to have nukes," says Mr Kim. "I'm afraid that America won't take any action that will cost it anything." It is an acute form of a fear all American allies will face under an America First president.

South Korea has many reasons not to go for the bomb. North Korea, China and Russia would respond with economic pressure or sabre-rattling, and perhaps with outright aggression. Exiting the Nuclear Non-Proliferation Treaty (^{NPT}) could damage South Korea's international standing. Its trade-dependent economy would suffer if sanctions are imposed. Elites are less gung-ho about going nuclear than average voters, who may not be as aware of the risks: one-third of 175 South Korean experts and officials surveyed this year by ^{csis}, an American think-tank, support an independent nuclear arsenal.

Mr Trump may not prove as disruptive as many fear. The relationship with South Korea enjoys bipartisan support in America. Congress could complicate plans to move troops by refusing to fund their relocation. Camp Humphreys, south of Seoul, is America's biggest overseas military installation and would be impossible to replicate elsewhere in Asia. Mr Trump may be satisfied if South Korea pays much more to host America's troops—and submitting to his notion of alliances as a protection racket may prove simplest for South Korea.

But Mr Trump could also stoke doubts about America's commitment, fuel fears about entangling South Korea in a broader war with China, or seek a deal with Kim Jong Un, North Korea's tyrant. Mr Trump halted large-scale military exercises with South Korea during previous negotiations with Mr Kim, and, say former officials, had to be stopped from withdrawing troops from South Korea. In a second administration staffed with loyalists, Mr Trump would have a freer hand. A mere tweet might dent confidence in America's extended deterrence. In the ^{csis} survey, more than half of the South Korean experts opposed to going nuclear say their support would increase if America were led by an America First president.

There is a clear prequel to this show. In the early 1970s, with America facing defeat in Vietnam, Richard Nixon pulled out 20,000 of the 63,000 American troops stationed in South Korea and asked allies in Asia to take more responsibility for their own security. "There was huge uncertainty about the staying power of the United States," says Richard Lawless, who served as a ^{CIA} officer in Seoul at the time. North Korea did not have nuclear weapons, but it outgunned the South in conventional terms. Park Chung-hee, then South Korea's president, launched a secret effort to obtain nuclear-weapons

technology. When Mr Lawless helped uncover the programme, American officials used pressure and security assurances to block it. South Korea joined the ^{NPT} in 1975.

Sweet charity

This time America's role may be different. Mr Trump might acquiesce to or even encourage South Korea's going nuclear, seeing extended deterrence as a charitable act rather than a cold calculation of American interests. Visiting Seoul in recent months, former officials close to Mr Trump have signalled unprecedented openness to the idea. Mike Pompeo, Mr Trump's secretary of state and ^{CIA} director, was asked about South Korea's developing its own nuclear capabilities. "There's no reason we should object to that," he answered, calling it "rational", given North Korea's arsenal.

South Korea's nuclear script would resemble earlier episodes of proliferation in some respects and be singular in others. In "Seeking the Bomb", Vipin Narang, a political scientist who until recently oversaw nuclear policy at the Pentagon, lays out four strategies that potential proliferators pursue: hedging (putting pieces in place to keep the nuclear option available); sprinting (running towards nuclear weapons quickly); sheltered pursuit (acquiring them with a nuclear superpower's protection); and hiding (attempting to do so in secret).

South Korea currently practises a form of hedging. Under Park's military dictatorship, it tried hiding. It could attempt that again. But it would be much harder in today's wired, raucous democracy. "There are too many eyes watching now," says Lee Sang-hyun of the Sejong Institute, a think-tank in Seoul. "If South Korea goes nuclear it would be public, with lots of noise." It would, in short, make a run for it, either with or without America's protection. Many experts and diplomats reckon that South Korea could race to build its first nuclear weapon in as little as one year.

Since the 1970s, South Korea has developed a world-class civil-nuclear industry with a reputation for engineering prowess. It has 26 reactors across the country; South Korean firms are constructing nuclear plants in the United Arab Emirates and the Czech Republic. "By now the physics and the

science have been done. What you need is good engineering,” says Siegfried Hecker, who used to run America’s nuclear laboratory at Los Alamos. “And they’re really good in all aspects of engineering all things nuclear.”

What South Korea lacks is the raw material of a bomb: highly enriched uranium or plutonium from reprocessed nuclear fuel. The country’s nuclear industry does not currently reprocess spent fuel, and it imports the enriched uranium used in civilian reactors. South Korea would have to build new facilities to reprocess or enrich at scale. But it has stockpiles of spent fuel from its civilian reactors, which, while not ideal, could be used to make weapons. In a 2015 paper, Charles Ferguson, then the president of the Federation of American Scientists, wrote that South Korea has enough material for over 4,000 bombs.

South Korea could stop the show at enrichment. That would bring its nuclear capabilities in line with Japan’s. (To South Korea’s chagrin, America gives Japan special permission to reprocess spent fuel and enrich uranium, ostensibly to facilitate fuel recycling and to help with nuclear-waste management.) This middle-ground option would allow South Korea to shrink the time needed to build weapons in the future, without crossing the proliferation line.

But South Korea is well-placed to go for full weaponisation. “They are already a missile power in their own right,” says Ankit Panda of the Carnegie Endowment for International Peace, another American think-tank. “That’s unprecedented in terms of other proliferators.” South Korea has advanced short and mid-range ballistic missiles that could be equipped with nuclear warheads; it is the only non-nuclear-armed country in the world to have developed submarine-launched ballistic missiles. It would have to come up with new command-and-control systems for nukes, as well as a doctrine for their use.

Test cases

Testing would pose a big challenge. South Korea is one-third the size of New Mexico, and densely populated. It would be hard to find a secluded site, or a province willing to tolerate the risks of radiation release from an

underground-test facility. (North Korea's underground-test site is more remote, and its people have no say over the risks their rulers subject them to.) An atmospheric test would be provocative—China carried out the most recent in 1980. Computer simulations have become sophisticated, but would be unsatisfactory to any bomb designer.

Even after completing its first nuclear devices, South Korea could not simply halt there. North Korea is believed to have dozens of nuclear weapons; its arsenal is already projected to grow into the hundreds by the end of this decade. A South Korean nuclear programme would probably prompt the North to accelerate its own; Russia might help it. While South Korea would not need to match North Korea bomb for bomb, it would have to be sure it could strike back with nuclear weapons after being attacked with them first.

South Korea would be vulnerable during its breakout. America could extend its nuclear umbrella in the meantime. But tensions would run high. North Korea could be counted upon to sabre-rattle. The probability of accidental escalation would rise. The possibility of a North Korean pre-emptive strike on South Korea, while unlikely, cannot be ruled out.

Though polls indicate widespread support, plenty of domestic critics would speak out. Conservatives, who control the presidency until at least 2027, would be more likely to support an independent nuclear arsenal. Some in the opposition Democratic Party (^{dp}), which now controls the National Assembly, might be in favour, either as a matter of necessity or as a means of achieving long-sought autonomy from America. Yet others would oppose it. “The nuclear option is a one-way ticket—if we go forward, it’s impossible to go back,” says Wi Sung-lac, a former ambassador and newly elected parliamentarian for the ^{dp}. Even if Mr Trump allows South Korea to go nuclear, “what happens if a traditional American administration returns after Trump and says no?”.

Going nuclear would amount to a drastic costume change for South Korea. Instead of being known globally for pop music and kimchi, it would be defined by the bomb. International sanctions might prove limp. America could veto any punishment at the United Nations. South Korea could try to exit the ^{npt} legally, under an article that allows members to withdraw if

“extraordinary events” threaten its “supreme interests”. Partners in the West might be sympathetic to its case.

Some restrictions would be triggered nonetheless. The Nuclear Suppliers Group (_{NSG}), an international body which oversees fissile material for the civil industry, would probably call on members to cut off co-operation with South Korea. America could push for an exemption at the _{NSG}, as it did for India. But without one, South Korea’s nuclear export business would melt down and its domestic reactors would sit idle, knocking some 30% of South Korea’s electricity production offline. If South Korea were to test a nuclear device, American law mandates an end to arms transfers and exports of dual-use technologies.

China could impose its own crippling restrictions—probably far harsher than the damaging measures that followed the deployment of an American missile-defence system in South Korea in 2017. Some 20% of South Korea’s exports flow to China, and South Korea relies heavily on China for many key components and materials.

If South Korea goes nuclear, it will prompt others who depend on American extended deterrence to contemplate sequels of their own. Japan might overcome its long-standing aversion to nuclear weapons. “It’s not a question of letting one cat out of the bag—all the cats come out of the bag,” says Mr Lawless, who later served as the Pentagon’s top official for Asia.

Would nuclear weapons really make South Korea safer? Advocates argue that South Korea needs them to counter the North: though it has stronger conventional forces, only the special terror of nuclear weapons can create the psychological effect necessary to deter. Besides, if both sides have the weapons, it may prove easier to negotiate mutual disarmament.

Detractors counter that the peninsula will inevitably become a much more dangerous place if South Korea goes nuclear. “What kind of peace is it if both have nukes?” argues Mr Lee. Rather than enabling disarmament, “there will be an arms race”. Untested leaders on both sides of the border will have their fingers on the nuclear trigger. The finale of this drama could see them stumbling into Armageddon. ■

Asia | The need for speed

Bangladesh's new ruler is in a race against time

The country's police have gone missing

August 14th 2024



OVER THE past ten days Dhaka, Bangladesh's capital, has been transformed. Images of Sheikh Hasina, the former prime minister who fled the country on August 5th, and Sheikh Mujibur Rahman, her father and Bangladesh's founding father, have vanished from billboards. Walls covered in posters and slogans advertising the Awami League (^{AL}), their party, have been painted over with colourful graffiti displaying slogans and scenes from the protests that brought down Sheikh Hasina. “Gen z cleans the mess”, reads one, “Courage is contagious”, another. The mood has changed along with the appearance of the city. “It's very freeing to be able to talk openly about things after all these years,” says a young ^{NGO} worker.

For now, the political transformation seems to be keeping pace. Since taking charge on August 8th, the interim government, led by Muhammad Yunus, a Nobel peace laureate and social entrepreneur, has overseen a rapid leadership overhaul of key institutions. Mr Yunus has appointed a new chief justice and a new central-bank governor. At least 16 university vice-chancellors have stepped down following pressure from students. The government has announced it will try those responsible for state-sponsored killings during the protests, has started to throw out cases filed against students since they began in July, and embarked on police reforms to restore trust in law enforcement.

Slowly, life is returning to normal. Primary schools reopened on August 14th; Dhaka's metro will do so on August 17th. Factories are operating again and workers have begun returning to offices. High-school and university exams, slated for August, have been rescheduled to September, to allow students time to recover and prepare. Police stations have begun to reopen, too, raising hopes that the many ordinary people who have spent the past few weeks guarding their neighbourhoods at night can return to a more normal rhythm.

Yet questions remain over how solid this return to normality really is. Mr Yunus's position, though backed by the army and popular support, is legally precarious: Sheikh Hasina abolished a constitutional provision for caretaker governments between elections. The worry is that Mr Yunus will have to step down before reforming the political system enough to break the cycle of retribution between Sheikh Hasina's ^{AL} and the Bangladesh Nationalist Party (^{BNP}) of Khaleda Zia that has scarred Bangladesh's politics ever since independence from Pakistan in 1971.

The constitution mandates that an election be held within 90 days. But observers in Dhaka say Mr Yunus needs more time to insulate the judiciary, the police and the electoral system from renewed political capture. "If we hold an election in two years, we may have a balanced political system," reckons Major General Shahidul Haque, a retired officer and former ambassador. "But if we have one too soon, we'll just end up with the same old thing."

The reopening of police stations shows how quickly things could go wrong. Most are still staffed by soldiers. The police remain loth to return to work, fearing retaliation for violence committed during the protests. But that is wearing thin, says General Haque. “The army does not have the capacity to do this forever, so they really need to redeploy the police as soon as possible.” The risk is that, otherwise, the country faces anarchy or martial law.

As *The Economist* went to press the new law-and-order structure was undergoing one of its first tests. On August 15th, the anniversary of Sheikh Mujib’s assassination in 1975, ^{AL} supporters traditionally hold big rallies. The interim government declared the day a normal working day. Urged on by Sheikh Hasina from exile in Delhi, the ^{AL} called for a rally anyway.

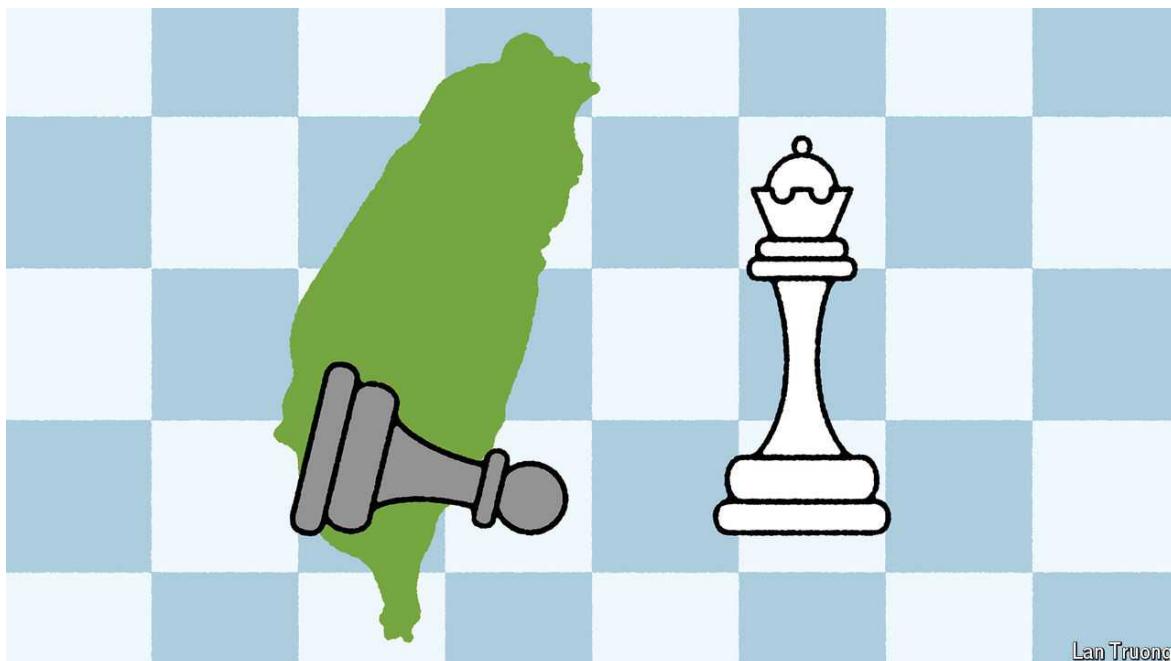
Pressure from the countries’ political parties to hold early elections is another danger. For now, they are showing restraint. “We support the interim government,” says Mirza Fakhrul Islam Alamgir, the ^{BNP}’s secretary-general. “We want an election as soon as possible, but the political environment needs to be ready for it.” Other party leaders say much the same. Yet if they sense a wobble in Mr Yunus’s government, they may change their tune.

Another risk is that the students whose protests swept Mr Yunus to power lose patience and try to take matters into their own hands. The resignation of the former chief justice on August 10th was prompted partly by a large protest outside the Supreme Court. More such politics by protest could undermine Mr Yunus’s authority. To make Bangladesh a vibrant democracy, his government needs to move fast. ■

Taiwan braces for America's election

For the opposition, a possible Trump victory is another reason to talk to China

August 15th 2014



TO THE MEDIA in Taiwan it sounded like a mafia boss demanding protection money. In an interview published in July Donald Trump said that Taiwan “should pay us for defence”. Asked if he would defend it should China invade, the Republican presidential candidate noted that Taiwan is far closer to China than to America. China “could just bombard it...I wouldn’t feel so secure right now, if I was them.” He added that Taiwan “took all of our chip business” and “doesn’t give us anything”.

That last bit, at least, was not true. Taiwan spent over \$18bn during the first Trump administration (and \$5bn since) on American arms. Until last year, when it authorised \$80m in loans and \$345m in direct military assistance,

America had not given Taiwan defence aid since the 1970s. Taiwan has paid for everything else, including a \$20bn backlog of undelivered American weapons. “It has not been in any way charity from the United States,” says Matthew Miller, a spokesman for America’s State Department.

As for semiconductors, Taiwan’s chipmakers dominate just one part of the industry, advanced-wafer fabrication. American firms focus on design, and in 2022 accounted for 40% of the value-added in the chip industry, compared with just 11% for Taiwanese companies. Still, Taiwan’s leading chipmaker, ^{TSMC}, is investing \$65bn in advanced fabs, or chipmaking plants, in Arizona, to appease American concerns about overreliance on Taiwan.

Rather than rebut Mr Trump’s bombast, Taiwan’s officials have meekly promised that Taiwan will spend more on its defence, and reassured citizens that Taiwan has bipartisan support in America’s Congress. Lai I-chung of the Prospect Foundation, a government-affiliated think-tank, says that Taiwan has maintained close contact with Mr Trump’s advisers since 2020. Mr Trump’s first term was “very positive” for Taiwan, he adds. America stepped up military transits through the Taiwan Strait, approved more arms sales, declassified decades-old American security assurances, and passed laws facilitating exchanges with Taiwan.

In fact, in 2020 Taiwan was the only one of eight countries polled by YouGov, a research firm, where Mr Trump was preferred to Joe Biden. But views have changed. A poll in late July by ^{TVBS}, a Taiwanese news channel, found that 46% respondents preferred Kamala Harris as president compared with 15% for Mr Trump (39% had no preference). But only 30% said they were worried about Mr Trump’s becoming president. Another recent survey in Taiwan found that nearly 40% of respondents thought Mr Trump’s re-election would make America more likely to use force in Taiwan’s defence. Nearly half thought the opposite.

Distrust of a Trump-led America has not led in Taiwan, as it has in South Korea, to calls for its own nuclear weapons, which remain taboo. They might provoke Chinese retaliation. When Taiwan tried to develop them during the cold war, the ^{CIA} sabotaged the project.

Taiwan will focus more on conventional arms. It nearly doubled its military spending between 2016 and 2024, when the ruling Democratic Progressive Party controlled both the presidency and the parliament, and has proposed a record \$19.7bn defence budget for next year. But Taiwan now has a hung parliament, dominated by opposition parties that can veto the budget. Eric Chu, chair of the biggest, the Kuomintang (^{KMT}), has pointed to Mr Trump's comments as evidence that it is a mistake to rely too much on America and has argued that Taiwan should pursue dialogue with China to reduce risk. Ma Wen-jun, a ^{KMT} lawmaker who chairs the defence committee, has suggested America is "colonising" Taiwan and complained that it is pushing Taiwan to spend too much of its budget on arms without making timely deliveries.

Mr Trump's approach fits China's portrayal of America as a selfish bully that will exploit Taiwan for its chips and money and then push it into war. Zhu Fenglian, a spokeswoman for China's Taiwan Affairs Office, said last month that the Taiwanese "can see clearly that America will always put its interests first". Taiwan, she said, is "a pawn" that will eventually be "a discarded piece". Indeed, many people in Taiwan already doubt America's intentions. Only a quarter of respondents to a survey in July by the Brookings Institution, a think-tank in Washington, thought America a trustworthy ally. Mr Trump's habitual bargaining strategy, mixing insults with threats, is unlikely to help. ■

Asia | Heeding the call

Kishida Fumio, Japan's prime minister, stands down

The race to succeed him next month is unusually unpredictable

August 14th 2024



AP

WHEN HE CAMPAIGNED to become Japan's prime minister, Kishida Fumio laid great stress on his listening skills. They were on display again on August 14th, as he announced that he would not seek re-election as president of the ruling Liberal Democratic Party (^{LDP}), heeding the call from voters for fresh leadership. He will step down as prime minister after the party replaces him in late September.

Mr Kishida [entered office in October 2021](#), with Japan battling the covid-19 pandemic. His approval ratings began above 50%; under his leadership the ^{LDP} sailed through lower-house elections that autumn and upper-house elections the following summer. But the [assassination that summer of Abe Shinzo](#), a

former prime minister, triggered outrage over the party's links with the Unification Church, a cult-like group. In late 2023 systematic financial shenanigans inside the LDP came to light, deepening the malaise.

Mr Kishida was not directly implicated in the scandals, but he [failed to respond effectively](#), and, combined with nagging frustrations over inflation, they eroded his support. Approval of Mr Kishida's administration has hovered at around 20% for much of this year; 80% of voters told pollsters they did not want Mr Kishida to continue as prime minister. "It was inevitable he stepped down," said Kubodera Kensuke, a pensioner in western Tokyo, following the announcement.

The public dissatisfaction belies substantial accomplishments. Mr Kishida served more than three years as prime minister; only seven post-war leaders have lasted longer. He pushed through historic reforms to Japan's security policies and proved a deft diplomatic operator. Mr Kishida helped to usher in a "new era for the alliance" with America, Rahm Emanuel, America's ambassador, gushed in tribute. His administration made big investments in semiconductor manufacturing.

Though hardly Mr Kishida's doing, on his watch Japan shook off deflation and saw stockmarkets boom (and in recent weeks bust); his pick to head the central bank, Ueda Kazuo, has overseen an exit from unconventional monetary policy. Yet Mr Kishida's attempts to define an agenda of his own, such as his call for a "New Capitalism", floundered.

By resigning, Mr Kishida hopes to help his party refresh its image ahead of an election that must be held by October 2025. Japan's opposition is so weak that the LDP is unlikely to lose power. But the party's popular support has dropped from more than 50% at the start of Mr Kishida's term to 30%, according to polling by Nikkei, a news organisation. "The first and most obvious step to show that the LDP is changing is for me to step aside," Mr Kishida said. He did not endorse a successor, but expressed hope that the new president would never lose sight of the need for reform.

The LDP rank-and-file and Diet members who vote for the party leadership could go one of three ways. The first is the traditional one: an experienced party man. Mr Kishida himself occupied this lane during his victorious run

in 2021. Motegi Toshimitsu, a former foreign minister and the current LDP secretary-general, would be next in line. Yet more of the same is unlikely to mollify frustrated voters.

The party's second option is the popular one. Ishiba Shigeru, a veteran MP who has served as defence minister, leads public opinion polls. But with few friends inside the LDP, his previous four attempts at running for party leadership have failed. Kono Taro, the reform-minded current digital minister and former foreign and defence minister, is a star on social media. Yet his reputation as a maverick worries colleagues, and his popularity with the public is down from its peak.

The final option is to try something new. For the fusty LDP, a change candidate could mean a young one or its first female leader. Koizumi Shinjiro, the glamorous 43-year-old son of a popular former prime minister, comes second to Mr Ishiba in public polls. Kobayashi Takayuki, a 49-year-old who served as Mr Kishida's economic-security minister, could run too.

Post-war Japan has never had a prime minister younger than 50, and skipping a generation would upend the LDP's seniority-based structure. Takaichi Sanae, a nationalist firebrand, won the most votes among the female candidates in the previous LDP race, but she may be too right-wing to appeal to a general electorate. Kamikawa Yoko, the current foreign minister, could emerge as the compromise choice for party members seeking a safe pair of female hands.

The election will be messy and, with no favourite, an array of candidates may run. The LDP's leadership has traditionally been decided by faction bosses directing members to vote in blocs, but the recent financial scandal forced many factions to disband. Party bigwigs—in particular Aso Taro and Suga Yoshihide, two short-term former prime ministers—will still exercise significant influence. But there will be more room for MPs to follow their own instincts as to who is best to lead their crisis-stricken party—and thus, the country. ■

Asia | Thai politics

Thailand's prime minister is sacked. What next?

The constitutional court has further muddied the country's messy politics

August 15th 2024



A week after dissolving the party that won the most seats in last year's parliamentary election, Thailand's constitutional court has further muddied the country's messy politics. It removed from office the prime minister, Srettha Thavisin (pictured), ruling that he had violated the constitution with one of his cabinet appointments. Mr Srettha is from Pheu Thai, the party of Thaksin Shinawatra, a former prime minister. It has been ruling in an uneasy coalition of populists and conservatives. Attention now turns to efforts to replace Mr Srettha, and to the next big court hearing on August 19th, on a charge against Mr Thaksin of *lèse majesté*, a very serious offence in Thailand. ■

Asia | The anniversary of the exit from Kabul

Afghans are suffering. Don't expect any tears from the Taliban

Three years on from America's humiliating departure, the country is ignored

August 14th 2024



Getty Images

THE STREETS of Kabul used to be riotously, almost headache-inducingly colourful. There were billboards advertising Western wear and Punjabi *salwar kameez*, murals promoting women's and children's rights, and everywhere the black-red-green tricolour of the Afghan Republic. Since the Taliban took over three years ago, a monochrome pall has settled on the city. Old posters have been ripped away. Murals have been painted over. The austere flag of the Afghan Emirate dominates, black text on a pure white field.

Black-and-white also describes Western countries' approach to Afghanistan since their [humiliating exit](#) from the country on August 15th 2021. They have made any progress—sanctions relief, recognition of the regime, a seat at the ^{UN}—conditional on restoring rights for women and girls, who are barred from many areas of public life including secondary education. The Taliban have only ratcheted up their restrictions. They refuse to countenance negotiating over what they consider an internal matter.

Not that the West seems to think much about Afghanistan at all. The wars in Ukraine and the Middle East are immediate crises. Dealing with challenges posed by China's rise is an ongoing focus, while America's election is all-consuming at home and watched nervously abroad. Western leaders have nothing to gain from reminding voters of a 20-year-long war that ended in abject defeat. President Joe Biden's approval ratings collapsed with the botched exit from Afghanistan. American "foreign policy has been to keep it out of the headlines and keep it off the president's desk," says Ashley Jackson of the Overseas Development Institute, a think-tank. Afghanistan has not so much been forgotten as it is being wilfully ignored.

From a security perspective, being able to ignore a country that has been a source of instability for most of the past half-century is a welcome novelty, notes Graeme Smith of the International Crisis Group, another think-tank. But he worries that "we are now overlooking some things that could come back to bite us". To ignore Afghanistan is also to ignore the 44m Afghans who live in it, half of them women and girls. It is to ignore the 12.4m in [dire need of food](#), a fifth of them on the edge of famine. It is to ignore a looming migration crisis as Afghans try to leave for anywhere offering hope of a job. It is to ignore the ravages of climate change, which is worsening the country's periodic droughts. It is to ignore the toll of natural disasters. In the past 12 months Afghanistan has been hit by an earthquake that killed nearly 1,500 people and a series of flash floods that have killed hundreds more.

And to ignore Afghanistan is to ignore international security, too. Islamic State Khorasan Province ([ISKP](#)), a terrorist outfit based in the country's west, is a foe of the Taliban, of Afghanistan's neighbours and of the West. [ISKP](#) has carried out multiple attacks in Afghanistan and Iran; it claimed responsibility for a horrific assault on a concert hall in Moscow in March; it has its eyes on Central Asia, Pakistan and India. There are murmurings of stop-start co-

operation on counterterrorism between American and Afghan governments, though neither side will admit it. “The emotional fact is that it is difficult to stomach the idea of working with the Taliban,” says Mr Smith.

Afghanistan’s neighbours have taken a pragmatic approach. China is exploring economic opportunities, particularly in the country’s mineral wealth. Iran wants to keep America out, suppress ISKP and discuss water-sharing. Pakistan’s main interest is in defanging Tehreek-e-Taliban Pakistan, a vicious jihadist group that finds a haven in Afghanistan. The one point of consensus among neighbours, regional powers and the West is that there is no appetite for regime change, nor for renewed civil war.

If there is a benefit to the lack of attention it is that it allows some freedom of manoeuvre. The UN has organised three rounds of talks on Afghanistan in Qatar between nearly two dozen global and regional powers. The Taliban were not invited to the first and refused to take part in the second. But they attended the third, this summer, after the UN agreed to exclude women and other Afghans from outside the government. The talks produced no firm results, but mere engagement passes for progress. They are unlikely to have gone ahead if the unseemly exclusions had been subject to the glare of media attention.

Similarly, the World Bank announced earlier this year that it would resume financing a project, known as CASA-1000, connecting the energy powerhouses of Central Asia with Pakistan through Afghanistan. The transit fees will go into an Afghan account in Abu Dhabi and can be used only to purchase electricity. Yet if the Taliban can spend less on power, that frees up funds to spend on other things, making the regime stronger and more effective. The announcement elicited little media reaction.

Where does that leave Afghanistan’s people? There is some good news. The country is safer today than it was three years ago, mostly because the people doing the shooting and bombing now run the country. Hospitals in remote regions are newly accessible, thanks to better security and repaired roads. Many women and girls quietly gain an education by attending “training courses” or madrassas. The number of Afghans who go hungry has fallen nearly by half from its peak of 23m. The economy, though shrunken and

stagnant, has stabilised. Businesses report markedly lower levels of corruption, even as they gripe about the Taliban's efficient tax collection.

But the bad outweighs the good. Hospitals may be accessible but they are underfunded, under-staffed and under-equipped. Poorer Afghan women cannot afford the so-called training courses; they are hit hardest by education bans. Jobs are scarce. Every day thousands of men crowd the squares of Kabul looking to pick up daily work. Maybe one in five finds a job. On average a daily-wager will find two days of work a week, says Hsiao-Wei Lee of the World Food Programme (^{WFP}), a ^{UN} agency. That is more than in 2022, at the peak of the post-war economic crisis, but less than before the pandemic. Many Afghans are trying to emigrate.

Aid is drying up too. Donor fatigue is deepening. The absolute number of people in need is the highest of all conflicts, says Salma Ben Aissa of the International Rescue Committee, a humanitarian organisation. ^{WFP} faces a shortfall in the country of \$700m in the next half-year. As usual, the worst affected are women and children. "The only good thing is security, but what should I do with security if I can't feed my children," says Jamila, a mother of three living just outside Kabul.

This dissatisfying state of affairs is likely to continue. The West will not drop its insistence on restoring the rights of women and girls. The Taliban will not change their policies on women, nor dilute their efforts to build a religious police state. Afghanistan's neighbours are happy to look out for their own interests and leave the lofty rhetoric of values to America. Several countries, including Western ones, have re-established a presence on the ground, stopping short of formally reopening embassies. But the outside world has no plan, no clear objectives, and faces no pressure to come up with solutions to Afghanistan's problems. As one Western official based in Kabul puts it, "I don't think we're at the stage where we actually have a tangible road map." Afghans suffered through war. Now they suffer in peace. ■

China

- [China's wealthy elite rigs its university arms race](#)
- [A gruesome corpse scandal sparks outrage in China](#)
- [How China thrives in a world of turmoil](#)

China | Study hard, be rich, get ahead

China's wealthy elite rigs its university arms race

Children from poor and rural areas have little hope of keeping up with their rich counterparts

August 15th 2024



IN CHINA'S TOP-GROSSING summer film, "Successor", a rich businessman seeks to motivate his son by raising him in poverty. Young Jiye believes his family is truly poor. He is told to "change his fate" by studying hard and doing well in China's university-entrance exam, known as the *gaokao*. But just in case, his father also hires undercover tutors. Fake street peddlers test Jiye's English. The neighbourhood butcher gives him maths puzzles. A tutor posing as the family's grandmother tells the boy that her dying wish is for him to study at an elite university. After her (staged) cremation, a grieving Jiye rushes back to his textbooks.

The satire has been a hit because, in some ways, it reflects a painful reality. There are a hundred or so elite universities in China. Acceptance into one of them can change a young person's life. Experts reckon that graduates of these schools earn roughly a third more from their first job than graduates of second-tier universities. (China has around 3,000 tertiary-education institutions in total, including universities and vocational colleges.) In theory, everyone has an equal shot at getting into an elite university by acing the *gaokao*. In practice, children from wealthy families, who often go to the best high schools and receive tutoring, have a big advantage.

China is far from being the only country with an unequal education system. But the difference in opportunities for Chinese children based on whether they are rich or poor, urban or rural, is stark. It is also an embarrassment for a government that still calls itself communist. At a meeting last month of the Communist Party's most senior members (known as the "third plenum" because it is the third in a five-yearly cycle of such meetings), officials promised to make things fairer. The party aims to "promote equality of opportunity" and "better allocate" educational resources. In recent years, though, its policies have failed to improve the system.

China offers nine years of free, compulsory education which usually ends at the age of 15. Students must then pass a test to enter a senior secondary school. These schools charge fees that poor families struggle to afford. After three more years of study students take the *gaokao*. Kids in rural areas, if they haven't ended their studies already, rarely make it beyond this point. A paper published in 2015 estimated that students from poor counties were seven times less likely than their urban counterparts to attend university—and 11 times less likely to get into an elite one. Studies since then suggest things may have got even harder for poor students.

In recent decades, as the competition for spots at elite schools and universities has grown fiercer, parents have sought any edge they can get for their children. Many hired private instructors, such that by 2021 the tutoring industry in China was generating \$100bn in annual revenue. But that same year, in an effort to level the playing-field, the government banned most for-profit tutoring services for students in the nine years of compulsory education. Police raided cram schools that offer coaching on how to pass exams. Many of the firms that provided these services collapsed.

The moves did not work, say researchers at Peking University. They analysed surveys of household spending before and after the tutoring ban and found that low- and middle-income families were, on average, spending less on after-school education. The richest families, though, were spending more. Tutors were still active. But because they were acting illegally, they charged more, pricing most people out.

Parents continue to feel pressure to help their children keep up, says a well-off mother in the city of Nantong. She describes her 13-year-old son as “not brilliant, but good enough”. He began to fall behind because his classmates were all learning the curriculum ahead of time from tutors. So over the summer holidays she forked out 60,000 yuan (\$8,400) for extra lessons, roughly equivalent to the annual earnings of a typical migrant worker in China.

Families that live in or come from the countryside face a bigger challenge. Rural schools tend to be shoddy, sometimes lacking basic facilities such as a library. Their students often end up in secondary schools that focus on vocational training. This rarely leads to university. The children of rural migrants who work in cities have it no better. Many are barred from city schools because of the *hukou* system, which ties access to public services to the place where one’s household is registered.

To make matters worse, elite universities, which are concentrated in wealthy areas, reserve a disproportionate number of spots for locals. In 2016 the Ministry of Education tried to get such universities to set aside 140,000 places, about 6.5% of the total, for students from poorer areas. To make room, fewer locals would be admitted. But protests erupted in cities. “Why should they eat from our bowls?” one angry mother asked the *New York Times*. The government walked back the policy.

The result of all this is that many talented children do not reach their full potential. Take Jiang Ping, a 17-year-old who shot to fame in June after she made it to the final round of a prestigious maths competition organised by Alibaba, a tech giant. The public was shocked to discover that Ms Jiang was from a village and attended a vocational high school (most of the other finalists were students at elite universities). In an interview with local media,

she recounted how she herself questioned her worthiness to join the competition.

Over a third of Chinese children live in rural areas. The government's actions betray concern about how they are faring. China scores well on international measures of academic prowess, such as the Programme for International Student Assessment (_{PISA}), a battery of tests taken by 15-year-olds in dozens of countries. Tellingly, though, Chinese officials let only children from good schools in a few wealthy regions take the _{PISA} tests.

Experts say the government should invest more in rural areas, increase the availability of pre-school education and reform the *hukou* system so that the children of migrants can attend city schools. Such measures would help poor families, but they might not decrease inequality as much as hoped, reckons Li Hongbin, a professor at Stanford University. That is because the rich will continue to find ways to stay ahead. Some of this is a self-perpetuating cycle: students from wealthy families attend elite universities, go on to get jobs with high salaries, then pay whatever it takes to make sure their own children follow the same path.

That is not how “Successor” plays out, though. Jiye does get a stellar *gaokao* score. But (spoiler alert) he chooses not to attend an elite university. Instead he goes to a sports college. A degree from such institutions is no guarantee of a good job. Still, after some thought, Jiye’s father seems happy enough with the decision. Most Chinese parents would not be. ■

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China | Thousands of bodies for sale

A gruesome corpse scandal sparks outrage in China

The government's reaction has been to stifle any discussion of 4,000 stolen bodies

August 15th 2024



Jovana Mugosa

“WHEN A PROPER respect towards the dead is shown at the end and continued after they are far away, the moral force of a people has reached its highest point.” That precept appears in the “Analects”, a collection of sayings attributed to Confucius. What, then, to make of the news that from 2015 to 2023 a Chinese crime ring stole, dismembered and sold more than 4,000 corpses for use in manufacturing bone grafts?

The *Paper*, a state-owned online publication, broke the story on August 8th. The scandal involves bodies taken from crematoria and medical laboratories in several provinces. The bodies were allegedly cut up and then transported

for processing at a company called Shanxi Aorui Biomaterials in Taiyuan, the capital of Shanxi province. The scheme is said to have generated 380m yuan (\$53m) in revenue. Nearly 80 people have reportedly been detained.

The story has sparked public outrage in China. (Families of the deceased received cremated remains that were either incomplete or fake.) The article by the *Paper* was taken down within hours. So were reports from a handful of other official outlets. Censors have also stifled discussion of the scandal on social media. Some people are wondering if officials were involved. Government agencies manage the firms that provide funeral services and handle remains.

There is also suspicion that big state-owned medical companies may have purchased the tainted bone grafts (knowingly or not). One of them, Sinopharm, issued a statement on August 9th saying that reports of its involvement in the scandal were incorrect. It denies having had any business dealings with Shanxi Aorui Biomaterials.

Less than a week after the *Paper* filed its story, state media reported that the authorities in a number of provinces have been investigating misconduct in the funeral industry. But there was no mention of body snatching. Rather, officials have been combatting “petty corruption and small-scale malfeasance”.

The state-media report quoted Peng Xinlin, a law professor whose remarks amount to a bureaucratic translation of Confucius. Corruption in the funeral sector, said Mr Peng, “undermines the credibility of the party and government, disrupts public order and erodes social norms.” But the now-censored words of Yi Shenghua are more reflective of the public mood. Mr Yi, a lawyer, shared information about the theft of corpses with the *Paper*. He then wrote online: “In the culture of Chinese tradition and thought, it is absolutely impossible to accept this kind of reality.” ■

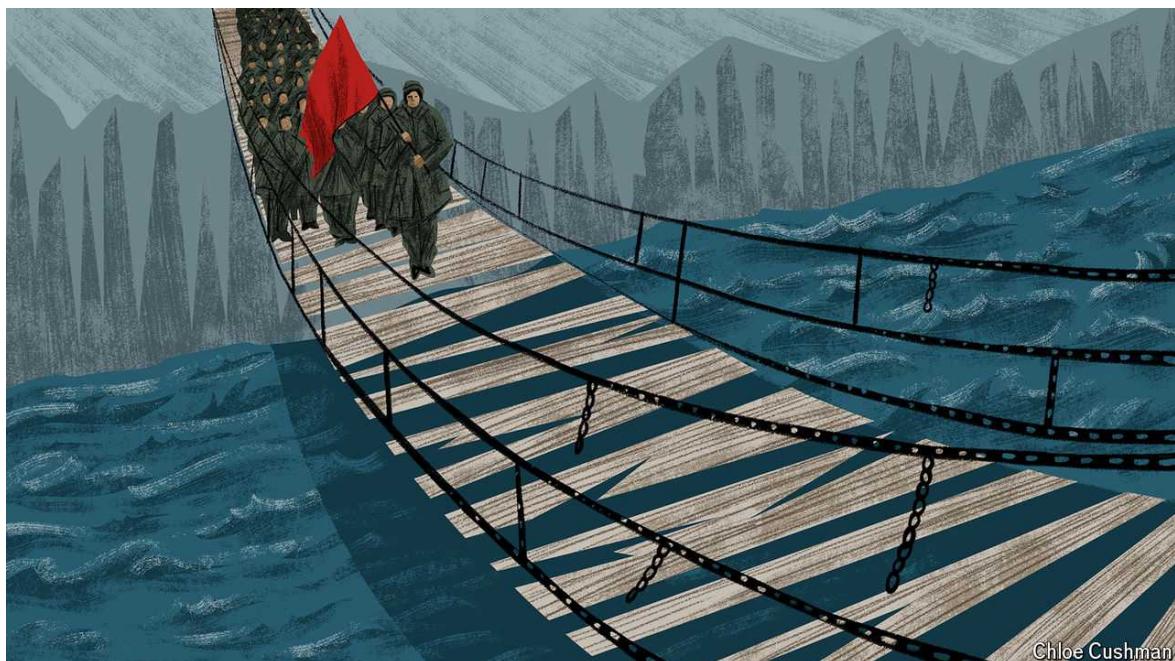
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China | Chaguan

How China thrives in a world of turmoil

The guerrilla tactics of the Long March guide the Communist Party to this day

August 15th 2024



Chloe Cushman

MODERN CHINA is a superpower with its roots in a guerrilla army. This helps explain its self-interested responses to crises, including the turmoil now raging in the Middle East.

To hear America and other long-established powers tell it, China has unique influence over that region's worst agents of disorder, starting with Iran, and an unusual need for stability in the Middle East. China is the world's largest importer of both oil and liquefied natural gas, buying vast quantities from Iran and Arab countries alike. It is a big regional investor, with tens of billions of dollars at stake in such countries as Egypt, Saudi Arabia and the United Arab Emirates.

As the world's biggest manufacturer, China is exceptionally exposed to spikes in global shipping rates. That is a painful distinction when drone and missile attacks by Iranian-armed Houthi rebels in Yemen have all but closed the Red Sea and Suez Canal to container ships, sending Europe-bound Chinese exports on a costly detour around Africa.

With these arguments in hand, the Biden administration and other Western governments have spent months asking China to lean on Iran and the Houthis. In meetings with Western officials, Chinese diplomats are ambiguous, hinting at messages passed to Iran while playing down their influence in Tehran, and questioning whether Iran has much sway over the Houthis. Far from sending People's Liberation Army (^{PLA}) warships to join an American-led military coalition that has escorted civilian ships and attacked Houthi radar and missile sites, China's foreign minister, Wang Yi, has noted that American and British strikes in Yemen lack ^{UN} Security Council approval.

In late July leaders from Fatah and Hamas, the rival Palestinian factions, met in Beijing for unity talks that Mr Wang called "an important historical moment". Others were more sceptical, noting that the resulting Beijing Declaration, signed by Fatah, Hamas and 12 other Palestinian groups, left unresolved the thorniest questions, such as who should control security in post-war Gaza.

In Beijing, Western diplomats murmur that Chinese leaders have no illusions about their ability to solve the Middle East puzzle, but see an easy win in playing the peacemaking host. Meanwhile, China knows that its calls for an immediate ceasefire in Gaza and its vocal support for a Palestinian state align with the views of most countries, notably those in the global south. The most cynical Western voices suggest that, though China would surely prefer a quieter world, today's disorder does at least keep American aircraft carriers and diplomatic envoys usefully tied up in the Middle East, rather than making trouble in China's backyard.

To scholars from China's foreign-policy and security establishment, such Western analysis is lamentably crude. "How many ^{US} troops can the Houthis in the Red Sea tie down? Not many, that is too simple," says Hu Bo, a professor of maritime security at Peking University. Yes, Chinese exporters

face higher costs with the Red Sea closed, but there is no evidence that their losses are “unbearable”. In the absence of a ^{UN} mandate, even escorting ships in the Red Sea “implies China is against the Houthis, or against Iran”, says the professor, and imperils China’s preferred stance of neutrality in the Middle East. Put bluntly, the Red Sea crisis is “not on China’s doorstep”, so Chinese people wonder, “why should we help the United States solve this trouble?” reports the professor.

Zhou Bo, a retired ^{PLA} senior colonel, chides Western governments for arguing that, as the largest trading power on Earth, China should be willing to strike Houthi targets or apply pressure to Iran, in the name of upholding freedom of navigation on the high seas. The root cause of the crisis is “because Israelis are bombing and killing in Gaza”, he says. The Houthis have said that Chinese-flagged ships are not their target, he adds, and most Chinese cargoes are already sailing around the Cape of Good Hope. Mr Zhou, now at Tsinghua University’s Centre for International Security and Strategy, cautions that frigates and destroyers—the warships that the ^{PLA} would send—have limited air defences. What, he asks, would be the purpose of such ships entering the Red Sea and firing on the Houthis? As for China applying pressure on Iran: “The point is at what cost would you make use of your influence?”

An executive at a multinational company in China goes a step further. He argues that “we should be very careful about assessing disruption as bad for China”. When the covid-19 pandemic wreaked havoc in supply chains and cargo-shipping markets, Chinese firms adapted fast and grabbed business from slower rivals, he notes. “China prefers stability, but when there is chaos they think opportunistically, not defensively.”

China needs no help to calculate its interests

Mr Zhou sees “a grain of truth” in such arguments. He notes that Chinese businesses are active in unstable regions of Africa and the Middle East where profits are hard to come by. Unlike Western companies that need quick returns, Chinese firms will endure hardships to grab market share, he suggests. The aim is to outlast competitors and reap rewards later. He draws

a comparison with the Long March of 1934-35, when Red Army troops crossed snow-capped mountains, fast rivers and deadly marshes during China's civil war, knowing that their foe, the larger, better-armed Nationalist army, would not follow them.

To a striking extent, today's Chinese diplomats manoeuvre like Red Army guerrillas, warily avoiding crises that might trap and entangle China, while staging quick, showy wins. China is a superpower with global interests. But it is run by the same Communist Party that survived the Long March by picking battles and staging strategic retreats. Remember that history and China's opportunism makes more sense. ■

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Middle East & Africa

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Iran's electronic confrontation with Israel

The two adversaries are engaged in an intense cyber struggle, with Israel still a click ahead

August 15th 2024



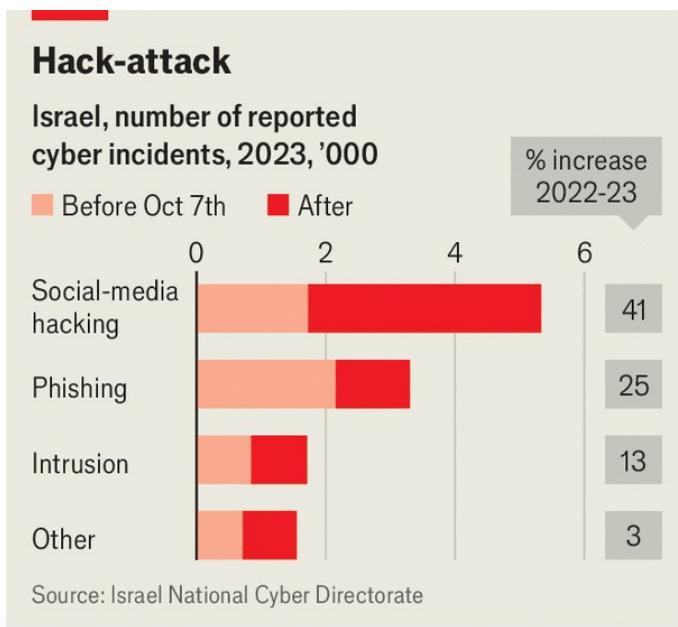
ZIV HOSPITAL is nestled at the bottom of Safed, the highest city in Israel, not far from the border with Syria and Lebanon. In November the hospital acknowledged that hackers had penetrated its computer systems. An Iran-backed hacking group would later claim to have gained access to 500 gigabytes of patient data, including 100,000 medical records linked to Israeli soldiers. That is hardly unusual. Hackers regularly target and breach hospitals, usually to extort ransoms.

The digital assault on Ziv, however, embodied the cyberwar raging between Israel and its enemies in the aftermath of Hamas's massacre of Israelis on October 7th. The attack was novel in several respects, says Gaby Portnoy,

the head of the Israel National Cyber Directorate (_{INCD}), the country's defensive cyber-agency, in an interview with *The Economist*. For one thing, it was a joint operation conducted by Iran and its ally Hizbulah, the militia and political party that dominates Lebanon. "They didn't work so well together until October 7th," he says. "We now see them...exchanging targets, exchanging capabilities. They are almost the same."

[Read all our coverage of the war between Israel and Hamas](#)

The choice of target also broke with the past. Iran and Hizbulah had not previously attacked Israeli hospitals, says Mr Portnoy, a retired brigadier-general. After October 7th Ali Khamenei, Iran's supreme leader, ordered cyber-operations against Israel to be expanded, he says, citing Israeli intelligence. The result has been a barrage both more intense and more refined.



The Economist

The rate of cyberattacks against Israel rose three-fold after October 7th. Iranian ones have grown more sophisticated, with less spillover beyond the intended target. "They are more accurate, they collect better intel and they go to the right places," says Mr Portnoy. "They know more about Israel, sometimes, than we do." Previously it would take Iran weeks to exploit

software vulnerabilities that had become public, he adds. That has fallen to days.

None has succeeded in disrupting Israel's critical infrastructure, such as power or water systems, in part thanks to digital sensors placed inside the networks of crucial facilities after October 7th. Most of the intrusions are, in essence, a form of harassment rather than anything resembling an armed attack. Some are meant for espionage rather than subversion. But many are also a form of information warfare.

Know your enemy

Some Iran-linked hackers have masqueraded as the families of hostages captured by Hamas, with the aim of widening divisions in Israeli society. Iranian hackers have developed a sophisticated understanding of Israel's social and political fractures, notes a recent study by the Institute for National Security Studies in Tel Aviv, with separate messages aimed at proponents and opponents of the war.

In some cases, hackers intending to frighten Israelis need not even hack anything, notes James Shires of the European Cyber Conflict Research Institute. For example, an Iranian group leaked footage purporting to be from outside Israel's Nevatim air base. It was, in fact, from an unrelated site on a road of the same name in northern Israel. "You get the effect by getting attention on it," he says.

Hamas itself, apart from some early hacking of surveillance cameras in Israel, has been almost irrelevant as a cyber force since December, says Mr Portnoy. He chalks that up to Israel's war in Gaza, which has disrupted the group's hackers as well as its fighters. More broadly, Mr Portnoy, a veteran of Unit 8200, an elite intelligence unit that conducts offensive cyber-operations, acknowledges that protecting Israel's computer networks requires penetrating enemy ones: "You cannot do defence without offensive acts."

That is partly to identify the sources of attacks. But it is also to punch back. Consider Predatory Sparrow, a hacking group suspected to be a front for the Israeli government. In 2021 it disrupted the rail network and petrol stations

across Iran, and hacked into digital billboards to display messages mocking Mr Khamenei. A follow-up in 2022 damaged three Iranian steel factories, spewing molten steel across the floor of one plant. In December it struck again, bringing down 70% of the petrol stations in Iran, declaring: “This cyberattack comes in response to the aggression of the Islamic Republic and its proxies.”

Israeli officials do not publicly acknowledge their role in these attacks. But Mr Portnoy insists that Israel shares the same “norms and values” as Western offensive cyber-agencies. “We will not do things that our enemies are doing to us,” he says. “We are very concerned not to harm people, not to influence civilian life too much.” Predatory Sparrow attacks—unlike Russian or North Korean attacks on critical infrastructure in the past—show signs of restraint and careful design, notes J.D. Work of the National Defence University in Washington. He cites features that prevent the malware from spreading to unrelated networks and the decision to use “well-known, extensively documented” tools rather than novel ones, which could result in the proliferation of advanced cyber capabilities.

The result is a lopsided cyberwar of “very unequal actors”, says Mr Shires. Israel has repeatedly shown it can do spectacular harm to the computer networks controlling some of Iran’s key infrastructure. Despite its progress, Iran’s capabilities are “not much better than mid-level organised crime gangs”, says a source. Israeli officials fear that could change suddenly. Iran has provided drones, shells and other arms to Russia for use in Ukraine; a concern is that Russia might reciprocate with cyber tools or know-how.

That would be a surprise. Russia has long used those tools to snoop on Iran itself, sometimes cannily pocketing intelligence that has been collected by Iranian spies. Even so, the lack of precedent does not reassure Israeli officials. “Iran,” says Mr Portnoy, “in a click of a button could have superpower capabilities”. ■

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The bunkers on Beirut's golf course are in the crosshairs

Still, hazards off the fairway are no excuse for slow play

August 15th 2024



There are a handful of gaps on the honours board at the Golf Club of Lebanon in Beirut, the capital. One is for 1982, when Israel's army bulldozed the fairways during its siege of Beirut. The other blank entries hark back to the civil war. This is Lebanon's only golf course. With the war drums banging, it once again finds itself the centre of attention.

From the first tee, you could loft a wedge into the compound of the Iranian embassy in Beirut, if you wanted. "They've been good neighbours... We haven't had any issues," chuckles a cheerful Karim Salaam, the president of the Lebanese Golf Federation, whose father founded the current course in 1963. On a good day he plays off a nifty handicap of nine. On other days he

gets his team to repair bullet holes in water tanks, or reassures members that the sonic booms of low-flying Israeli jets aren't a danger. Distracting as they may be, they are no excuse for slow play.

[Read all our coverage of the war between Israel and Hamas](#)

At the southern end of the course are the dilapidated rooftops of Bourj el-Barajneh, a neighbourhood housing one of Beirut's Palestinian refugee camps. On the other side of the eastern wall is Dahieh, a mainly Shia neighbourhood and stronghold of Hizbulah, the militia-cum-political party that dominates Lebanon. It has been firing rockets almost daily at Israel to support Hamas since October 7th, when that group attacked southern Israel, killing 1,200 people and kidnapping about 250. In 2006 Israel and Hizbulah fought a war that left parts of Lebanon in ruins.

Several years ago Binyamin Netanyahu, Israel's prime minister, held up a map before the ^{UN} General Assembly showing alleged Hizbulah missile-launch sites next to the golf course. The allegations were repeated on August 6th by an Israeli think-tank, which indicated that the course itself was also a potential launch site. "He [Netanyahu] accuses us of being a place where we stash arms," says Mr Salaam. "No...it's a place where we teach kids values, ethics and golf." Though many players have stayed away as the threat of war has increased, 16-year-old Muhammad is working on his swing. "He is one of Lebanon's best prospects," says Mr Salaam.

In happier times the course catered to ambassadors, peace envoys and even Sean Connery. Now it has a largely Lebanese membership, as well as hosting the national teams of Syria and Palestine. For Mr Salaam the course is a bellwether for Lebanon. If he can keep it alive, then perhaps there is a future for his country, beset as it is by conflict and financial collapse.

Though the golf club is one of the few tranquil spots in the bustling, congested city, this quiet will not last if a wider war breaks out. The region is on a knife edge as it awaits the retaliation promised by Iran and Hizbulah, its proxy, for recent assassinations carried out by Israel.

On August 11th Lloyd Austin, America's defence secretary, sent more forces to the region. The prospect of a ceasefire in Gaza diminished as Hamas

rejected peace talks scheduled for August 15th. It is hard to think of a tenser moment of late. Yet after a few hours with Mr Salaam on his buggy the threat of war feels far away. He, meanwhile, has other things on his mind: those bunkers need to be raked. ■

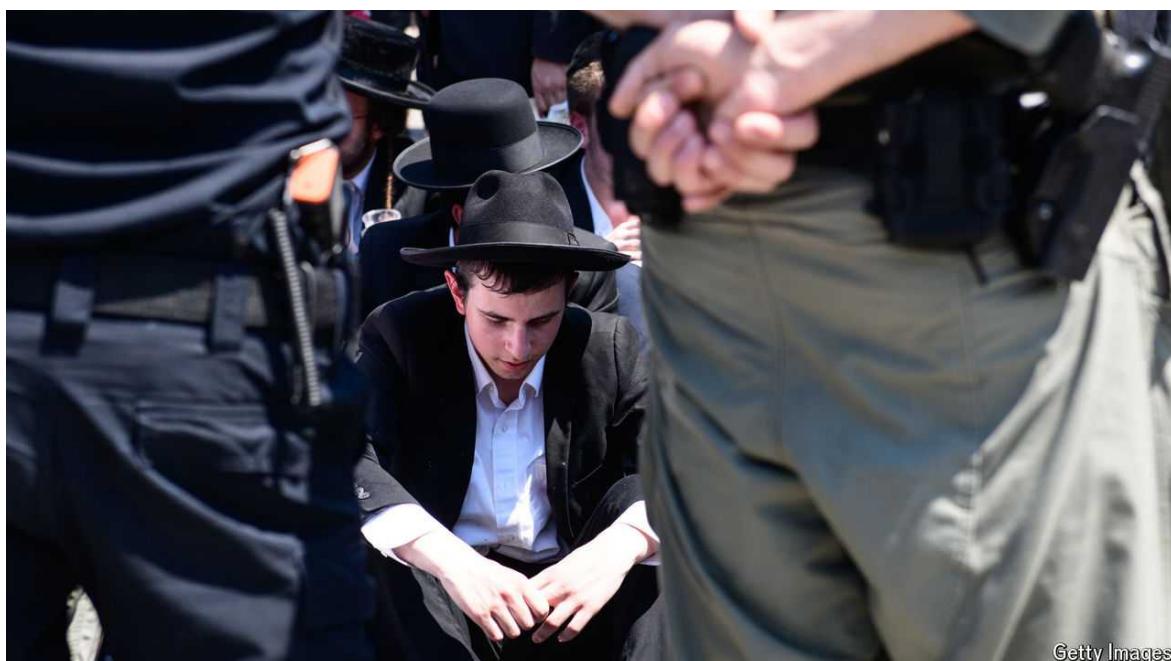
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Israel's ultra-Orthodox still won't fight, invoking scripture

An age-old argument is making Binyamin Netanyahu face an enduring dilemma

August 15th 2024



The armed forces bent over backwards on August 4th to welcome a new wave of recruits. Induction centres in Jerusalem and Tel Hashomer near Tel Aviv were adapted to soothe the religious sensitivities of prospective draftees. No female soldiers were in sight, so as not to offend the young men who had grown up in an environment strictly segregated by sex.

But to little avail. Out of the first group of 900 members of the ultra-Orthodox community summoned to pre-enlistment interviews and medical check-ups, only 48 turned up. The rest obeyed their rabbis: stay away and stick to your studies.

[Read all our coverage of the war between Israel and Hamas](#)

Israel is at war on several fronts but a sizeable chunk of its population—the ultra-Orthodox, or Haredim, make up 14% of all Israelis—refuse to take part in the war. They claim a sacred role to continue studying the Torah and Talmud under any circumstances. Besides, army life would corrupt these cloistered young men, they say. Rabbi Yitzhak Yosef, a former chief rabbi of Israel, has called for the students to emigrate if forced to enlist. Some of them arrived at the induction centres and shouted: “We will die before joining up.”

This creates a headache for Binyamin Netanyahu, Israel’s prime minister. He is loth to accept a ceasefire in Gaza, forcing the army to rely heavily on a limited pool of tired conscripts and reservists. Some 63,000 young Haredi men are reckoned to be eligible for conscription, but should he enforce the draft he would lose the support of the ultra-Orthodox parties, a key element of his ruling coalition.

Mr Netanyahu has been dragging his feet over the issue, though the Supreme Court has ruled the historic exemption of Haredi students to be unequal and thus illegal. The coalition has been trying to propose a vague set of enlistment quotas in the hope of satisfying the court, or at least buying the government time. Meanwhile, the independent-minded attorney-general has enraged Mr Netanyahu’s far-right ministers by cancelling state benefits for those who refuse to join up.

The row over the draft reflects not only the rift between the ultra-Orthodox and the rest of Israeli society. It has also reignited the struggle between a legal system determined to enforce the Supreme Court’s rulings and Mr Netanyahu’s government, which had been bent on curbing the court’s independence before war broke out in Gaza on October 7th.

The dispute has also deepened the enmity between Mr Netanyahu and Yoav Gallant, his defence minister. Mr Gallant, anxious to bolster the armed forces’ ranks, has refused to co-operate with Mr Netanyahu in his attempts to reach a backroom deal with his coalition partners. This has intensified divisions over the management of the war, most recently regarding the conditions for a ceasefire in Gaza. Speculation is rife that Mr Netanyahu is

planning to fire him. On August 12th Mr Gallant said talk of “total victory”, a favourite slogan of Mr Netanyahu, was “nonsense”. The prime minister accused his defence minister of “adopting an anti-Israel narrative”.

To be sure, the rivalries between Mr Netanyahu and every defence minister to have served under him in his long political career predate the war in Gaza. So do Israel’s divisions over the powers of state, synagogue and Supreme Court.

But with the war now dragging on into its 11th month and the government seemingly incapable of agreeing on a strategy to end it, Israel’s façade of unity is crumbling. The government’s failure to enforce the law on an influential community is yet another symptom of Israel’s current political dysfunctionality, even as its troops are fighting for their lives. ■

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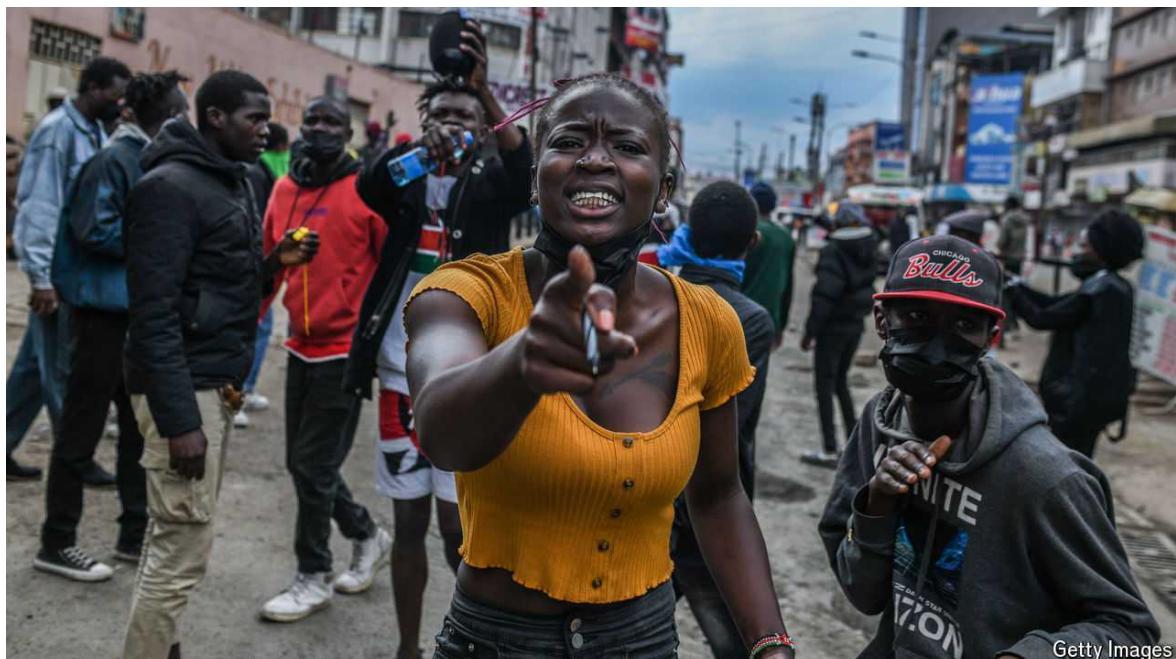
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Middle East & Africa | A new age of austerity

The lessons of Africa's tax revolts

If states want to collect more, they will have to offer something in return

August 15th 2024



Getty Images

The art of government is to make two-thirds of a nation pay all it possibly can for the benefit of the other third, Voltaire is supposed to have quipped in *ancien régime* France. That was a fine idea until revolutionaries started lopping off aristocrats' heads. Kenyan protesters have not gone that far, but their "Gen z" movement has rattled the country's complacent rulers. What began as indignation at tax rises has turned into a popular campaign against corruption and misgovernance.

The Bastille moment came in June, when protesters stormed Parliament and the security forces shot dozens dead. The president, William Ruto, was sufficiently cowed to tear up his tax plans and sack several ministers. But Kenyans are still angry at a political class that is "taking people's money,

offering no services, and being accountable to no one”, says Wanjira Wanjiru, an activist at the Mathare Social Justice Centre, a community group in Nairobi.

There is an old idea in political science that ruling elites start listening to citizens when they need their money (or, in wartime, their lives). Kenya is not the only African country where this fiscal bargain is being put to the test. The flow of foreign finance has dried up as global interest rates have risen. Three-quarters of African governments are tightening their belts.

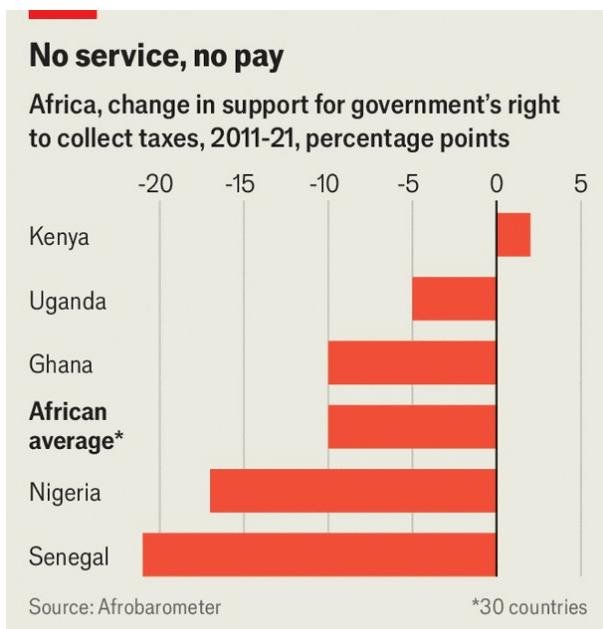
Africa has been through painful bouts of austerity before, with damaging effects on health and education. The ^{IMF} examined 82 instances of African governments reducing deficits between 1980 and 2021. About a quarter of the adjustments came from tax rises, and three-quarters from spending cuts. But this time governments plan to have an even split. A greater emphasis on tax rises comes partly at the urging of the ^{IMF}, which reckons that in Africa they are less harmful to growth (in rich countries, it thinks the opposite).

There are plenty of things that could be taxed more: property in booming cities; oil, gas and mining, which are quite lightly burdened; and the rich, who often pay little. But politicians often find it simpler, and easier on their own pockets, to raise indirect taxes on goods, such as value-added tax (^{VAT}). Another fashionable idea is to try to tax small informal businesses, but this rarely brings the expected gains. “There is very little taxable income there because there is very little profit,” notes Giulia Mascagni of the International Centre for Tax and Development, a research institution based in Britain.

What there is, in abundance, is frustration. Traders in Uganda shut their shops for several days this month in anger at the 18% ^{VAT} rate and the costs of complying with a new electronic system. Market vendors in Tanzania did likewise in June, complaining of harassment by tax officials. In Ghana the government has put plans for a new electricity levy on hold after trade unions threatened protests.

Many citizens do not trust the state to keep its side of the fiscal bargain. In surveys conducted between 2019 and 2021 by Afrobarometer, a pollster, some 35% of Africans said that most or all tax officials are corrupt, and only half said that their government uses revenues to benefit the people. Some

also wonder whether the bargain is worth it in the first place. About half of Africans said they would be willing to pay more taxes in return for better services, but almost as many said they wanted to pay less tax, even if services got worse. They look more favourably on taxation when they do get better services, like electricity connections, though in cross-country comparisons the relationship is not strong.



The Economist

The roots of tax aversion can be traced to the colonial era, when Africans were first forced to pay taxes. Arbitrary levies provoked revolts, such as the “Hut Tax War” in Sierra Leone in 1898. Politicians who opposed a new income tax in Ghana in the 1930s complained that the money would be wasted on European officials and their “palatial bungalows”.

Taxes in African states are tiny, compared with those in rich countries. At 16% of GDP, the tax take is far too low to fund the services that citizens demand. It has grown nonetheless, as shown by long-term data compiled by researchers at Lund University in Sweden. They strip out taxes on trade and natural resources, which fluctuate with world prices, and take the remaining revenues as a measure of underlying fiscal capacity. In 1900 the average African state collected the equivalent of two days’ wages per person. That had risen to nine days by 1960, at the dawn of independence, and more than 50 days by 2015.

But there has not been the same grand bargain as occurred in Europe, where rulers raised taxes to pay for their wars and in return conceded rights. African states have rarely fought each other. And they have looked outward for finance, to foreign lenders or the IMF. In rentier states like Nigeria, where about 40% of revenue comes from oil, politicians barely notice the people they govern.

Instead of grand bargains, leaders strike a plethora of small ones. Yoweri Museveni, the Ugandan president, has over the years met everyone from dairy farmers to taxi drivers, waiving taxes that his officials wanted to impose. But when young people tried to organise a Kenya-style protest last month against broader issues of corruption, he warned they were “playing with fire”. Police clamped down.

It may be optimistic to think that Africa’s revenue squeeze will suddenly lead to better governance. Something is shifting nonetheless. Isaac Danso Agyiri of Tax Justice Network Africa, a civil-society group, says that social media are making people more aware of new taxes. Some Ghanaians have posted pictures of their shopping bills online. African taxpayers are used to picking up the tab. Now they are keeping the receipts. ■

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Middle East & Africa | Vroom vroom!

Cheap Asian motorcycles are transforming African cities

The \$1,000 boda boda carries a big economic punch

August 15th 2024



Panos

At the Haojue showroom in Kigali, Rwanda's capital, Gaston Kamo dusts the latest model's ruby-red fuel tank. "With motorcycles you can go everywhere, even muddy roads," says the salesman for the Chinese manufacturer. The gleaming 125cc bike costs 1.25m Rwandan francs (around \$1,000). "Much less than a car," adds Mr Kamo, gently angling for his cut.

Cheap bikes from China and India are roaring about Kigali and many other cities. Africa has about 27m registered motorbikes, up from fewer than 5m in 2010, according to a report by the [fia](#) Foundation, a global road-safety charity. Some 80% are used for deliveries or as two-wheel taxis, which are

known by various names including *okada*, and *boda boda*. They are transforming mobility in Africa.

Behind the rise is a story of supply and demand. Brands from China (such as Haojue) and India (such as Bajaj) are cheap enough for the average African rider. Some have set up assembly plants in countries such as Togo and Angola. Many have done deals with financial firms that offer loans to pay for the wheels. Some are now also selling electric motorcycles.

Africa's urban population will almost double from 491m in 2015 to 966m in 2035, reckons the ^{UN}. Walking across sprawling cities takes ages and, in the absence of pavements, can be dangerous. Motorcycles are cheaper than car taxis (roughly half the price for a trip of the same distance) and often faster. The average car commuter in Lagos spends 30 hours a week in traffic, according to one survey.

Around a third of taxis carry cargo and connect small towns to each other and to rural villages. In 2020 there were 8,784 African agglomerations with at least 10,000 people, up from 2,360 in 1980, according to Africapolis, a research project of the ^{OECD}, a group of mainly rich countries. Motorbikes make it easier to get from one to another—the average distance between two agglomerations is 20km, down from 35km four decades ago—including connections with other forms of transport.

The two-wheelers are vital for the informal economy that makes up 86% of employment in Africa. “If you were to take them away, the economies of most sub-Saharan African cities would collapse,” argues Roger Behrens of the University of Cape Town. They are a major source of jobs for young men (just 1% of drivers are female) at a time when African working-age populations are expanding faster than formal jobs. There are at least 1.5m riders in Kenya alone, more than 50% of the number of public employees.

Some effects are less welcome. Motorcycles are noisy and add to air pollution. And they crash. Africa has 3% of the world's motorised vehicles (of all types) but accounts for nearly one-fifth of all road deaths globally, according to a report by the ^{UN's WHO}, published last month. Motorcycles are a big part of the carnage.

Only around half of drivers wear helmets in Kampala (Uganda's capital), Lagos (Nigeria's commercial megalopolis) and Maputo (Mozambique's capital); passengers are even less likely to do so. Only eight African countries have “best practice” laws on helmets, notes the ^{WHO}. And these are often patchily enforced. Rwanda, however, insists that both rider and passenger wear helmets—and actually enforces the law.

At various times some governments, such as Ghana's, have banned motorcycle taxis. Some of the largest cities in Senegal, Nigeria and Ivory Coast have had them banned, sometimes because they are associated with crime. In other cases politicians simply think motorcycles are a nuisance and get in the way of their own cars (often large ^{SUVs}). “These bans can be very personal sometimes,” says Tom Courtright, a researcher based in Nairobi, who co-authored the ^{FIA} report.

Yet the bans tend to be evaded or withdrawn. This is partly because large groups of young men can be influential in politics, so cannot be ignored for long. Indeed, some political parties have tried to co-opt riders as ready-made youth wings. But the main reason why bans don't work is that there is simply no good alternative for millions of Africans trying to get around. ■

Sign up to the [Analysing Africa](#), a weekly newsletter that keeps you in the loop about the world's youngest—and least understood—continent.

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Europe

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Europe | Into the breach

What next after Ukraine's shock invasion of Russia?

It could dig in, pull back or grab more as a bargaining chip

August 13th 2024



UKRAINE'S LIGHTNING incursion into the [Russian province of Kursk](#) has exceeded the expectations of even those who planned it. On August 12th General Oleksandr Syrsky, Ukraine's commander-in-chief, claimed that his forces controlled roughly 1,000 square kilometres of Russian territory. "Control" may be an overstatement. But in seven days the Ukrainians have [seized](#) almost as much territory as Russia has managed, at huge cost, to take from them since the start of the year (1,175 square kilometres). In the next few days the incursion will probably culminate, as troops tire and supply lines become stretched. The question is whether Ukraine can translate short-term gains into lasting strategic advantage.

The short-term gains are straightforward. Vladimir Putin has been palpably embarrassed: on August 12th he was shown on Russian state television castigating military, security and local government officials. Ukrainian forces have taken control of the story after many months of being on the back foot, notes Konrad Muzyka, a military analyst with Rochan Consulting, a firm that tracks the war. Ukraine has maintained tight security and has been able to surprise the enemy, much as General Syrsky's offensive did against Russian forces in Kharkiv nearly two years ago. Ukraine believes it has shown that far from being frozen the conflict's frontline is fluid, potentially changing the calculus of Russia and the West in any future negotiations.

[*Read more of our recent coverage of the Ukraine war*](#)

Mr Muzyka cautions that Ukraine could suffer huge losses when Russia counter-attacks. So far it has not yet mustered forces to do so. There is still little sign of Russian resistance on the ground. Ukraine has taken a large number of prisoners, mostly callow conscripts or men from the National Guard, an internal military force. They have been quick to surrender. The Ukrainians have faced little opposition from the pockets of civilians who have stayed behind. Tens of thousands have been evacuated, according to the governor of Kursk. Many have left of their own accord, angry at the chaotic response.



The Economist

Russia's failure to mount a rapid counter-attack puzzles some Ukrainian officers. Rather than redeploying troops from the Donbas to Kursk, the Kremlin may be planning an asymmetrical response, such as a rocket barrage against the government quarter in Kyiv. So far Mr Putin faces no great pressure from public opinion at home: Russians are aware of the incursion, but the state-controlled media have reported on Russian forces' supposedly successful resistance, and on the humanitarian situation. Apart from a few articles in relatively independent news sources, news of the chaos has not reached most citizens.

Even military bloggers, who sometimes critique the army's failures, saw the invasion of the homeland mainly as an outrage that could unite Russians in demanding vengeance. (One hoped it would wake up spoiled Muscovites "sipping [their] raspberry frappés".) Among Russians in the opposition or in exile, it has provoked mixed responses. Ilya Yashin, an opposition politician freed to the West in a prisoner exchange on August 2nd, blamed the "deaths and destruction" in Kursk on Mr Putin. Another opposition figure, Lev Shlosberg, who is still in Russia, said anyone welcoming Ukrainian military successes should no longer consider themselves a Russian politician.

What does Ukraine do next? The advance has moved so fast, and the Russians have been so slow to respond, that Ukraine may be rethinking

objectives. The initial goals were to boost its own people's morale, and give renewed confidence to Ukraine's Western supporters that it deserves more military backing. Ukraine also wanted the Kremlin to divert troops from the front line, especially in the Donetsk region, where Russia is making advances along an axis between the towns of Toretsk, Pokrovsk and Chasiv Yar. Since the incursion began, Ukraine has lost control of part of the town of Hrodivka, 15km from Pokrovsk.

Assuming the Russians start deploying more capable forces to the area, the Ukrainians will have three options, says Mick Ryan, a retired Australian general and strategist. The maximalist approach would be to try to hold the territory it has seized—or even push further—in order to draw more Russian troops from Ukraine and provide a bargaining chip in any future negotiations. But this is risky, Mr Ryan points out. It would be hard for Ukraine to maintain electronic-warfare and air-defence coverage for even well dug-in troops across such a wide salient. The Ukrainians know how lethal Russian glide bombs are against fixed positions. Ukraine would have to divert resources from the front line inside its own territory, and its forces' losses in Kursk would undermine its positive story.

A second option would be to pull back to the border in good order, preserving troops and equipment for attempts to reclaim Ukrainian territory next year. Ukraine would have shown that it can take the war to Russia and undermined the narrative of a grinding, inevitable Russian victory, which has developed traction among Ukraine's less resolute allies.

A third option would be to withdraw partially to a more defensible position nearer the Ukrainian border which would require fewer troops and be better supported by artillery and logistics. It would also form a base for further attacks when opportunities arise. A source in Ukraine's general staff suggests this is the most likely option: some logistics—engineering forces, fuel, field hospitals, food and repair bases—have already been moved several kilometres inside the Russian border.

Despite initial reports that Ukraine might seek to seize the Kursk nuclear power plant or other sensitive sites, the response from its allies has been surprisingly positive. The Biden administration, which has opposed Ukrainian drone strikes on Russian oil refineries and restricted the use of

American missiles on Russian soil, said that the operation was an acceptable use of American weaponry, including Stryker armoured vehicles. Germany, which usually worries about anything that might prompt Russian escalation, has pointed to Ukraine's right of self-defence. There has been little sign of allies offering private or public rebuke of Volodymyr Zelensky, Ukraine's president. His challenge is now to translate the success of the past week into something enduring.■

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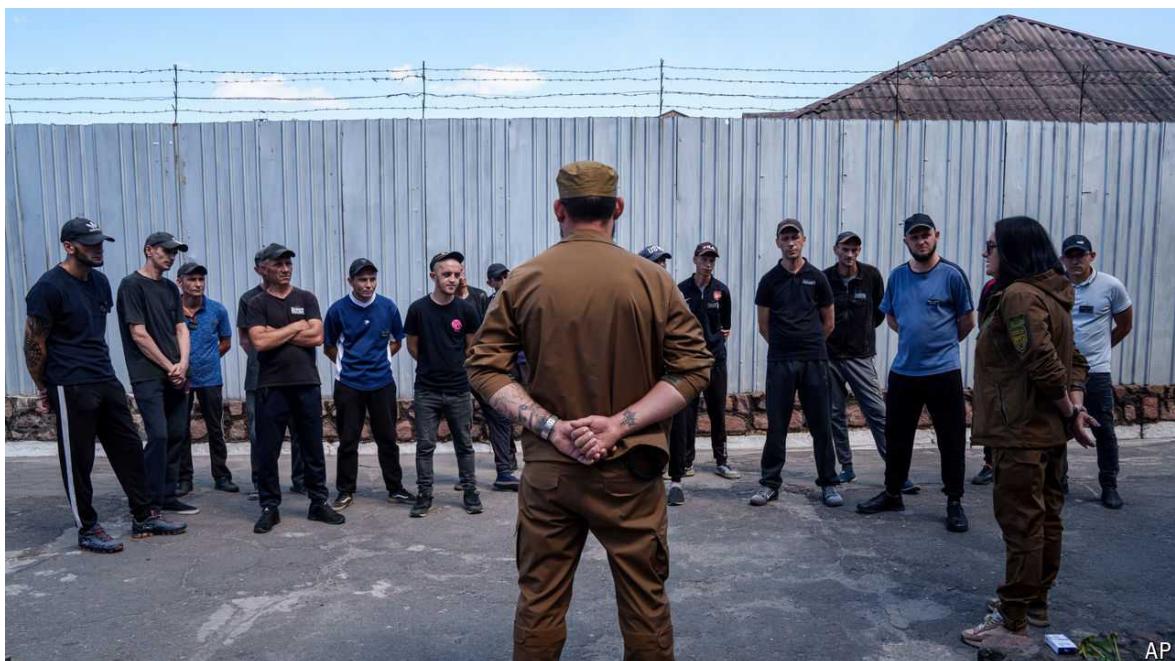
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Europe | Freedom on the line

Ukraine's convicts take the fight inside Russia

A hard-bitten major commands a unit of felons—and dreams of kebabs in Moscow

August 15th 2024



LAUGHTER CUTS through the crunch of gravel as Major Nazariy Kishak's jeep arrives. He is four hours late. "It was a shitstorm," he says, grinning under his crooked boxer's nose. "A column with 70 Chechens. All with Saint Peter now." The enemy had been trying to cross the border just north of his unit's new entry point into Russia.

Major Kishak is in charge of one of the most unusual units in Ukraine's week-old Kursk operation. It is not just his riotous style of command. A quarter of his 200-strong unit are convicts, released under a new scheme that trades sentences for service. Three months ago, the men were in prison. Now they are on their first mission, fighting inside Russia. Major Kishak says

they have turned out to be the best warriors he has seen. On August 13th the unit lost its first man, a 24-year-old named Mykhailo convicted of robbery.

[Read more of our recent coverage of the Ukraine war](#)

The bearlike commander cackles as he drives along a tree line near the border. “Don’t worry, we aren’t actually near the border,” he kids. “It was ten kilometres back.” A tank fires in the distance. A sharp turn, and your correspondent arrives at the unit’s command post in the Ukrainian forest. The floor is strewn with ashtrays and freshly opened boxes of grenades. Major Kishak picks up the radio to bark orders to his fighters over the border. The men around him lean in like disciples. Some, just back from Russia, are feverishly consuming bread and mayonnaise.

Gena, aka “Wikipedia”, is a grey-haired 47-year-old convicted in 2021 for murder and armed robbery. He says the booze got the better of him that day. He was turned away trying to buy more beer, a guard tried to grab his weapon and the gun went off. “I went home, went to bed, and a welcome committee was waiting for me when I woke up.” His three and a half years in prison, he says, gave him a calmness that helped him when he crossed into Russia. “Not that I saw much that was terrible. Just a Russian without his upper half. The lower half there, but the upper half gone. Nothing special.”

Ukraine has been emboldened by its march into Russian territory. The advance has slowed in recent days: Ukrainian forces may be solidifying supply lines, or may be unsure what comes next. Major Kishak and his convicts reached the region on August 10th, backing up the strike force of elite soldiers that entered Russia on August 6th. The unit is now fighting farther north of the main incursion at Sudzha.

Things are hotting up. But Major Kishak says Ukraine probably lacks the forces to open a new axis of attack in the area. “Sudzha remains the priority. We don’t have troops to throw around.” Severe manpower shortages were, after all, the main reason Ukraine decided in May to follow Russia’s lead and let convicts serve.

Sasha Bakhmut, a 55-year-old from central Ukraine, was one of the prisoners who had argued for the new law. He was jailed in late 2021 for shooting a man. When the war broke out three months later, he asked a court to be permitted to join the front line. The chance finally came to fight—in Russia. “It’s hard to describe the feeling. Just overwhelming. We got here. And not only got here, but actually crossed the border. We showed we are a brave nation.”

The commander says the early success of the experiment shows it is right to give people a second chance. He makes only two exceptions: rapists and Vladimir Putin. There is a comprehensive vetting process, but once the soldier is in, they are in. The convicts have the same rights as ordinary soldiers. The commander, who comes from a family of warriors—even his mother is fighting in the Donbas—says he offers tough love. “Sometimes you need to shout, or to order someone to do exercise, but you do this to keep them alive.”

The convicts reckon their new careers have rekindled a sense of purpose. Wikipedia says he is applying his computing degree to drones and electronic warfare. Major Kishak advises his men to expect the unexpected—and that there are no limits to where Ukraine’s operations might go next. “I’ve always fancied opening a kebab shop in Moscow.” ■

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Europe | Stop the war

Anti-war parties are set to clean up in eastern German elections

Scepticism about support for Ukraine runs deep in parts of the former communist republic

August 15th 2024



Getty Images

ANATOLI CALUTCOV, who was born in the Soviet Union, slotted right in when he moved to Dresden 20 years ago. Visiting western parts of Germany always felt a bit strange, he says, but Dresden was like home—perhaps because it used to sit in the communist East German republic (_{GDR}). Business is still brisk in Kalinka, the Russian food shop he runs, even if these days his Russian customers have been largely replaced by Ukrainian refugees.

Saxony, the east German state of which Dresden is the capital, holds an election on September 1st. Although Mr Calutcov is impressed by Michael Kretschmer, Saxony's conservative premier, he will opt for the Sahra

Wagenknecht Alliance (_{BSW}), a new party named for its founder, a charismatic former communist. The _{BSW}, an offshoot from a hard-left party, blends leftist economics with conservative positions on culture. Crucially for Saxony—as well as Thuringia and Brandenburg, two eastern states that also vote next month—the _{BSW} has a doveish line on Russia that, when Ms Wagenknecht turns on the demagogic, can be hard to distinguish from Kremlin propaganda. (Russian media celebrate her as a hard-nosed teller of truth to power.)

As campaigning hots up, Ms Wagenknecht is making the political weather. The _{BSW} is polling in double figures in the three voting states. The hard-right Alternative for Germany—another pro-Russia party—could come first in all three. But because it is shunned by every other party, Ms Wagenknecht has a good chance of entering government in Saxony and elsewhere. She is already laying down conditions for potential coalition partners: they must echo her call for negotiations to end the Ukraine war, and reject the federal government’s recent agreement to station American missiles in Germany from 2026.

Ms Wagenknecht is a “black box”, a sceptical Mr Kretschmer tells *The Economist* from the Dresden state chancellery. But such is her party’s momentum that he has begun to emphasise his own (long-held) “pro-diplomacy” positions, thereby irritating his pro-Ukraine Christian Democrat colleagues. Mr Kretschmer says Germany should lean on China and India to bring Russia to the negotiating table. But he also says Germany should cut military aid to Ukraine. “Peace can’t be reached on the battlefield, only with diplomacy,” he says. “We must end the killing.” Many observers expect him to form an unholy alliance with the _{BSW} after the election.

Ms Wagenknecht calls the elections a “vote on war and peace”. In fact they are about education, housing and policing; state politicians have no foreign-policy powers. But the Ukraine war has come to stand for something else in parts of the east, says Jan Claas Behrends, a history professor at European University Viadrina in Frankfurt on the Oder. He sees scepticism towards Ukraine as a legacy of East German “peace propaganda” blended with stick-it-to-the-elites defiance and anti-Americanism. Such claims do not necessarily trouble the insurgents. “If people in the east who share our views are told that everyone who thinks like that is a Kremlin asset, they recall propaganda they heard in the _{GDR},” says Fabio de Masi, a _{BSW MEP}.

These views are far from uniform across the east. But polls there consistently find less support for Ukraine and warmer feelings for Russia. Parties that, to varying degrees, oppose Germany's backing for Ukraine command close to, or more than, half the vote in the states voting in September. Meanwhile the Greens, the staunchest opponents of Mr Putin's war, risk ejection from all three state parliaments.

For the ^{BSW} to enter government in Saxony or elsewhere would not directly undermine Germany's solid support for Ukraine. But, says Sarah Pagung, a Russia analyst at the Körber Foundation in Berlin, it could strengthen the hand of those in the ruling Social Democrats who are uncomfortable with Germany's stance on the war. That in turn might influence the party's position in next year's federal election. Perhaps more important, next month's votes could illustrate something that is troubling politicians across Germany. Namely that 35 years after the fall of the Berlin Wall, eastern and western Germany appear if anything to be growing apart. ■

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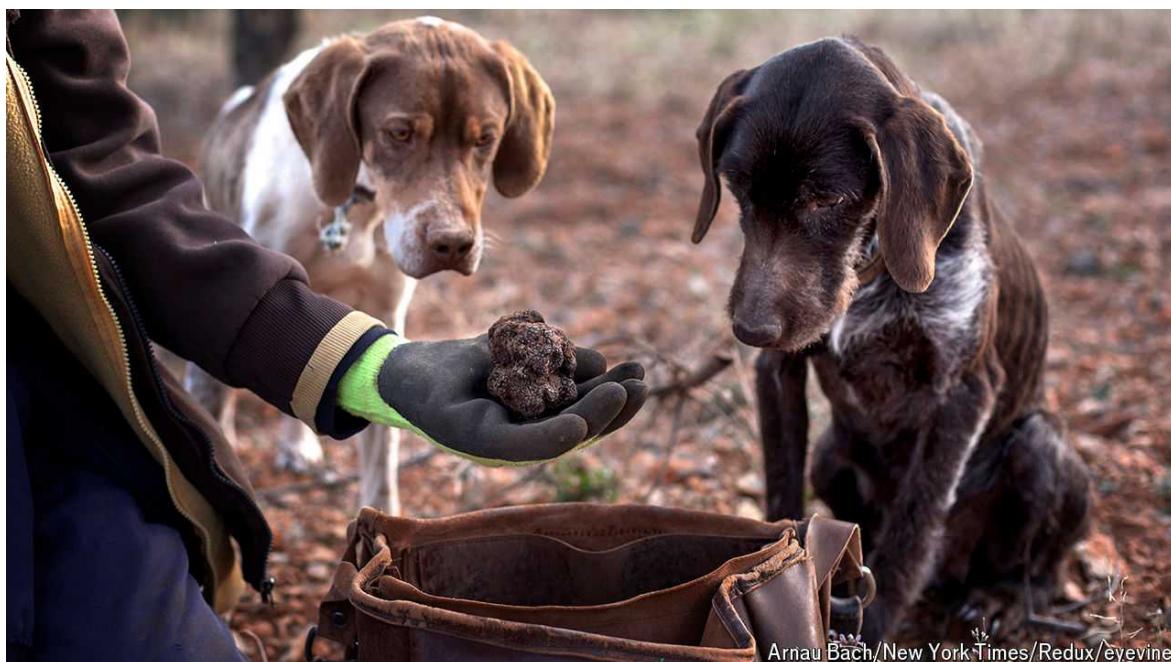
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[Europe](#) | The fungus is just starting

How a Spanish province became the world's truffle leader

Teruel has replaced France's Périgord atop the tuber charts

August 15th 2024



Arnau Bach/New York Times/Redux/eyevine

AS A CHILD, Manolo Doñate often saw strange men with dogs in the mountains near his house in Sarrión, a town in the Teruel province of Aragón. They were hunting the abundant wild truffles. In the 1980s, while visiting a plantation in France, he decided to become the first in Teruel to cultivate truffle-producing oak trees.

“People thought he was crazy,” says Simona, his daughter. Little was known about how to farm the fungus; it takes around ten years for the trees to produce. But it worked. Today Teruel is the world’s biggest producer of *Tuber melanosporum*, the prince of black truffles. Last year the region exported more than 26,000kg of them.

Production from France's Périgord region, previously the biggest producer, has plummeted over the past century, as farmers switched to easier crops. (Truffle farmers must introduce the fungus to the trees and replant each one in a field; when they produce, finding them requires trained animals.) But Teruel's meagre soil is unfit for most crops, so locals have bet everything on the black diamonds. Production has enriched farmers: black truffles fetch up to €700 (\$770) per kilogram. And it has halted depopulation: Sarrión's population has held steady even as Aragón's has fallen.

The next step is international recognition, says Daniel Brito, head of Teruel's truffle-farming association. Périgord truffles are still the gold standard. Mr Brito hopes to win a "geographical indication", like those for champagne or Parma ham, before the next season starts. Another challenge is that Spaniards rarely eat truffles. They were banned during the Spanish Inquisition as a poison from hell. To Teruel, however, they are a gift from heaven. ■

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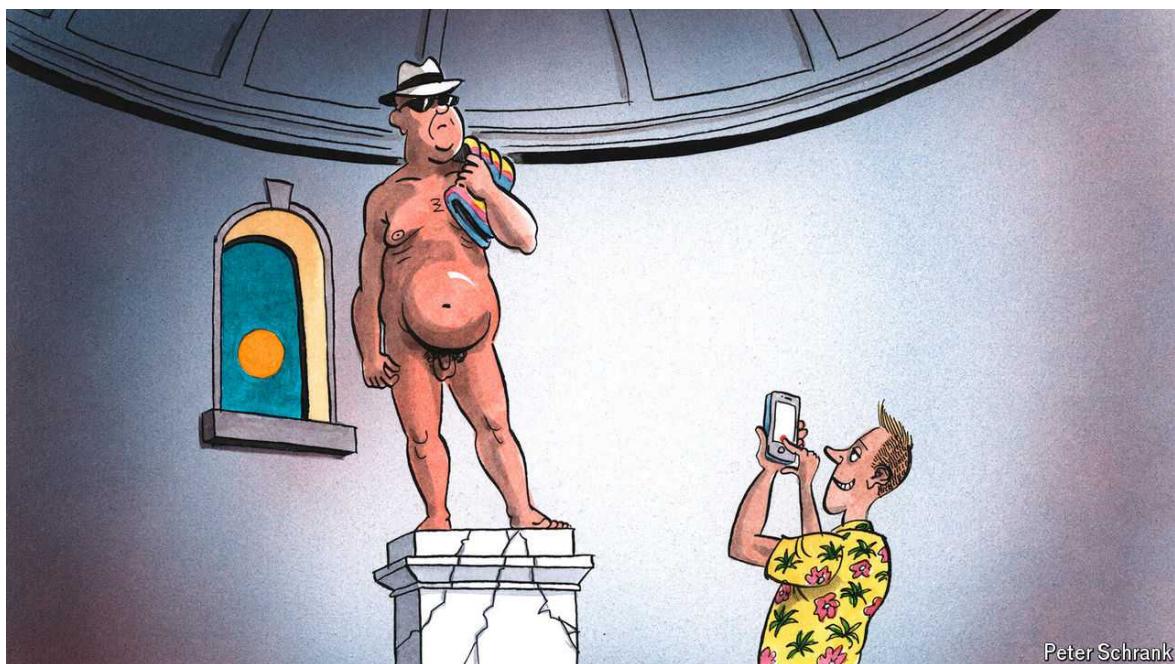
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Europe | Charlemagne

The great cover-up: Europe is losing its penchant for public nudity

A columnist bares all in pursuit of the naked truth

August 15th 2024



Peter Schrank

Man is born naked, but everywhere he is in clothes. Well, nearly everywhere. Visit a sauna in Denmark, bits of public parks in Germany or many a beach in France and clothing becomes as scarce as office workers at the height of August. Mortifying as it may seem to the clothes-minded, Europe is the spiritual home of nudity: a continent where enough people (in some countries more than others) are happy to show off their private parts in public places that it has long since lost the ability to offend. Yet a cloud is hanging over those who eschew bathing costumes. Casual nakedness is falling prey to rising prudishness; nudist associations are losing members at a clip matched only by the church. Worse, a habit one might prefer to be undertaken by the young is increasingly the preserve of the ageing. The

sagging clientele for all-nude events points to a more buttoned-up continent. Can Charlemagne strip down the debate to its bare essentials?

Visitors to Europe often imagine public nudity to be an offshoot of its supposed licentiousness: beachgoers start by stripping off together, then end up in each other's beds. Something close to the opposite is true. In contrast to Americans, many Europeans insist there is nothing sexual about the naked body; it is merely eroticised by those who choose to gaze at it in that way. If all agree, it thus becomes possible to hang out with colleagues, friends and your mother-in-law in the buff with no titillation involved. Some quietly go starkers in their back garden. Others prefer to flash their flab more publicly: national associations of the clothes-shy organise everything from naked campsites to museum visits and *pétanque* tournaments. Nudist venues exude a chilled-out vibe where formalities are eschewed alongside garments.

Perhaps unexpectedly, it is in Europe's often chilly north that clothing is most often optional. Few in the Nordic countries give a second thought to stripping off in the company of strangers, at least of the same sex. It takes weeks to convince a taciturn Finn to look you in the eyes, but mere hours before he shows you his genitals while you sweat together in a sauna (some beating with birch branches may ensue). Southerners are less often found shedding clothes, the legacy of Catholic norms. Standing proudly alone in the nudist pantheon is Germany. A prominent "free body culture" movement emerged there in the late 19th century, a return-to-nature reaction to the grim industrialisation of the era. The urge to strip off became all the stronger in repressive East Germany, where nudism offered a rare acceptable form of emancipation from the communist state's overbearing authority. American feminists in the 1960s defied societal norms by burning bras; East Germans sought freedom by getting rid of the rest of their wardrobe. Even as freedom returned after 1989, clothing often did not.

Germans' willingness to strip off can still raise eyebrows. In 2020 a middle-aged naked sunbather caused an internet stir after a video went viral of him chasing a wild boar that had made off with a bag containing his laptop in a Berlin park. But it is becoming rarer. In June the main nudist association cancelled celebrations for its 75th birthday amid a lack of interest. At 34,000 its membership has fallen by nearly half since it celebrated its 50th birthday, prompting *Bild*, a tabloid, to bemoan a "crisis of nudity in Germany". In

France doing *le topless* at the beach has lost its appeal, at least to practitioners. In 1984 some 43% of adult French women under 50 had bared their breasts at the beach; the figure is now under 20%. The practice is now three times more popular among over-65s than it is with 18- to 24-year-olds.

Three factors are held up as responsible for the great European cover-up. The first is the rise of Instagram and other social media, featuring perfect bodies few of us are blessed with. “There is increasingly a fear of appearing flawed,” says Maren Möhring, a cultural historian at the University of Leipzig. “Young people, especially women, fear exposing themselves.” The second inhibitor to nudity is the ubiquity of smartphones. Peeping Toms have been an irksome reality at nude venues for as long as they have existed, but the spread of digital photography has raised the risks of a semi-private naked swim becoming a far more public thing. Third, the rise of cross-border tourism and migration means beaches even in nudist-friendly areas are now frequented by many for whom the practice remains taboo. In France the debate around beach clothing has of late focused on women of north African heritage wearing too much clothing—in the form of “burkinis” that cover up the entire body—rather than too little.

This emperor has no clothes

If public nudity was ever an act of defiant emancipation, it has long since lost any of its transgressive mojo. For in liberal Europe nowadays, more or less anything goes. You can shake off the yoke without also shaking off your underwear.

What would be lost in a continent which had turned its back on nudity? Charlemagne felt a duty to uncover the truth, and himself in the process. On a recent trip through the town of Raa in western Sweden, he spotted a slice of beach reserved for those sunning themselves with no tan lines. Setting both his inhibitions and briefs aside, he joined the unclothed masses. While being careful not to gawk, he soon confirmed the adage that the problem with nudist beaches is that they are patronised by the wrong people—your columnist included. Beach-goers both half and (more often) double his age were going about their holidays, reading a book or peering into the Oresund strait. Attempts to find modesty by going for a swim were foiled by the

shallow waters, barely high enough to cover one's knees, let alone anything higher up. Surprisingly soon the novelty of nudity wears off. It turns out the problem with naked bathing is not so much dealing with self-consciousness as with the chilly winds of Scandinavia. ■

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Britain

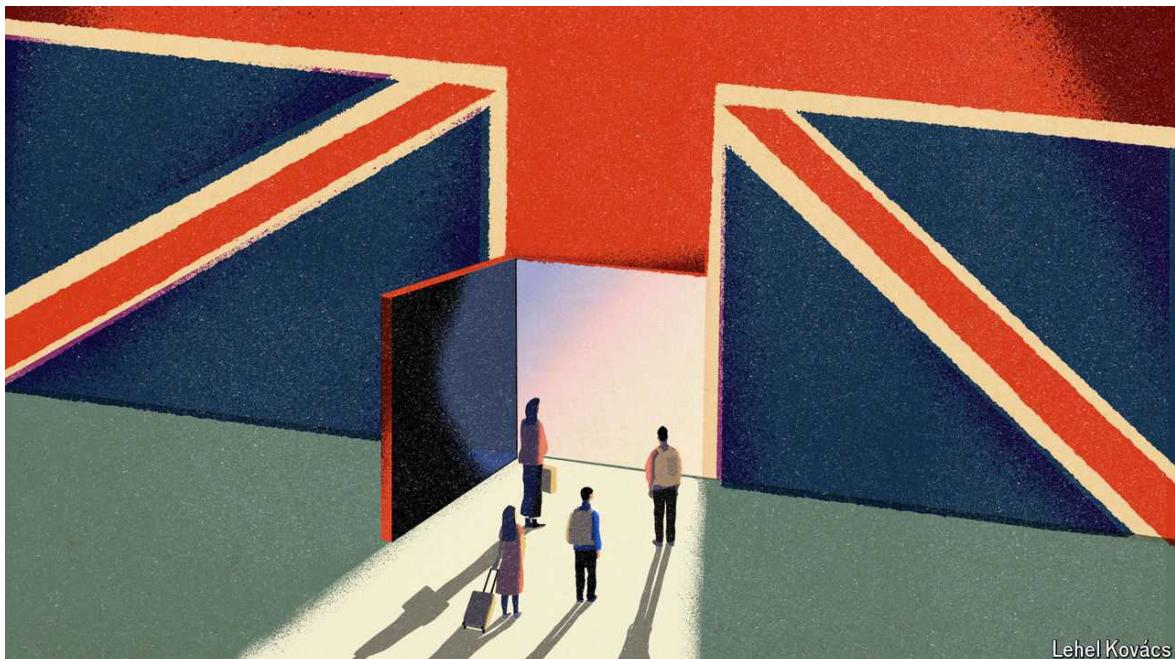
- Britain has many levers for controlling migration. Which ones should it pull?
- Britain's justice system has responded forcefully to the riots
- Britain's government is mapping underground cable and pipes
- Winston Churchill's urinal shows Britain's hang-up with heritage
- Britain's oil and gas industry faces an uncertain future
- NHS dentistry is decaying

Britain | Immigration policy

Britain has many levers for controlling migration. Which ones should it pull?

Not the one marked “reduce the government wage bill”

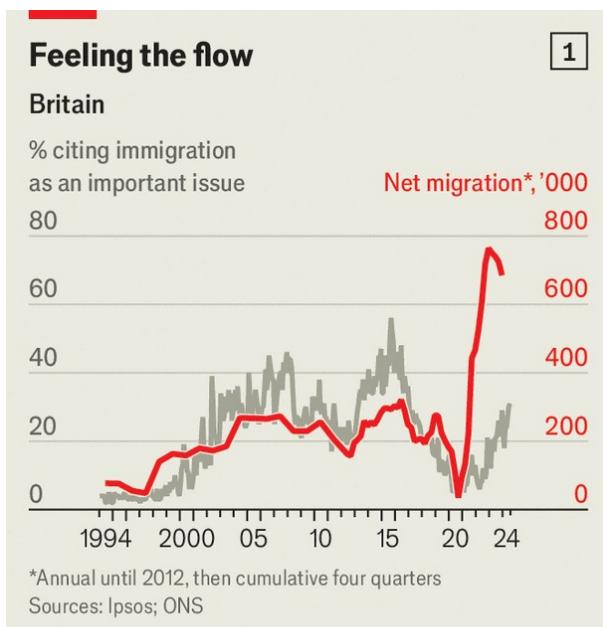
August 15th 2024



Labour won power on July 4th after declaring that Britain had too much immigration, and pledging to cut it. The new government promptly ran into the problem that has floored its predecessors. Whatever they may say, ministers have little control over the number of asylum-seekers reaching the country. Those migrants, who are often resented—witness the attacks on hotels used to house them during a wave of racist riots in early August—are driven mostly by wars and geopolitical forces. Nor does the government have much say over the number of arriving Hong Kongers and Ukrainians, to whom it gives special visas.

But it does wield great power over the workers, students and dependants who make up the bulk of immigrants. Indeed, it has more power over them than it used to. When the previous Labour government left office, in 2010, almost one in three long-term immigrants arrived under EU freedom-of-movement rules. Nothing could be done to prevent Bulgarians and Romanians from gaining full access to the labour market four years later, which pushed the numbers even higher.

Now that Britain has left the EU, freedom of movement is no more. And the new government has inherited other controls over immigration that it lacked in 2010. Family migration is now subject to a salary threshold, which Labour seems minded to keep. The outgoing Conservative government tried banning some immigrant workers from bringing dependants. It tightened, then liberalised policies towards graduates. Labour has many levers to pull, and some idea of what the effect will be.



The Economist

Given all this power, what should the government do? Immigration is a boon, at least at first: the Office for Budget Responsibility, the fiscal watchdog, estimated in March that higher-than-expected net migration would cut net borrowing by £7.4bn (\$9.5bn, or 0.3% of GDP) in four years' time, thanks to the migrants' taxes. But Britons are growing more concerned, perhaps because net migration reached a near-record 685,000 last

year (see chart 1). With the Conservative and Reform UK parties likely to bang on about immigration, Labour will probably want to demonstrate control, even stinginess.

Britain has largely avoided two policies that other rich countries have tried: guest-worker programmes and points-based immigration systems, which let people in if they are young and highly qualified, even if they do not have a job. It would be wise to stay clear of both. Guest workers have a distressing tendency to become permanent, and do not integrate well; that kind of migration is better suited to insular autocracies like Saudi Arabia. Madeleine Sumption of the Migration Observatory at Oxford University says that points-based systems in countries like Australia leave many immigrants unemployed to begin with. They catch up later.

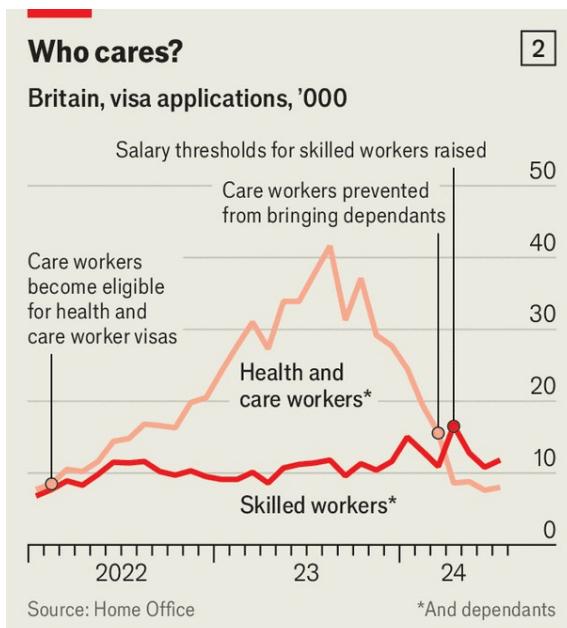
Although British ministers have often claimed to be enacting an Australian-style points system, the government actually relies on companies and universities to screen immigrants. It sets minimum salary thresholds for workers. If you can find a firm that will pay you £38,700 (\$49,300) a year, or the going rate for a job if it is higher, then you are in, together with your dependants. The threshold is lower for young people and workers in some occupations.

In theory, a salary threshold is a powerful tool for controlling immigration, although Britain's experience has been mixed. In April the threshold was raised from £26,200. That has not obviously affected the number of visa applications, which stood at 11,800 in July, slightly higher than a year earlier. Jonathan Portes, an economist at King's College London, suggests that many firms were already paying more than the minimum, and that the increase is less steep than it seems because the fixed costs of hiring a foreigner (in the form of fees and bureaucracy) are so high. To cut the numbers, the government could push the threshold up again.

A simpler, better option would be to apply the salary threshold to more jobs. The British government has carved out many exceptions, especially for immigrants who are ultimately paid by the government itself. Last year almost 350,000 work visas, three-quarters of the total, went to health and care workers. They can be paid as little as £23,200 a year, or £11.90 an hour. The industry loves them. Geoff Butcher of Blackadder Corporation, which

runs care homes, says that foreign recruits work hard and are less likely to quit than natives, although some struggle with ABBA and Rolling Stones singalongs.

Polls for British Future, a think-tank, show that immigrant care workers and nurses are popular—far more so than immigrant bankers, probably because care workers and nurses are more popular than bankers. But exempting them from the salary threshold seems dubious. A lax visa regime may be propping up an industry with appalling pay. According to Skills for Care, which oversees the care workforce, an employee with five years' experience is paid just six pence more per hour than an employee with less than one year's experience. And immigrant care workers can move on to other jobs in time. Some might—horrors!—go into finance.



The Economist

Alarmed by the number of low-paid workers who were taking advantage of the loophole that it had created, in March the Tory government barred immigrant care workers (although not NHS workers) from bringing their dependants. That may have helped cut the numbers: in July just 2,900 people applied for health and care visas for themselves, down from more than 16,000 a year earlier (see chart 2). Bans on dependants are a bad idea all the same, if they break up families rather than selecting for single people.

Studies of immigrants and military families have repeatedly proved what should probably not need proving: that children suffer when separated from their parents. One study of migrants in Spain found an effect on their mental well-being that is similar to the effect of divorce among natives. The fact that some of the harm is invisible at first, because immigrants' children are not in Britain, does not mean it can be ignored. Besides, after five years a care worker acquires more rights. She could switch professions and apply to bring her family over.

The Conservative-led governments that ran Britain between 2010 and 2024 tried more drastic experiments on foreign students. At first they clamped down, removing people's right to work after graduating, as part of a doomed attempt to reduce annual net migration to the tens of thousands. Then they relaxed the rules. The number of enrolled international students jumped from 496,000 in the 2018-19 academic year (just before the more liberal policy was announced) to 759,000 in 2022-23. China, India and Nigeria sent the most.

The graduate visa scheme may be controversial, but it works effectively. Foreign students provide a valuable export and prop up the higher-education system: British universities ranked in the top 100 globally get 69% of their fees from them. And foreign graduates who choose to stay and work in Britain tend to take professional jobs. An evaluation by the Migration Advisory Committee, which counsels the government, finds that by the end of the first year of employment they earn almost as much as British graduates.

Graduate visas do, however, lay bare some of the problems that exist elsewhere in the immigration system. A foreign graduate who wants to stay in Britain has only two or three years in which to find a job that pays more than the salary threshold. The higher the threshold rises, the harder that becomes. About one-fifth solve the problem by going to work in the care system. If architects and engineers are doing that, it seems like a poor outcome. Hence the argument for a lower threshold with fewer exceptions.

It is worth remembering, though, that immigrants as a whole fare pretty well. A forthcoming research paper for the Migration Observatory finds that migrants from outside Europe who started working in 2021 earned 97% of

the median British wage in the second year and 104% in the third year. Changes to the immigration rules could improve the system. It already works well. ■

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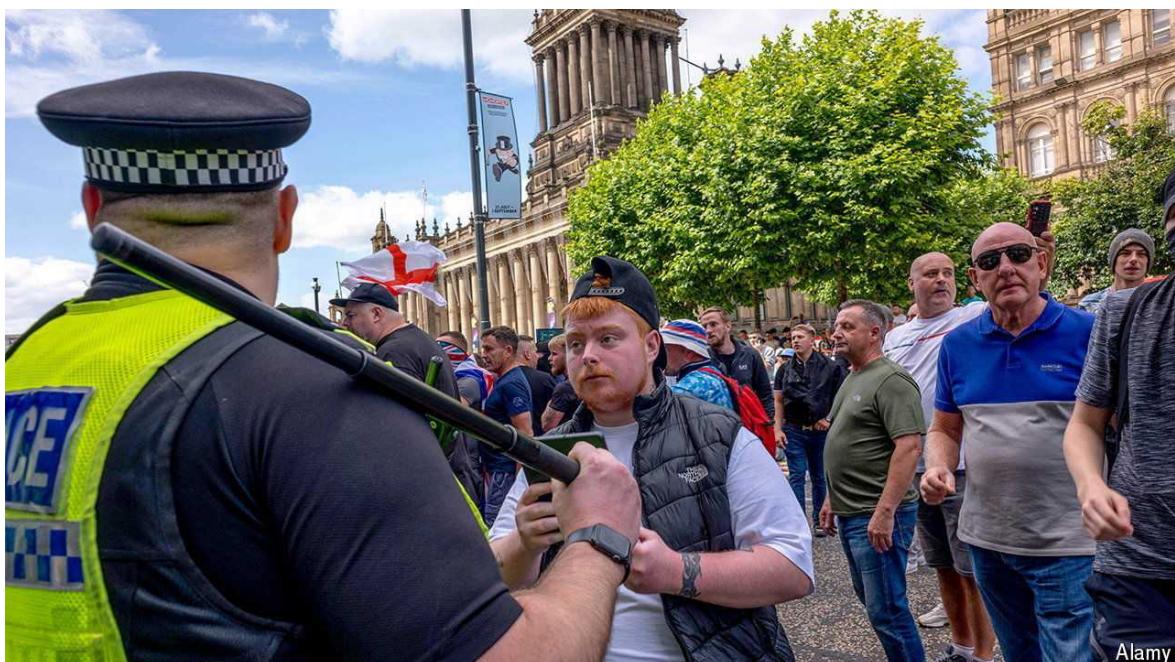
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Britain | The morning after

Britain's justice system has responded forcefully to the riots

But the perception of a “two-tier” approach does not bear scrutiny

August 13th 2024



Three Facebook posts were enough to get Jordan Parlour sent down. On August 2nd and 3rd the Britannia Hotel in Leeds, which was being used to house asylum seekers, was pelted with stones. The next day, Mr Parlour posted that “every man and their dog should be smashing fuck out Britannia Hotel”. He had no intention of attacking the hotel himself, but he later told police that he had been frustrated that taxpayers pay for migrants who “rape our kids and get priority”. After pleading guilty to “stirring up racial hatred”, Mr Parlour was sentenced at Leeds Crown Court on August 9th to 20 months in prison. He exhaled hard as he left the dock, rattling his lips in resignation.

The [protests and riots that marred Britain](#) in early August seem to have abated, though the government remains on high alert. Some extremists may have been put off by counter-protests; the handful who turned out for follow-up events on August 7th were vastly outnumbered. But more important has been the [swift and forceful response](#) of the police, prosecutors and courts, as seen in Mr Parlour's five-day journey from his keyboard to the clink.

In 2011 the police killing of a black man in London sparked riots in cities around the country. Keir Starmer, then the director of public prosecutions, helped put almost 1,300 people involved in prison. But the initial response of the police, by its own admission, was too slow and too soft. This time Sir Keir, now the prime minister, urged the authorities to bring the hammer down on any violence or incitement. Nearly 1,000 people have been arrested so far and around half of them charged.

That has led some to claim that the government practises [“two-tier” policing](#) —treating protests by white Britons more harshly than others, for example the Black Lives Matters protests of 2020, or more recent pro-Palestine marches. Videos are circulated online of Asian Muslim men gathering in rowdy groups and starting fights, supposedly offering proof that the police are only interested in arresting whites. Several politicians on the right, including Reform UK's leader, Nigel Farage, have promoted the idea that the government has taken a “two-tier” approach.

Yet the perception created by a handful of social-media posts does not match the reality in court. Earlier on the day that Mr Parlour appeared in the dock, Sameer Ali and Adnan Ghafoor, both of Asian heritage, were sentenced. They had gone to Leeds city centre on August 3rd to protest against an anti-migrant demonstration being held that day. On the way home, they got into a street fight with protesters from the other side. Mr Ali was sentenced to 20 months. Mr Ghafour got 30. That matches the pattern elsewhere. Ricky Jones, a Labour councillor who told a counter-protest in east London that “fascists” deserved to have their throats cut, was arrested within 24 hours and later charged.

Considerations other than prejudice also help explain why the police respond to events differently. The anti-immigration riots tended to be small and

violent; the counter-protests and previous pro-Palestine marches have been much larger and overwhelmingly peaceful. The police have to weigh many factors in real time, including the size and rowdiness of the crowd, how many officers are available and whether arrests would escalate the situation, points out Niven Rennie, the former head of the Scottish police's Violence Reduction Unit. But any suggestion of a "two-tier" approach is a myth, he says.

There have been high-profile failures—notably the way the police failed to protect mostly white girls from abuse by mostly British-Asian grooming gangs in Rotherham and Rochdale between the late 1980s and the early 2010s. Extreme-right influencers use such failures to whip up the likes of Mr Parlour. But they largely reflect problems with individual police forces. If anything, says Tim Newburn of the London School of Economics, the bigger issue is the "over-policing and under-protection of minorities". Ethnic minorities also tend to be treated more harshly in court: they are significantly more likely to be charged with an offence and to receive a custodial sentence if found guilty.

The approach taken to the riots has been reactive, points out John Coxhead of Loughborough University. That has been necessary to suppress the violence, but it won't resolve the "toothache anger" that led many poor white Britons to blame their troubles on migrants and take to the streets. Mr Rennie agrees. The fires of the last few weeks may have been put out, but the "tinderbox is not going away". ■

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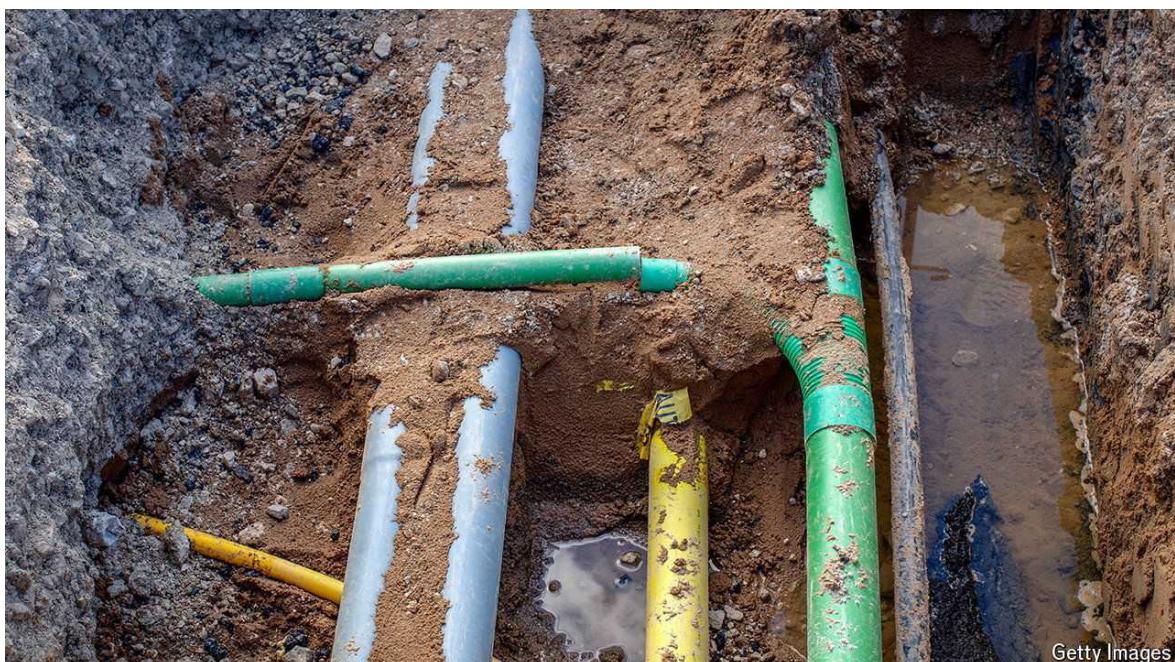
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Britain | Subterranean assets

Britain's government is mapping underground cable and pipes

They are at risk from accidental strikes, and malign attacks

August 12th 2024



Getty Images

Every seven seconds someone in Britain digs a hole. That may sound harmless, but beneath the ground lies some 4m km of cables and pipes—enough to go to the moon and back five times. The problem is that no one knows exactly where they are. That means diggers accidentally sever sunken lines, causing power outages or leaks of gas, water or worse; it also makes it harder to guard against hostile attacks. A new initiative aims to help.

Britain is good at maps. [Ordnance Survey](#), a mapping agency, has been a pioneer since the 18th century; few countries can match its MasterMap, which covers every feature above ground larger than a few metres. But until now Britain's cartographers have shown less interest in what lies below, and

that has begun to cause problems. According to the Geospatial Commission, an advisory body, accidental asset strikes happen around 60,000 times a year and cost £2.4bn (\$3.1bn). Cutting through a gas pipe can be deadly.

Most pipes and cables are laid by utility companies. In theory they have to tell anyone who wants to dig where the infrastructure is buried. In practice companies' data is often poor, and they take a long time to share it. Another concern is targeted attacks. The start of the Paris Olympics was almost knocked off track when saboteurs cut fibre-optic cables around France, causing a short-term internet blackout. It is harder to protect vital infrastructure if you don't know where it is.

All of these factors help to explain the Geospatial Commission's push to create a National Underground Asset Register ([NUAR](#)), a digital map of the web of the trenches, cables and pipes that lie beneath Britain. The project began in 2019 as a pilot in London and the north-east of England; it should cover the whole of Britain by the end of 2025, says Chris Chambers, its deputy director.

The register will be voluntary, but some big utility companies like Virgin Media O₂ and Thames Water have already signed up. Partly, it is in their interest. If the initiative succeeds, it should reduce costly accidents. Companies would also find it easier to plan new assets—say, where to put an electric vehicle charging point—and respond when there is a problem that needs fixing. But some have legal concerns about sharing data, which may mean new legislation is needed.

Another question is who will have access to the register. The current plan is that it will be open only to asset owners and contractors, not developers, conveyancers or members of the public. The government is mulling widening this. While there are some concerns about security, experts think they can be managed. The Netherlands has a similar register that is available to any member of the public who submits a request and pays around €40 (\$44); it has existed for more than 50 years without causing problems.

The new Labour government is likely to be enthusiastic about the project. It has promised reforms to the planning system in order to ramp up housebuilding and enable the biggest-ever expansion of Britain's electricity

grid. The demand for cabling and pipework will only grow, as will the need to know what is already there. Getting Britain building will take time. But it would help if companies knew what they are building on. ■

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Britain | A privy counsel

Winston Churchill's urinal shows Britain's hang-up with heritage

A planned Labour reform goes down the drain

August 15th 2024



Getty Images

Winston Churchill, unusually, underestimated himself. He stated that he had nothing to offer Britain but “blood, toil, tears and sweat”. A spat over a urinal that stands in the Treasury—and that may have been used by the great man himself—shows that, for Britons, other Churchillian fluids are also of abiding interest.

The spat began before the election when Rachel Reeves—who is now Britain’s first female chancellor of the exchequer—said she wanted to smash “glass ceilings and urinals” in her new job. She wanted the urinal, which stands in the chancellor’s private toilet, removed. But after being advised that it would cost £8,000 even to apply to cover it up because the urinal is

both old and (as the delicate phrase has it) “associated with Churchill”, she has, according to a source, “pulled the plug” on the plan. The offending urinal, Ms Reeves recently confirmed, “still is in there”. Part-porcelain, part-parable, it is starting to look like a metaphor for Britain’s bunged-up planning system.

Labour came to power on a “Change” manifesto; Ms Reeves has already announced [some tweaks to the planning system](#) to help “get Britain building again”. But the government has yet to say much about “listed” buildings, which often stymie projects. The idea had sensible origins. In the second world war, air-raid wardens were given lists of buildings of historic interest that, if bomb-damaged, required rapid repair. The bar for listing has, however, since been lowered. The current, 400,000-long list, managed by Historic England, a public body, offers 20,404 entries for “railings”; 2,733 entries for “telephone kiosk” and 2,860 for “urinal”. Rarely has so much been preserved by so many to the interest of so few.

Any association with a historical figure, even tenuous, is noted (the list also offers a riding school where Churchill trained and a hotel he once spoke in). In the case of the Treasury buildings, in which the urinal stands, the association is strong: Churchill was chancellor from 1924 to 1929. The historical record is silent on whether or not the great man anointed this urinal by anything more than his mere proximity but in Britain, where the second world war is less national history than national hobby, that is enough. “Winston Churchill’s urinals are...part of our national heritage,” says Andrew Roberts, his biographer. “And should be protected at all costs.”

The interest is far from absurd: toilet seats reveal much about the seats of power. “We shape our buildings,” as Churchill observed in 1943, after the Commons chamber had been destroyed by a bomb, “thereafter, they shape us.” The restored House of Commons tacitly made clear what shape it saw its future inhabitants to be: while men had a toilet in a corridor behind the Speaker’s chair, female ^{MPS} had—as Ms Reeves herself noted in a recent book on women in Westminster—to walk a quarter of a mile from the chamber to the nearest women’s loo. Women’s “conveniences” in Parliament were frequently nothing of the kind since women themselves, says Anthony Seldon, a historian, were seen as “an inconvenience.”

Nonetheless, Britain's obsession with heritage does make building harder. Labour came to power with hopes—which Tories taunted would fail—of smashing urinals and obstacles to building. The offending urinal is now covered by a glass screen; a frosted one has been proposed. There has been talk of hiding it with a pot plant. This is not the end for Labour's dreams of sweeping, iconoclastic reform; nor even the beginning of the end. But it is perhaps the end of the beginning. ■

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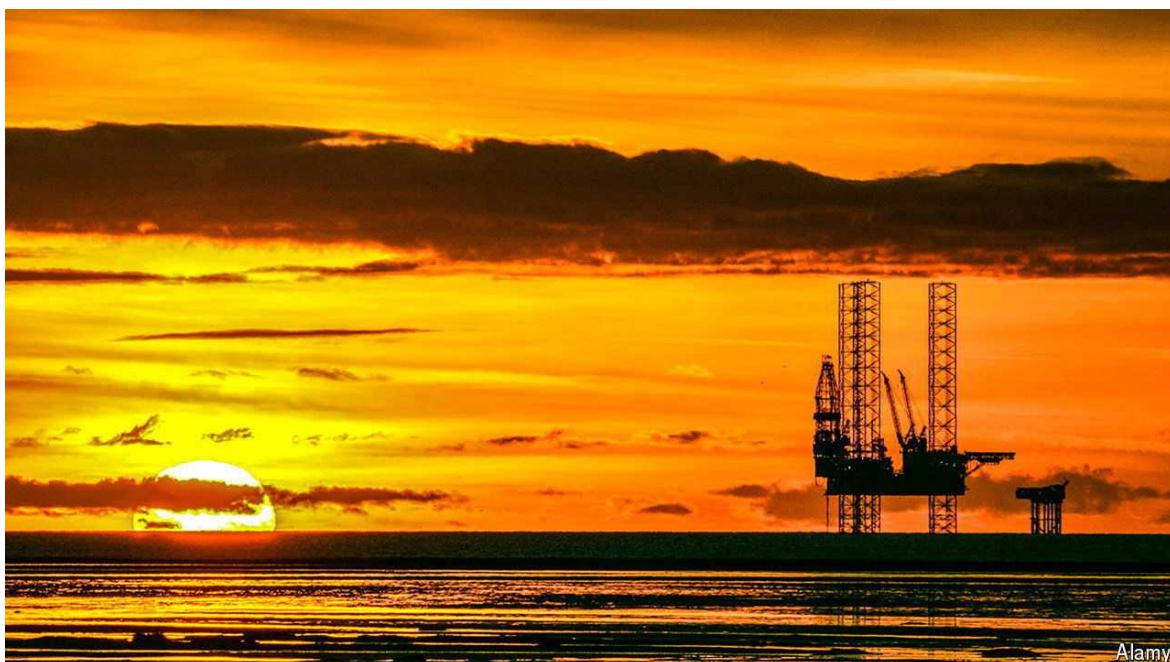
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Britain | Crude realities

Britain's oil and gas industry faces an uncertain future

Small operators in the North Sea are struggling with a tax squeeze

August 15th 2024



Alamy

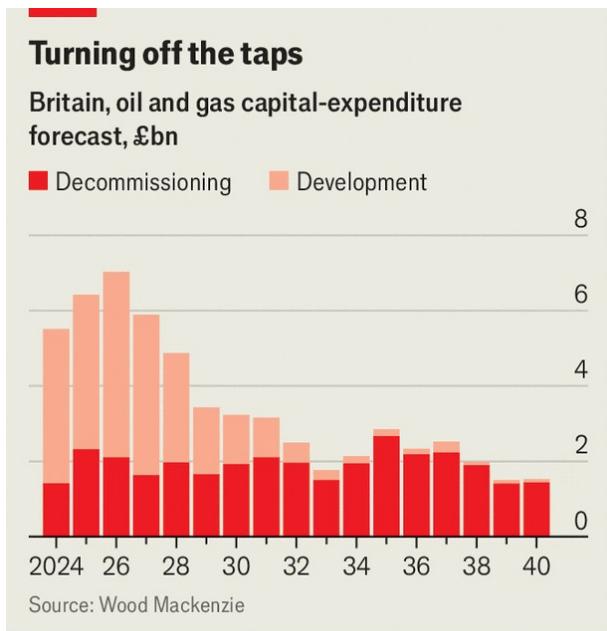
The oil and gas industry is a volatile business. Swings in energy prices and the precarious nature of drilling into seabeds are part and parcel of the trade, says David Latin, chairman of Serica Energy, a producer in the North Sea. He once ran oil and gas fields threatened with blockades and militant attacks during a civil war in Libya. He likens the experience to operating in Britain, where a tumultuous tax regime has made it “impossible” to invest.

North Sea oil and gas has been used in Britain for 50 years. But as the country targets net zero greenhouse-gas emissions by 2050, which will rely on a shift to green energy, the industry must be wound down. The Labour government has promised to ban new exploration, though some sites could

run beyond 2050. Industry bosses say an uncertain fiscal regime is making the transition harder.

Much of the upheaval has come from a tax squeeze. In 2022 Rishi Sunak, then the chancellor, introduced a 25% Energy Profits Levy (^{EPL}) on oil and gas firms; seven months later it was bumped up to 35%. Initially due to end in 2025, the tax was extended until 2028—and later to 2029. What began as a one-off levy on high profits caused by the spike in oil and gas prices after Russia's invasion of Ukraine has given way to a drawn-out tax that has been constantly fiddled with.

Politicians are still tinkering. Oil and gas prices have dipped below the highs of 2022. However the ^{EPL} will be increased to 38% from November and extended to March 2030. Stacked on top of corporation tax and an existing surcharge on North Sea profits, that will raise the effective tax rate to 78%—among the highest in the world. Rachel Reeves, the chancellor, also says she wants to scrap the levy's “unjustifiably generous” 29% investment allowance, which permits companies to claim some of their exploration costs.



The Economist

Norway has equally high taxes. But it has done more to cushion the blow, allowing producers to claim back all of their exploration costs. It has also

provided more stability, maintaining the same rates for nearly three decades. British oil and gas fields tend to be old, which contributes to higher running costs. Britain has “among the highest break-even cost and highest cost-per-barrel in the world,” according to Steve Bowyer, who manages the North Sea assets at EnQuest, a producer in Aberdeen.

British firms have continued to invest in the ageing basin even as larger companies, including Shell and ExxonMobil, have sought higher profits elsewhere. But British banks no longer fund their projects. Nor can the industry count on much sympathy from the public, which may help to explain the stance of politicians. The frosty climate stands in contrast to Ms Reeves’s courtship of other business leaders. For Serica, which produces 5% of Britain’s natural gas, the shift to clean energy feels less like a transition than a cliff-edge.

Harbour Energy, the North Sea’s largest producer, has slashed investments and hundreds of jobs. EnQuest might divert funds to South-East Asia. Tax rises could see investment fall by 55% over the next decade, a drop of £20bn (\$25.4bn), according to Stifel, an investment bank. A disorderly decline risks making it harder for workers to retrain, as happened with the closure of Britain’s coal mines in the 1980s. It would also bring forward decommissioning costs; some firms might be put off shifting their investment into green projects.

Britain is still reliant on fossil fuels, imports of which are likely to grow with the North Sea’s demise. Three-quarters of the country’s energy still comes from oil and gas; in the mid-2030s, half will. “We might all disappear but demand won’t,” says Mr Latin. As wind turbines sprout up along Britain’s coastlines, it is right to phase down fossil-fuel production. But back in Libya, Mr Latin at least knew that oil and gas fields would be needed once the war ended. This time feels different. ■

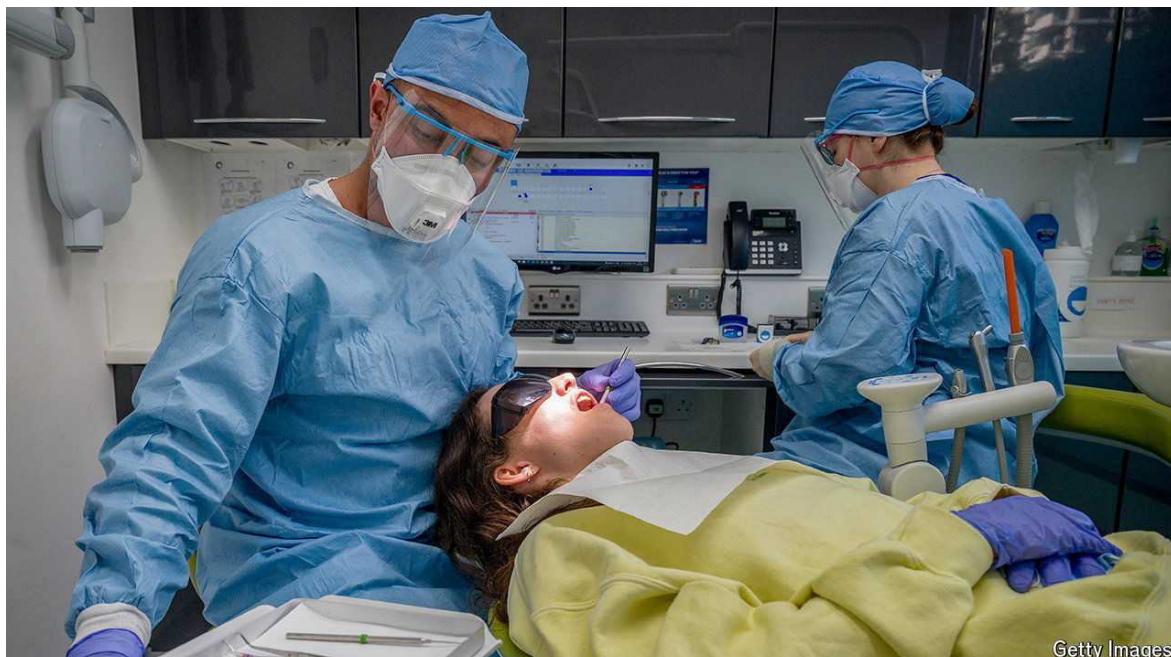
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Britain | Say cheese!

NHS dentistry is decaying

Can Labour stop the rot?

August 15th 2024



Getty Images

DENTAID, A BRITISH dental charity, once focused solely on the developing world. For decades, it sent outreach teams to places like Malawi and Uganda. Now they go less often. A crisis in dentistry back home means that the charity has pivoted to drilling teeth outside food banks and community centres across England. Almost all of its work today is in Britain.

Dentaid is not the only charity filling gaps left by the state. The Trussell Trust, which started out helping street children in Bulgaria, now runs a network of 1,200 food banks in Britain. Doctors without Borders, best known for treating people in war zones, this year began treating asylum-seekers at an ^{RAF} base. But for dentistry the scale of need is particularly large.

Some 13m people in England cannot see a dentist through the National Health Service (_{NHS}). Access is so bad that some Ukrainian refugees are returning home for dental treatment.

Britons have long been known for having trouble with their teeth. But most experts trace the latest problems back to 2006, and the introduction of a new _{NHS} contract. The agreement included no money for prevention, only for completing courses of treatment. Tariffs were fixed regardless of how long those treatments took. Three fillings paid the same as 20, so practices began to lose money working on people who needed help the most, says Jonathan Poznansky, a dentist for more than four decades. Many began to cross-subsidise _{NHS} patients with private ones.

At the same time funding for _{NHS} dental services was slashed, falling by almost a fifth in real terms in the 12 years to 2022-23. The covid-19 pandemic made things worse, partly because practices paused routine examinations. Care backlogs lengthened and the exodus of staff to the private sector grew. Owing in part to a shortage of dentists, the cash-strapped sector still managed to underspend its budget in the year to March 2023 by an estimated £400m.

Some places have been hit particularly hard. In Portsmouth, a city on the south coast of England, the latest data shows only around a third of children and adults had visited a dentist in the past year. That compares to 57% and 50% respectively in 2018. After covid, dentistry “wasn’t in a good place”, admits Simon Cooper, responsible for _{NHS} dental services in Hampshire and the Isle of Wight. But Mr Cooper is a sleeves-rolled-up kind of chap (they are butterfly-patterned). Since February _{NHS} Hampshire has paid Dentaid to deliver free care to those unable to get an appointment from a fleet of dental vans, kitted out like surgeries. Priority is given to the poor, expectant mothers and children.

The service is already well-used. In the car park of a sports centre, Mark, a middle-aged man in motorcycle trousers, paces as he waits to be seen. He has been in pain for three weeks, but is stoic: “It only hurts when I eat and drink”. Another patient, a Polish man in a hoodie, emerges from the van missing several teeth. From the sidelines Mr Cooper watches on proudly. He likes seeing patients troop in “stony-faced” and “come out smiling”, he says.

Others take a different view. Wes Streeting, the new health secretary, called the outgoing Conservative government's plans to send dental vans around the country a "desperately low ceiling of ambition". To stop the immediate rot, Labour has pledged to provide an extra 700,000 urgent appointments a year. It will also pay graduates extra to work in "dental deserts" such as Portsmouth.

Much more will be needed to turn things around. Plans to introduce supervised tooth-brushing in nurseries, as already happens in Scotland and Wales, are welcome. But reform to the dental contract—to focus more on prevention and to make the ^{NHS} more attractive to dentists—will be needed, too. If it has not happened by the next election, says Eddie Couch, chair of the British Dental Association, a trade union, then "^{NHS} dentistry will be dead."

Even then there are no guarantees. At a national dentistry conference in Birmingham earlier this year, younger participants skipped events on the future of ^{NHS} dentistry, preferring to flock to exhibitions demoing needle-free facelifts, more lucrative work that has increasingly become a sideline. The event was sponsored by Practice Plus, a private-insurance agency; Steven Bartlett, a business influencer, was a headline speaker. The future for dentists may be bright. Dentaid will continue to be busy. ■

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International

- [Can Donald Trump's Iron Dome plan keep America safe?](#)

International | Star wars: a new hope

Can Donald Trump's Iron Dome plan keep America safe?

In a dangerous world, cutting-edge missile defence is all the rage

August 11th 2024



JUST BEFORE Donald Trump became the Republican nominee for president, the party published its [foreign-policy goals](#): “Prevent world war three, restore peace in Europe and in the Middle East, and build a great [Iron Dome](#) missile-defence shield over our entire country”. The last of those promises has become a staple of the Trump campaign. In his speech accepting the nomination, he promised that an American missile shield will ensure “no enemy can strike our homeland”, adding that it would be “built entirely in the ^{USA}”.

In an era of wars, weapons proliferation and nuclear threats, missile defence is back in political fashion more than at any time since Ronald Reagan’s

pursuit of space-based systems in the 1980s. It is not just MAGA politicians who are keen. Ursula von der Leyen, the president of the European Commission, recently promised “a [European Air Shield](#)”.

The wars in Ukraine and the Middle East have been terrifying testing grounds for new types of projectiles—from small drones to long-range hypersonic missiles—and for the technologies which knock them out of the sky. As this article was published, Israel, backed by its allies, stood ready to try to counter another possible large-scale aerial attack by Iran, following its firing of 300-odd projectiles at Israel in April. On August 10th and 11th Russia struck Ukraine yet again, using North Korean missiles and Iranian-designed drones.

Missile defences have been put to the test and have acquitted themselves well, bolstering those who would like to build more ambitious shields. But missiles are evolving, becoming more manoeuvrable and harder to track. China is in the midst of a huge missile build-up and proliferation is putting weapons that were once the preserve of countries into the hands of non-state actors, such as Houthi rebels in Yemen. All this means a new generation of sensors and interceptors will be needed, with an enormous price tag.

Start with the basics. The language of domes and shields suggests that one system can parry all aerial threats. In fact air and missile defence consists of interlocking pieces. Sensors, typically radars, detect targets, such as drones and missiles. Data are crunched by computers to work out which projectiles are headed where. The results are fed to guns or interceptor missiles, usually on the ground, or more rarely aboard planes, which then attempt to neutralise the threat, usually by colliding with it or exploding near it.

Each piece plays a distinct role. An anti-drone gun cannot take down a ballistic missile; an interceptor designed to destroy nuclear-armed intercontinental-range ballistic missiles (ICBMs) in space would not tackle a piddling drone. Defences are thus “layered” on top of one another to cope with threats of different range, speed and trajectory.

Interpreted narrowly, the idea of an Iron Dome over America doesn’t make much sense. That Israeli system intercepts small short-range rockets fired by militants in Gaza and Lebanon. It has little relevance to America (“unless

Wisconsin plans on rocketing...Chicago”, says Jeffrey Lewis, an expert). America does deploy so-called “point defences” at key areas—one such system, which can intercept planes and cruise missiles from a range of 40km or so, has guarded Washington, DC, for almost 20 years.

What Mr Trump is probably endorsing is the more ambitious task of detecting and intercepting nuclear-armed ICBMs fired at America. This is daunting. The missile is vulnerable in its slow “boost” phase after take-off, but that requires a fast response on enemy territory. It is easier to hit “midcourse” but by then it has cooled down as it hurtles through space without boosters, making it hard to track with infra-red sensors. Intercepting the warhead on its final approach is tricky because of its speed, of some 7km per second.

Counter-ICBM defence has been a controversial endeavour. After George W. Bush abrogated the US-Soviet Anti-Ballistic Missile (ABM) Treaty of 1972, America spent more than \$67bn on the ground-based midcourse defence (GMD) system, which depends on 64 interceptor missiles in Alaska and California, guided by large radars on land, at sea, on destroyers and a repurposed oil platform, and sensors in space. This system is supposed to protect against countries with small arsenals of nuclear weapons. Top of the list is North Korea which, in 2017, tested a missile capable of reaching all major American cities. Critics argue that the scheme is unworkable—nine out of 21 intercept tests since 1999 have failed—and that it has encouraged an arms race with Russia and China, who say it undermines their own deterrents and gives them an incentive to build more and different missiles to get around it.

Advocates retort that the four most recent GMD tests, the last of which was in December, have been successes. Indeed some would like to take it further. Bob Peters of the Heritage Foundation, a pro-Trump think-tank, argues that Russia or China might consider firing a dozen or so “low-yield” nuclear weapons against military targets in the continental United States during a war, on the assumption America would be deterred from retaliating on a large scale for fear of inviting further strikes against American cities. Mr Peters reckons that America should thus build defences that could take out “upwards of 100 inbound threats”, the idea being that adversaries would

have to fire many more than that to get some through—a far riskier gambit. This idea is horrifying to most arms-control advocates.

Only America has the resources to seriously consider this sort of shield. Most missile defence is about more modest threats and largely non-nuclear ones: conventional missiles fired over hundreds of kilometres, rather than nuclear ones fired over oceans. Recent wars offer encouraging evidence. Last year Israel conducted the first-ever interceptions of Iranian ballistic missiles, fired from Yemen, using its Arrow 2 and 3 systems, which handle long-range threats. The latter was the first wartime interception ever made in space. On April 13th Israel, America and other allies shot down 99% of the 550-plus projectiles fired by Iran and Hizbullah in a single night, the largest missile barrage in history, according to Israel's armed forces.

The record in Ukraine, which has been running dangerously short of interceptors, is spottier. Between May and October 2023 Ukraine shot down 73% of Russian missiles, according to the *Wall Street Journal*. In the subsequent six months that fell to 46%. But Ukraine claims that American-made Patriot batteries have shot down 40% of the advanced air-launched Kinzhal missiles fired by Russia which, if true, would be impressive. Countries often exaggerate the success of their defences. But what is not in doubt is that Patriot and its European ilk have averted heavy casualties and considerable damage. In Israel, “thousands of lives have been saved,” estimates Moshe Patel of Israel’s Missile Defence Organisation.

The problem is that the defenders’ task is becoming harder. Precision guidance, which was rare in the 2000s, is ubiquitous. The Scuds fired by Iran and Iraq in the 1980s, or by Iraq against Israel in the 1990s, were inaccurate terror weapons, good only for hitting cities. The weapons fired by Iran and its militia allies today have pinpoint accuracy. More of them have to be intercepted than would have been the case a decade ago, because more would otherwise hit their target. That risks exhausting interceptor batteries more quickly.

The second issue is that missiles’ trajectories are also changing. In the past, missiles broadly came in two flavours. Cruise missiles—in essence, disposable aircraft—were manoeuvrable and tended to fly close to the ground, making them harder to track on radar, but also slower, because they

flew through denser air. Ballistic missiles flew predictable parabolic trajectories, up and down, fast and high, making them easier to spot earlier. The complication, note Jack Watling and Sidharth Kaushal of the Royal United Services Institute (^{RUSI}), a think-tank, is the appearance of weapons which blur these categories—in some cases precisely because America’s adversaries wanted to confound its defences.

Some things are now fast but also low and erratic: new so-called aeroballistic missiles, like the Kinzhal and North Korea’s ^{KN-24}, are designed to spend more time within the atmosphere after re-entering it and can jink around during flight. A new generation of hypersonic glide vehicles (^{HGVs}), like China’s ^{DF-ZF}, are lofted on rockets but then skim through the atmosphere like cruise missiles. Small suicide drones pose a serious challenge to radars that were designed for bigger and faster aerial threats.

Old threats, too, are returning. China has tested a Fractional Orbital Bombardment System (^{FOBS}), essentially a nuclear-armed satellite that plunges to Earth before completing a full orbit, a weapon last operated by the Soviet Union in 1983. And all these are combining in complex ways: “Future threats will include missile-drone combinations, spaceplanes, aeroballistic missiles, and other hybrids that strain simple categorisation,” argue Tom Karako and Masao Dahlgren of the ^{CSIS} think-tank. Israel appears to have used small quadcopters to distract Iranian air defences in April before it used a sophisticated air-launched ballistic missile to take out a radar.

The challenge is not only to intercept all these things, but to do so economically. In the 1980s Paul Nitze, Reagan’s arms-control negotiator, set out what is now called the Nitze criterion: that a missile-defence system must be “cost effective at the margin”, so that an adversary could not simply overwhelm any defences with far cheaper missiles. Today the ratio is frequently unfavourable: Ukraine, at home, and America, in the Red Sea, have both had to devote expensive interceptors to take out cheaper Iranian-made drones.

Advocates of missile defence bristle at this sort of comparison. They argue that any calculation must also factor in the cost of failing to intercept the missile: the loss of critical infrastructure in Ukraine, or the disruption to shipping in the Red Sea. “On April 14th”, the day after Iran’s barrage, notes

Mr Patel, “the stock exchange in Israel continued to work and people went to work on that day.” Nonetheless the expense involved is formidable. Mr Karako has estimated that building layered defences for Guam, a strategically important American island in the Pacific Ocean which is just over 500 square kilometres, against Chinese missile attack would probably cost roughly \$5bn.

Even when it is possible to use cheaper systems, that often entails running more risk. Wes Rumbaugh of ^{csis} points to the example of the ^{uss} Gravely’s destruction of an Iranian-made anti-ship cruise missile in the Red Sea in January. The ship used 20mm bullets fired from its Phalanx cannon—cheap as chips. But they could only engage the threat once it was dangerously close, within 2km of the \$2.5bn ship. The encouraging news is that the cost of many interceptors is coming down. Between 2018 and 2023, notes Mr Rumbaugh, the cost of the navy ^{sm-6} missiles—which were first used in combat in the Red Sea against Houthi drones in December—fell every year in real terms. The use of lasers to intercept threats at the speed of light without expending any ammunition at all is promising, too.

More or cheaper interceptors are not the only issue, though. “Missile defence is fundamentally a sensing problem,” argues Mr Dahlgren. It is impossible to shoot down what you cannot track. But the same technological leaps which are helping missile-makers are also helping the defenders. Hypersonic gliders, for instance, are harder to spot both because they fly lower and, during their glide phase, lack bright rocket plumes. One answer is to take advantage of falling space-launch costs to place lots of sensors in orbit. Infra-red sensors, which are getting steadily better, might spot the glider heating up from air resistance; radio-frequency sensors might detect the charged plasma created as the glider cuts through the air. It is also getting easier to crunch the data produced by sensors, says Mr Dahlgren, giving the example of how the North Warning System, a set of American and Canadian radars, has been souped up with artificial intelligence. Amassing data through international co-operation, such as that between Israel and its Arab partners, will become important.

Despite the bullishness of Mr Trump and other politicians, no missile shield will ever be impermeable. The success that they have enjoyed with short- and medium-range missiles in Ukraine and Israel does not automatically

translate into success against ICBMs. As missiles get cheaper, more accurate and distributed to smaller countries and armed groups, the threat will continue to grow. Countries will find that, like Ukraine, they will be forced, in wartime, to choose between protecting their civilian population, critical infrastructure, military bases and frontline troops. What is certain is that the race between missile and the interceptor is entering a new and more uncertain era. ■

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Business

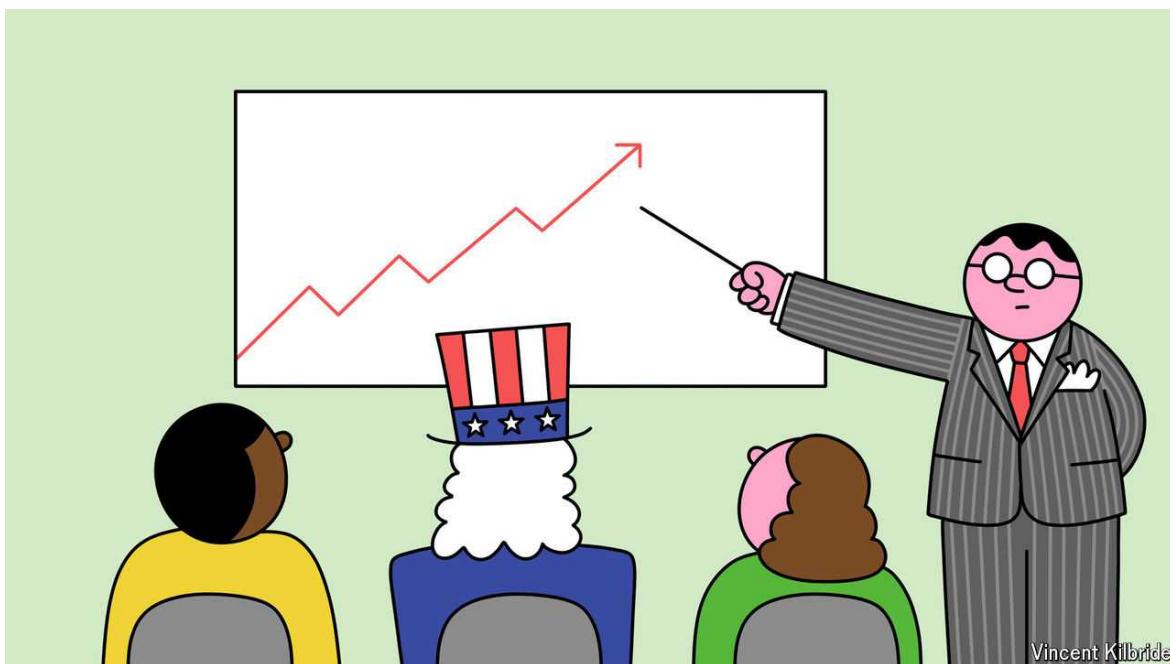
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Business | The new stakeholderism

Patriotism is replacing purpose in American business

Beware the costs

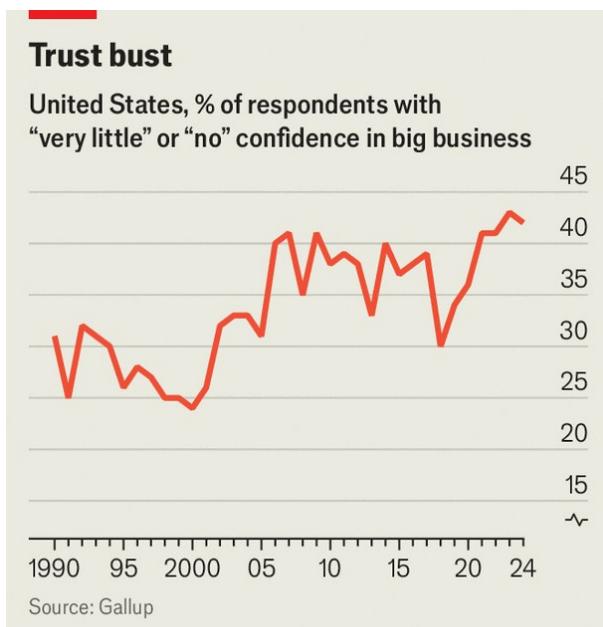
August 12th 2024



What are companies for? Five years ago the Business Roundtable, a club of American chief executives, overturned orthodoxy on this question. For decades company bosses had generally agreed that their mission was to make their shareholders richer. Doing good meant doing well. More precisely, it meant raising their firm's share price. Such a narrow measure of success, it was argued, would keep managers focused and honest.

The Business Roundtable's memo of August 2019, by contrast, insisted that companies should act in the interests of all their "stakeholders"—not just shareholders but customers, employees and society as a whole. The timing was no coincidence. According to Gallup, a polling firm, the share of

Americans who had very little or no confidence in big business had rocketed from a quarter in 2000 to almost two-fifths in the aftermath of the global financial crisis (see chart on next page). Corporate America needed a rebrand. The divisive presidency of Donald Trump provided the perfect opportunity, as America's elites increasingly looked to companies to take action on problems ranging from [climate change](#) to racial inequality. Environmental, social and governance issues—together [ESG](#), a discordant triptych used by investors to quantify corporate goodness—soon reached the top of boardroom agendas.



The Economist

That project is beginning to crumble. Chatter about climate change on the earnings calls of companies in the [S&P 500](#) index was nearly a third lower last year compared with its peak in 2021. “The [ESG](#) pendulum has swung back,” said the boss of Glencore, a Swiss mining giant, earlier this month after scrapping a plan to shed its coal business. Companies now tend to evaluate green investments solely on their commercial, rather than moral, merits, notes the boss of a sustainability consultancy. Talk of diversity on earnings calls has also plummeted by nearly half since 2021. So far this year investors have withdrawn around 4% of the money they had allocated to [ESG](#) funds in America.

Yet it would be a mistake to assume a return to the days when bosses were free to focus simply on maximising short-term shareholder wealth. According to Gallup, confidence in big business has only worsened since the Damascene conversion of the Business Roundtable. Far more Americans have confidence in the country's police, military, churches and unions.

This makes big business an easy target for both Democrats and Republicans. Clashing with companies "has always been a feature of the far left, but we're seeing more of it across the political spectrum, including on the right," says Joshua Bolten, chief executive of the Business Roundtable. J.D. Vance, Mr Trump's running-mate, railed against Wall Street at the Republican Party's convention in July. He is seen by bosses as an "anti-capitalist", says Jeffrey Sonnenfeld of Yale University.

What America's two political tribes want from business is not always the same. When it comes to the environment and diversity, they are at loggerheads. That helps explain why chief executives' enthusiasm for ESG, which Republicans deride as woke capitalism, has proved so brittle. But both Democrats and Republicans are eager for corporate America to churn out middle-class jobs while remaining one step ahead of China in the race for technological supremacy. Calls for corporate purpose may have quietened. Those for corporate patriotism are getting louder.

America's government is not waiting for companies to volunteer. Although there has "always been the proverbial military-industrial complex", says Curtis Milhaupt of Stanford Law School, "the number of firms wrapped up in national-security policy is much larger today." Companies dealing in areas of cutting-edge technology must now keep one eye fixed on the expanding list of Chinese firms they cannot do business with. Carmakers are bracing for rules prohibiting the use of Chinese software in autonomous vehicles. Some bosses fret that Mr Trump, if he is re-elected in November, could expand America's export restrictions—though he may also lean harder on allies to match its measures on China, lessening their impact on American businesses, notes Jeremy Zucker of Dechert, a law firm.

Cross-border investments are getting trickier, too. In June America's Treasury Department announced details of its proposed restrictions on investments in Chinese semiconductor, quantum-computing and artificial-

intelligence companies by American firms. Scrutiny of inbound transactions, meanwhile, continues to increase. Last year the Committee on Foreign Investment in the United States, America's inbound-investment watchdog, poked its nose into transactions in industries accounting for 60% of the value of America's stockmarket. The political furore over the proposed takeover of US Steel, a faded industrial icon, by Nippon Steel, a Japanese rival, shows just how sweeping the definition of "national security" has become.

Some companies are trying to persuade politicians to go easy on trade and investment rules. "Companies are pushing a lot harder than they were even a year ago," says Deborah Curtis of Arnold & Porter, a law firm, of recent discussions between bosses and policymakers in relation to technology restrictions.

Other companies, though, are latching onto politicians' efforts to nurture national champions. Pat Gelsinger, the boss of Intel, an American chipmaking giant, said he could "feel the national pride welling up" when work started at a site in Ohio in 2022. Earlier this year his company was awarded the biggest handout so far under the CHIPS Act, comprising \$8.5bn in grants and up to \$11bn in loans. Falling in with the government's security agenda can benefit firms in subtler ways, too. A \$1.5bn investment by Microsoft, an American tech giant, into g42, an AI startup, in April was reported to have been negotiated in close co-operation with the government. It came with the stipulation that the Emirati firm sever its ties with Huawei, a Chinese tech company under American sanctions.

Picking losers

All this poses two problems. The first is that a more interventionist government is liable to become besieged by lobbying. Plenty of politicians still care more about personal than national interest. Donald Trump has shown himself willing to bestow favours on those that support him. Elon Musk, the boss of Tesla, an electric-vehicle (EV) company, has been busily [courting the presidential candidate](#). On August 3rd Mr Trump declared he now supported EVs because "Elon endorsed me very strongly".

The second risk is an erosion of America's competitiveness over the long run. Allowing US Steel to be acquired by its Japanese rival would provide it with more advanced technology and greater scale, making the company more competitive with Chinese rivals and lowering prices for industrial buyers such as America's carmakers. Government freebies for Intel, by contrast, will diminish the incentive for it to regain the technological lead in its industry. The support the company has so far received has done little to slow its decline. This month it announced it would fire 15,000 workers. In time, the costs of corporate patriotism for all America's stakeholders will grow clearer. ■

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Business | Hitting the road

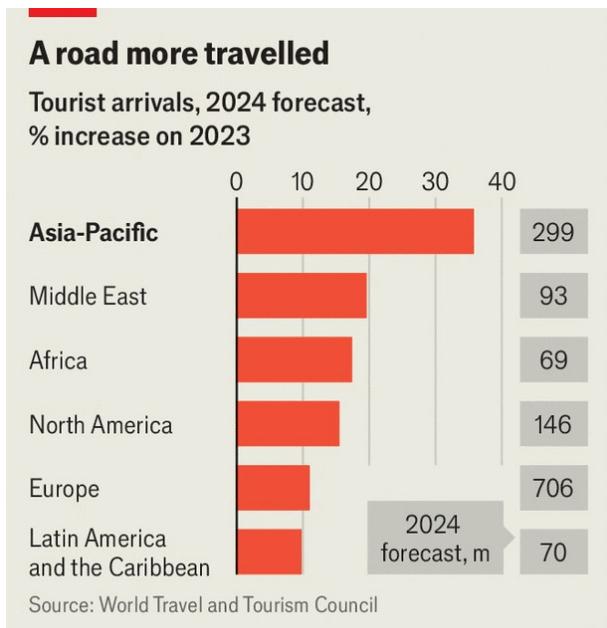
The global tourism boom is shifting to Asia

Travel in the region is roaring after a difficult few years

August 15th 2024



Tourism is back, at last. This year the number of trips abroad is expected to overtake levels reached in 2019. Spending by travellers, too, is projected to exceed what was shelled out in 2019, according to the World Travel and Tourism Council (WTTC), a trade body. Cruising is [afloat again](#). The return of mass tourism has sparked protests in Western hotspots such as Barcelona and Majorca. Talk to a hotelier or a travel agent, though, and the real action is further east.



The Economist

Travel to Asia had been slower to recover from the covid-19 pandemic than in the West. Strict quarantine measures from China to Malaysia were in place for longer than in Europe or America, keeping the number of tourists down. Now, however, business on the continent is roaring back. The number of travellers arriving in Asian countries is set to surge by a third this year, according to the ^{WTTC}, more than in any other region (see chart).

Even as business in the rest of the world stabilises, industry bosses are touting rapid growth in Asia. On August 6th Michael Glover, the finance chief of IHG, a hotel group, pointed to its booming business in Thailand and Vietnam. On August 7th Mark Galardo, an executive at Air Canada, a carrier, said that new routes to Seoul and Osaka were performing “exceedingly well”.

Westerners are turning up in droves. The number of trips Americans took to Asia doubled last year. The dollar, which has appreciated strongly against Asian currencies, is part of the explanation. Catherine Heald, the boss of Remote Lands, a travel agency for the rich, notes that more of her clients are scuba diving off Indonesia’s Komodo island, temple-hopping in Japan and taking gastronomical excursions across Thailand.

The range of destinations and activities is widening. Well-heeled tourists can travel aboard the recently redeveloped Eastern & Oriental Express through Singapore and Malaysia, run by Belmond, the hotels business of LVMH, a French luxury giant. Over 500,000 hotel rooms were under construction across Asia as of June, up by over 4% from last year. Getting to Asia is also becoming easier, with home-grown and Western airlines increasing the number of flights to and from the continent. British Airways, for instance, is relaunching flights to Bangkok and Kuala Lumpur.

The biggest boost to Asian tourism, though, is coming from the region's own travellers. Chinese consumers have begun to holiday abroad again, with international trips forecast to double this year compared with 2023, according to Oxford Economics, a research firm. Even then, the number of trips will be below pre-pandemic levels, leaving plenty of room for growth. Much of the travel by Chinese tourists will happen within their neighbourhood. Three-quarters of the flights that left China last month went to East and South-East Asia.

Thanks to rising disposable incomes, India's consumers are also heading overseas in growing numbers. They spent close to \$20bn on foreign trips in the year to March, more than three times the amount they spent five years ago. Many also prefer to travel closer to home, not least because of looser visa restrictions in the region. As incomes rise, Indian tourists will only become bigger spenders. The WTTC reckons that by the end of the decade only Americans and Chinese will splurge more on overseas travel than Indians. Asia's travel boom is just beginning. ■

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Business | Less plain sailing

From Taylor Swift to Star Trek, niche cruises are on the rise

Themed offerings are luring young and old

August 15th 2024



SBW-Photo

Torture, FOR some, might be spending five nights on a Taylor Swift-themed cruise in the Bahamas. But for Aubreigh Gniotczynski, a 26-year-old from Texas, it is a dream come true. Ms Gniotczynski and her husband—a “fan by marriage”—have each paid more than \$1,500 to enjoy karaoke nights and fancy-dress parties on the cruise, which is not affiliated with the star. In preparation, Ms Gniotczynski has been busily making friendship bracelets showcasing Ms Swift’s lyrics, which she will give to her fellow passengers.

Cruise holidays are back in vogue. Some 35.7m passengers are expected to board ships in 2024, 6% more than in 2019, according to the Cruise Lines International Association, a trade body. Operators have been experimenting

with themed trips in an effort to persuade new customers to climb aboard. “We were very surprised with how many of our clients are going to be sailing for the first time,” says Jessica Malerman, a travel adviser behind the Taylor Swift extravaganza, which will take up 199 rooms on an existing Royal Caribbean International (_{RCI}) cruise.

Some themed cruises are based on _{TV} shows, such as Star Trek: The Cruise and the Golden Girls Cruise. Others, like The Kiss Kruise and the Beach Boys Good Vibrations Cruise, are curated around bands. There are at least four country-music cruises, a reggae cruise, and several rock and jazz cruises. Fans of wrestling can gather on Chris Jericho’s Rock ‘N’ Wrestling Rager at Sea cruise and motorcycling enthusiasts can join the High Seas Rally cruise. Religious groups can board Kosherica (if they are Jewish) or Bountiful Travel (if they are Mormon). Those after adult experiences at sea can join the Desire, Temptation or Bare Necessities cruises.

Niche cruises, aimed at those who want to do more than sun themselves, appeal to old and young alike. Nostalgia can be a big draw for older passengers, reckons Chris Hearing of Entertainment Cruise Productions, which organises, alongside Star Trek and High Seas Rally cruises, an 80s music cruise. “That’s the music they loved when they were in high school,” he says. “So that’s what they are going back to relive.”

For younger passengers, cruise ships can present a haven away from judgmental festival crowds, says Gavin Simcoe, organiser of the Emo’s Not Dead Cruise, which has an average passenger age of 35. To attract even younger fans he plans to mix his line-up of bands from the 2000s with contemporary acts. Sometimes it pays to rock the boat. ■

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Business | Aiming high

Hindenburg widens its attack on Adani

It has taken aim at the boss of India's securities regulator

August 15th 2024



India has never seen a fight quite like this. Late on Saturday August 10th Hindenburg Research, a short-selling firm in New York, posted a follow-up to a report it produced in January last year which described the Adani Group, one of India's biggest conglomerates, run by one of its richest men, as "the largest con in corporate history". In its latest broadside Hindenburg alleges that the limited response by the Securities and Exchange Board of India (^{SEBI}) to its first lot of claims is the result of the conflicted interests of its chairwoman, Madhabi Puri Buch. Although opposition politicians in Delhi have called for an investigation and her resignation, Ms Buch seems safe for now. Still, the saga is set to bring lasting improvements to India's capital markets.

Hindenburg's original report argued that the Adani Group had used obscure offshore funds to prop up its value, and that its finances were more fragile than they seemed. The company denied the claims, but in the immediate aftermath the share prices of its various underlying companies plummeted. Since then, they have largely, though not entirely, recovered. An investigation by ^{SEBI} has announced no evidence of wrongdoing by the Adani Group; Hindenburg, though, has been told that it is being investigated for trading on non-public information contained in its own report (an accusation that the short-seller dismisses as "nonsense").

Hindenburg's new claim centres on the point that Ms Buch had invested in one of the offshore funds that had, according to the short-seller, been used to manipulate Adani shares. The manager of the fund, Anil Ahuja, a childhood friend of Ms Buch's husband, had previously served as a director of Adani-controlled companies. For good measure, Hindenburg also claimed that Ms Buch, during her time at ^{SEBI}, had supported legislation to ease restrictions on real-estate investment trusts while her husband was working as an adviser to Blackstone, a private-markets giant that invests heavily in the asset class.

In the early hours of Sunday August 11th Ms Buch, together with her husband, issued a statement accusing the short-seller of character assassination and denying culpability. They said Ms Buch had sold her investment before she became head of ^{SEBI} and before the fund invested in Adani securities. ^{SEBI} has also dismissed the claims, saying Ms Buch had properly disclosed all investments, recused herself in potential cases of conflict and spoken appropriately on proposed legislation. The Adani Group also chimed in, characterising the allegations as "malicious, mischievous and manipulative...with wanton disregard for facts and the law."

India's government has made no move to oust Ms Buch, and is unlikely to do so unless new evidence emerges. The fallout for the Adani Group also seems to have been largely contained. Shares in its constituent companies initially fell sharply after markets opened on August 12th, but recovered throughout the day. At the end of trading on August 14th they were down collectively by 2.7%.

Hindenburg, then, has probably not achieved what it hoped for. Still, its work has had salutary effects for India. Several Adani companies probably

did have excessive valuations at the time of the original report. Since then the group has become both more transparent and more focused. The combined net profit of its 11 listed entities has risen from \$2.7bn in 2022, the year before the short-seller's initial report, to \$4.3bn over the past four quarters.

Hindenburg has also drawn attention to the tendency of Indians to invest in their country via vehicles registered overseas in response to complex and frequently changing rules at home. This has long troubled India's government, which conflates offshore holdings with opacity and tax avoidance. It has attempted to diminish access to these funds but has so far dithered on providing an attractive domestic alternative. Hindenburg's allegations against Ms Buch may finally give India's government and regulators an incentive to do so. That would be good for India—even if it is of little comfort to Hindenburg. ■

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Business | Use it or lose it

Startups are finding novel ways to recycle carbon

Demand is set to rocket as costs continue to fall

August 15th 2024



Alamy

In a suburban car park near Seattle Bill Gates recently posed for an unusual photo shoot. Sporting a high-vis jacket and safety boots, the billionaire philanthropist shovelled asphalt from a wheelbarrow into a pothole. Mr Gates was there to tout his investment in a company involved in “carbon utilisation”, a neglected area of climate tech that is heating up.

Capturing carbon dioxide (CO_2) from the air will be a crucial part of efforts to slow climate change. Many projects envisage piping the gas to some form of permanent storage (such as salt caverns). Oil companies, which have experience of pumping CO_2 into dwindling wells in order to enhance oil recovery, claim to be keen. But less attention has been paid to the many

other commercial possibilities. In the group of technologies referred to as carbon capture, utilisation and storage (ccus), utilisation often gets short shrift.



The asphalt Mr Gates was shovelling was made by Modern Hydrogen, a startup which has raised some \$100m from investors. It has developed a compact pyrolysis reactor that can convert methane (from natural gas, say, or from manure) into pure hydrogen fuel and solid carbon. It has already demonstrated the viability of the hydrogen fuel to a power utility and is now scaling up production. Because its kit can fit inside a shipping container, it reckons this will allow customers far from pipelines to have easy access to clean hydrogen on demand. The solid carbon, meanwhile, is now replacing bitumen distilled from crude oil in asphalt for paying customers, which Tony Pan, its co-founder, calls a “high-value application”.

CarbonFree, another startup which counts BP, an oil giant, among its investors, announced a 20-year deal in April to monetise carbon emissions at a US Steel facility in Indiana. The startup plans to invest \$150m to deploy its proprietary technology at the mill. This uses calcium extracted from slag (a traditional waste product) and combines it with CO₂ captured from blast-furnace gas to make high-quality calcium carbonate, which the startup plans to sell as a food ingredient.

Martin Keighley, CarbonFree's boss, insists his firm's technology is profitable without subsidies. Still, government support helps. Dow, an American chemicals firm, has won up to \$95m in government funding to build a facility that will capture some 100,000 tonnes of CO₂ a year, which it will use to produce electrolyte solutions for lithium-ion batteries.

ArcelorMittal, a European steel colossus, has built a €200m (\$220m) carbon-utilisation plant at a steelworks in the city of Ghent in Belgium. The facility relies on novel equipment made by LanzaTech, a biotech firm based in Illinois, which uses a biocatalyst to turn the carbon-rich waste gas from the blast furnaces into ethanol. This can then be used to make sustainable aviation fuel or chemicals.

In 2022 LanzaTech secured \$500m in funding from Brookfield, a Canadian asset manager, to scale up its business. Recently it was jointly awarded up to \$200m by America's Department of Energy to convert CO₂ captured at a petrochemical plant into ethylene, a useful feedstock. Jennifer Holmgren, LanzaTech's boss, reckons replacing "fossil carbon" in supply chains is "a \$1trn addressable market".

The International Energy Agency (_{IEA}), an official forecaster, reckons some 230 megatonnes of CO₂ are used in industrial applications each year, mainly for pumping into oil wells and as an input for fertiliser. But the _{IEA} sees other uses such as synthetic fuels, chemicals and building materials "gaining momentum". It estimates that the current global pipeline of utilisation projects would allow nearly 15 megatonnes of CO₂ to be captured for these uses by 2030.

That may not sound like much compared with the 37 gigatonnes of CO₂ emitted globally last year. But the opportunity will grow as the cost of capturing and recycling carbon continues to fall. In a report published earlier this year, _{BCG}, a consultancy, and the Oil and Gas Climate Initiative (_{OCCI}), a trade body, estimate that between 430 and 840 megatonnes a year of captured CO₂ could be used in industrial applications by 2040. MarketsandMarkets, a research firm, predicts that the global carbon-utilisation market will grow in value from roughly \$3bn in 2023 to some \$13bn by 2030. _{BCG} suggests this could rise to as much as \$50bn by 2040.

A report published on August 7th by America's National Academies of Sciences, Engineering and Medicine, a group of research bodies, examines the role that carbon utilisation could play in decarbonising the economy. Its boffins conclude that by 2050 "the conversion of CO₂ into marketable products...can operate at a global annual scale of multiple gigatonnes to provide an alternative, circular-carbon feedstock." That would certainly be worth picking up a shovel for. ■

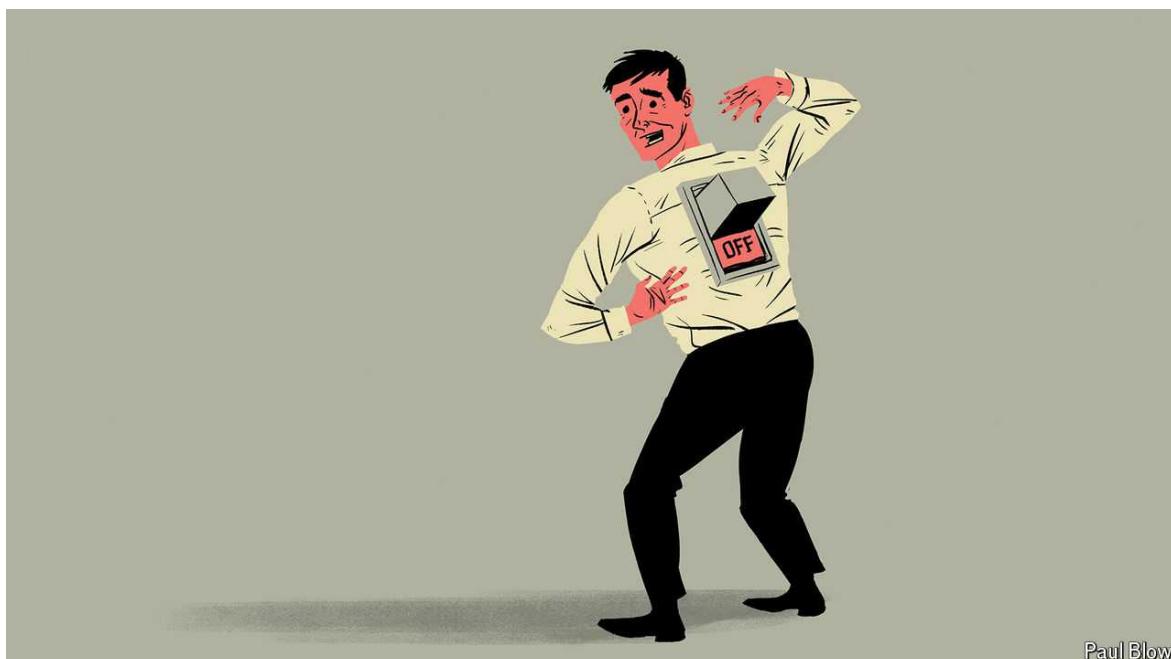
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How to take proper breaks from work

The matinée test

August 15th 2024



The year 1843 was a tremendous one for humanity. *The Economist* was founded. Almost as importantly, the modern weekend started to take shape. A campaign was launched in Manchester to give industrial workers half a day off on Saturdays, designed to ensure that more of them turned up ready to work on Monday morning. It succeeded, and the practice was eventually adopted into law; over time, a five-day week has become the norm in most countries.

Whether it is the weekend, the summer holidays that many people in the northern hemisphere are currently taking or the daily rest periods that companies give to their employees, the right for people to take breaks is uncontested. But for white-collar workers in particular, the boundaries

between working time and non-working time have become very blurry. It is standard practice to eat lunch hunched over your desk: look down at your keyboard and you will see far more crumbs than characters. It is normal to look at emails in the evening, at weekends and on holiday.

Deploring this development is too simple: the ability to choose when and where you work suits lots of people. But it has also created the impression that you are always contactable. As long ago as 2013, Melissa Mazmanian of the University of California, Irvine and Wanda Orlikowski and JoAnne Yates of the ^{MIT} Sloan School of Management coined the term “the autonomy paradox” to describe how greater flexibility for individuals has led to diminished freedom for everyone to switch off.

Breaking out of this trap is hard. As a little experiment to assess your own degree of freedom, try to follow a recommendation from Cal Newport, a thoughtful writer on how the performative busyness of modern work impedes the ability to get important stuff done. In his latest book, “Slow Productivity”, Mr Newport advocates deliberately varying the intensity of work. Among other things, he suggests setting aside a weekday afternoon once a month to see a film.

Taking three hours off every so often ought not to feel outlandish if you catch up on your work later. But few employers would react well to an out-of-office message that reads “I am watching Deadpool & Wolverine and will be slower to respond than normal.” So an uncomfortable degree of subterfuge is required.

First, following Mr Newport’s advice, you label the time as a “personal appointment”; never has a calendar entry looked more suspicious. Before you enter the cinema you check around for colleagues. A handful of single people are in there: you wonder how many of them are also at a “personal appointment”. You are told to turn off your phone, the ultimate working-hours transgression. The moment you leave you check it to make sure all hell has not broken loose in your absence. During the film you feel guilty that you have been munching popcorn while everyone else has been working. The whole experience is sufficiently draining that you need another rest.

Managers may well feel that their workforce shouldn't be heading off to the cinema whenever it feels like it. But organisations should ensure that their employees do not mistake exhaustion for accomplishment or breaks for laziness. Mr Newport cites the example of 37signals, a software firm that works in six-week cycles. At the end of each cycle, developers take one or two weeks off scheduled projects to slow the pace.

Slack, another software firm, ran a survey in which they found that only two in five of their employees felt comfortable taking breaks. It then conducted an experiment in which it prompted some of its workers to take time off during the day, and found that this led to marked improvements in their productivity and job satisfaction.

If the encouragement of your employer is not forthcoming, some simple habits can still make for better breaks. If you decide to work at weekends or on holidays, only do so during set periods so that you get at least some extended time off the treadmill.

During the workday, one tip stands out. A recent review of the research on work breaks by Zhanna Lyubykh of Simon Fraser University and her colleagues concluded that being outside was a better way to recharge. A study of nurses by Makayla Cordoza, now of Vanderbilt University School of Nursing, and her co-authors found that breaks in the hospital garden mitigated the risk of burnout more than staying indoors. Switching off is hard enough. Staying in the office makes it tougher still. ■

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Business | Ground down

Can Chipotle's boss turn Starbucks around?

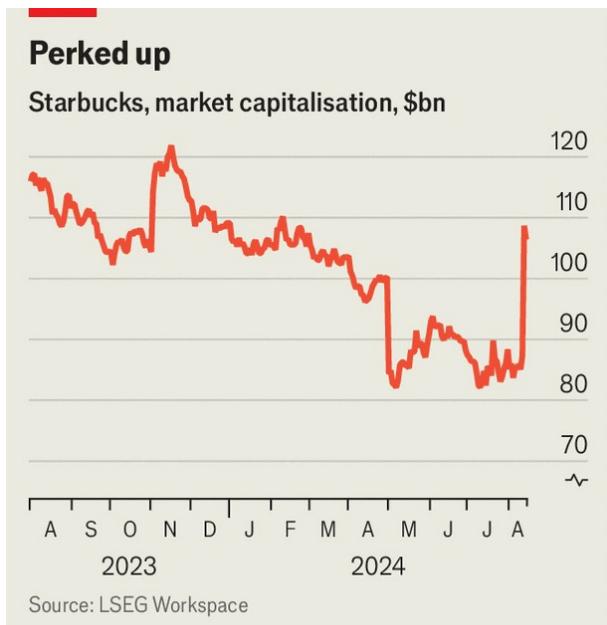
Brian Niccol faces three big challenges

August 14th 2024



Benjamin Rasmussen/New York Times/Redux/eyevine

Chief executives like to measure their worth in hard currency. One yardstick is their pay. Another is the market's reaction when they move jobs. Howard Schultz has twice returned to the helm of Starbucks, the [coffee giant](#) he built up from a handful of trendy shops in Seattle. Shareholders greeted him cautiously both times. But they have given a rapturous welcome to Brian Niccol, the current boss of Chipotle Mexican Grill, a chain of restaurants, who was named Starbucks' next chief executive and chairman on August 13th. Since then, its market value has risen by \$19bn (see chart), adding the equivalent of roughly ten Cheesecake Factories or one Domino's Pizza.



The Economist

Starbucks' surging share price also reflects the disastrous 512-day tenure of [Laxman Narasimhan](#), its departing boss. He inherited a business struggling with an excessively long menu and inefficient stores. In the 2006 film “The Devil Wears Prada”, Anne Hathaway is tasked with collecting a “no foam skimmed latte with an extra shot” for a stony fashion editor played by Meryl Streep. Today that would pass for an easy order. Most drinks are cold and customised. Food now makes up a fifth of sales. After tapping into the Starbucks app, Ms Hathaway might abandon hope after seeing the wait time. She would not be the first. Sales in America declined by 2%, year on year, during the most recent quarter, despite the average order costing 4% more. Critics dismissed Mr Narasimhan’s response (the “triple shot reinvention with two pumps” strategy) as a verbose laundry list. Starbucks needed a well-caffeinated visionary. In Mr Narasimhan it got a sugary management consultant.

Mr Niccol, by contrast, is well-suited to the challenge. Some consider him the industry’s finest. When he took over at Chipotle in 2018, the company was still suffering after an outbreak of *E. coli* at its stores in 2015. Since then, the firm’s sales have doubled and its market value has increased eight-fold, briefly surpassing that of Starbucks in May. Analysts credit Mr Niccol with increasing the efficiency of Chipotle’s stores. Given the complexity of

Starbucks' menu, Mr Niccol's old job, where each burrito would be customised, has lots in common with his new one.

But transforming Starbucks will be tough, not least because America's previously indefatigable consumer is showing signs of lassitude. According to a University of Michigan survey published on July 26th, consumer sentiment is at its lowest since November. The day Mr Niccol's appointment was announced, Home Depot slashed its profit guidance, saying that more consumers were delaying home renovations. At least for now, Starbucks should avoid the slump. According to figures from Hundredx, a data provider, lower-income customers are planning to curtail their spending more than others. But Starbucks, like Chipotle, relies far less on them than do fast-food chains such as McDonald's.

Starbucks' business in China poses a more vexing problem. Since 2019 its footprint has doubled in size, to 7,306 stores, without any meaningful increase in revenue. Sales in the country declined by 14%, year on year, during the most recent quarter as the business faced stiff competition from cheaper local rivals such as Luckin Coffee. Starbucks' gloomy prospects in China have been clear since the start of Mr Narasimhan's tenure, but only a few weeks ago did he broach the possibility of shaking up the operation through "strategic partnerships". Mr Niccol should split off the business and focus his attention on America. Starbucks could follow the lead of Yum! Brands, owner of Pizza Hut and Taco Bell, which spun off its Chinese operation in 2016. It is a move Mr Niccol knows well—he ran Taco Bell at the time.

Mr Niccol must do all this under the watchful eye of Starbucks' owners. Earlier this year Elliott Management, a notorious activist, bought a position in the company and began lobbying for change. Starboard Value, another such firm, has also taken a position. And there is another activist Mr Niccol must avoid displeasing: Mr Schultz. The coffee guru looms large over the business, and remains one of its biggest shareholders. Earlier this year he wrote a public letter saying the firm needed a "reset", and was proved correct. He will not go away anytime soon. ■

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How bosses should play politics: the cautionary tale of Elon Musk

A new book considers the complex relationship between presidents and company bosses

August 14th 2024



It is lonely at the top. So lonely, in fact, that sometimes American presidents and titans of industry have only one individual of similar stature to turn to: each other. Over almost two centuries they have played golf together, enjoyed movie nights and told jokes to each other. Some have developed genuine friendships; others have openly hated one another. It is an uneven relationship, of course. Though chief executives tend to stick around longer than presidents, there is no doubt who is higher in the pecking order. But rarely have any mogul's dealings with presidents past, present and possibly future been as hard to fathom as those of [Elon Musk](#), who once enjoyed the

largesse of Barack Obama and is now cheerleader-in-chief for [Donald Trump](#).

Listen to the two men's unscripted blatherings on X, Mr Musk's platform, on August 12th, and the power imbalance between America's richest man and an ex-president running again for office is toe-curlingly clear. Once the glitches were sorted out, Mr Trump was in full control. When Mr Musk tried to get a word in edgeways, he mostly failed. When he tried to sound reasonable, he was ignored. What Mr Musk hopes to gain from stacking his chips so heavily in favour of Mr Trump in an election that either Republicans or Democrats could win is baffling, especially considering that Tesla, the electric-vehicle company he runs, and SpaceX, his rocket business, remain dependent on federal incentives and contracts. An excellent new book, "The Power and the Money", by Tevi Troy, is a timely reminder for bosses of their complex history with America's commanders-in-chief. It suggests how easily Mr Musk's high-stakes gamble could go wrong.

Start with a lesson on the sheer unpredictability of presidential politics. John D. Rockefeller ignored Washington as he built Standard Oil into a vast monopoly in the late 1800s. But when antitrust fervour rose in the 1890s he sought to squash it by backing William McKinley, a president he thought he had in his pocket. McKinley was assassinated in 1901. His replacement was Theodore Roosevelt, a man Standard Oil had unwisely recommended as McKinley's vice-president because he was too much trouble as governor of New York. Thus began the Progressive Era, and the eventual dismantling of Rockefeller's monopoly. Mr Musk should take heed. Vice-presidents, whether Kamala Harris, now the Democratic presidential nominee, or J.D. Vance, Mr Trump's understudy, can be more dangerous than they look.

Next consider the risks of becoming too big for one's boots. In this, Mr Musk shares much with Henry Ford. Like Mr Musk, Ford reinvented cars, had a huge following, owned a platform that spewed hate speech and made no secret of his disdain for left-wing politics. Many presidents liked his cars, but some were infuriated by him. Woodrow Wilson kicked him out of the White House in 1915 after he proposed sending a peace ship to Europe to stop the first world war. Franklin Roosevelt criticised Ford for opposing parts of the New Deal. As Mr Troy says, Ford's businesses were largely unscathed by the backlash because the regulatory state was smaller than it is

now. Mr Musk has no such luck. His bromance with Mr Trump has alienated the left. President Joe Biden has snubbed Mr Musk when dealing with car bosses. Federal regulators are investigating Tesla's self-driving technology. Being "Progressive Enemy No. 1", as the *Wall Street Journal* describes Mr Musk, comes at a higher potential cost than it did in Ford's day.

Last, beware of unexpected ideological shifts. Lee Iacocca, who ran Ford and then Chrysler, was a master White House manoeuvrer. He helped persuade Richard Nixon to protect the car industry from Ralph Nader's safety onslaught. He won loan guarantees for Chrysler from Jimmy Carter in the 1970s. But though he liked Ronald Reagan personally, he rejected the then-president's free-market tilt and tried (unsuccessfully) to get more government support for his business. Mr Musk is throwing his weight behind Mr Trump at an unusual moment, when the rhetoric of both Republicans and Democrats is increasingly anti-big-business. The populists may turn against him, too.

The relationship need not always be tricky. Most bosses end up being forced to deal with Washington (last year American firms spent \$3.6bn on lobbying). Those who consider themselves aloof from politics often come to regret it. Like Rockefeller, Bill Gates was initially dismissive of the anti-monopoly case against his firm, Microsoft, which it ultimately lost. Chastened, he later told a young Mark Zuckerberg, the Facebook supremo, not to alienate Washington. "Get an office there, now," he said.

Some CEOs build respect by offering help to the government in times of stress. John Pierpoint Morgan did so in 1907. Jamie Dimon, boss of JPMorgan Chase, pitched in to rescue failing banks during the global financial crisis a century later.

Perhaps the most effective way to handle the relationship is a quiet schmooze. One of the most fascinating characters in Mr Troy's book is Lew Wasserman, a Hollywood mogul with a knack for knowing which presidents to court and which to avoid. Tim Cook, boss of Apple, got on with both Mr Obama and Mr Trump, subtly pressing his company's interests, but being helpful, too. As Mr Trump once said of him: "That's why he's a great executive, because he calls me and others don't."

The Technokingmaker

Mr Musk's approach to presidential politics is unique. More than almost any other prominent chief executive profiled in the book, he flies by the seat of his pants. There is one characteristic he shares with some of his peers, though. He is high on his own sense of power. He may believe that if Mr Trump regains the presidency, his support during the campaign will allow him to pull the strings at the White House. History suggests that never happens. ■

If you want to write directly to Schumpeter, email him at schumpeter@economist.com

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Finance & economics

- [Vladimir Putin spends big—and sends Russia's economy soaring](#)
- [How vulnerable is Israel to sanctions?](#)
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Vladimir Putin spends big—and sends Russia's economy soaring

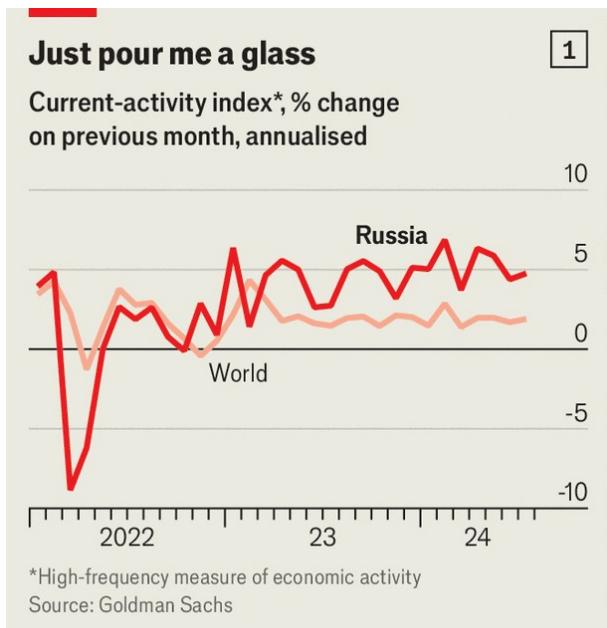
How long can the party last?

August 11th 2024



Getty Images

A Ukrainian incursion into Russia represents an enormous embarrassment for Vladimir Putin and his military leadership. Tens of thousands of residents have been evacuated after Ukrainian troops stormed across the border. The Russian armed forces, caught off guard, are being slow to respond. The rouble is slumping, as worries mount about the future of the war. Yet on the home front, at least, things look better than ever for Mr Putin. Despite sanctions and pariah status, Russia's economy is growing strongly. It turns out that bacchanalian spending, at a time of war, really gets things going.



The Economist

Russian GDP will rise by over 3% in real terms this year, continuing its fastest growth spurt since the early 2010s. In May and June economic activity “significantly increased”, according to the central bank. Other “real time” measures of activity, including one published by Goldman Sachs, a bank, suggest the economy is accelerating (see chart 1). Unemployment is close to an all-time low. Inflation is too high—in July prices rose by 9.1% year on year, above the central bank’s target of 4%—but with cash incomes growing by 14% year on year, the purchasing power of Russians is rising fast. In contrast with people in almost every other country, Russians are feeling good about the economy.

Consumer confidence, as measured by Russia’s statistical agency, is well above its average since Mr Putin assumed power 24 years ago. You might expect him to be goosing the numbers. But the Levada Centre, an independent pollster, finds equally startling trends (see chart 2). Only once in the past three decades has sentiment been higher. Russians’ confidence in their own financial situation, according to official data, recently jumped to an all-time high. They are more inclined to make big purchases, such as a car or a sofa, and restaurants are bursting. Last year Russians imported 18% more cognac than they did in 2019, according to our estimate, while spending 80% more on imports of sparkling wine. Sberbank, the country’s

largest financial institution, notes that in June overall consumer spending rose by 20% year on year in nominal terms.



The Economist

The latest data are in sharp contrast to the 2010s. Back then, output and incomes grew slowly or not at all. By 2018 real wages were no higher than in 2012. People were fed up. A round of sanctions, which the West launched in 2014 following Mr Putin's annexation of Crimea, contributed to the malaise. So did an unusually austere fiscal policy, involving increases in taxation and cuts to spending. The covid-19 pandemic and another barrage of Western sanctions, imposed in 2022 in response to Mr Putin's full-scale invasion of Ukraine, compounded Russians' financial woes.

What explains the turnaround? It is tempting to credit Russian exports. Mr Putin has been able to divert hydrocarbons once destined for Europe to other parts of the world. Russian oligarchs, and the companies they run, are doing better than had been feared at the start of the war. In reality, however, Russia's recent export performance is nothing to write home about. Oil prices are lower than a couple of years ago. In the first quarter of 2024 the total value of Russia's physical exports was 4% lower in dollar terms than in the same period of 2023—and a third lower than in 2022.

To understand the accelerating economy, look to two aspects of macroeconomic policy. The first is fiscal policy. Mr Putin has abandoned austerity as he doubles down on war. He is sensitive to domestic opinion and recognises that he needs to buy public support for his invasion of Ukraine. This year Russia will run a budget deficit of 2% of ^{GDP}—hefty by its standards—which it is funding in large part by drawing on enormous financial reserves, accumulated during the 2010s. In effect, Russia saved yesterday in order to party today. Total government outlays rose by an average of 15% in both 2022 and 2023, and a slightly smaller rise is budgeted this year. Ministers are devoting much of this extra spending to the war in Ukraine. Data published by the Bank of Finland suggest that military spending will rise by about 60% this year, boosting production of weapons and ammunition, and also putting money in people's pockets.

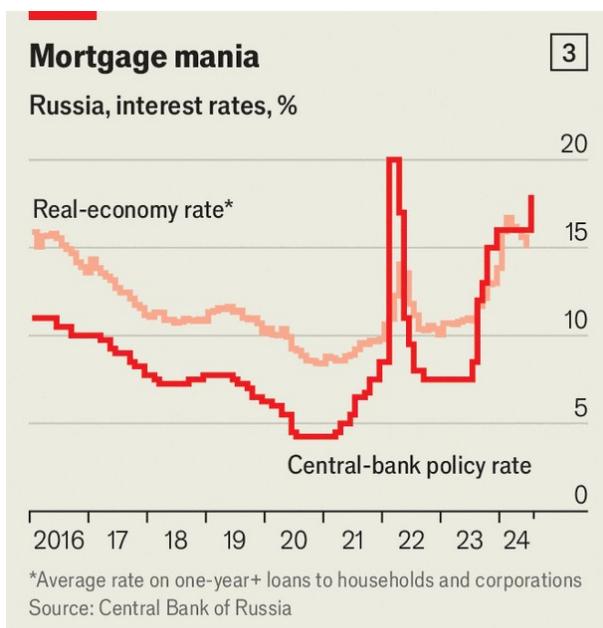
Patriots or mercenaries?

In July Mr Putin doubled the federal bonus for those signing up to fight from 195,000 roubles (\$2,200) to 400,000 roubles, which regional authorities are supposed to top up. The government is committing vast sums to compensation for the families of those killed in action. And Russia's splurge goes beyond war-related spending. Mr Putin is lavishing money on welfare payments: in June he raised pensions for some recipients by close to 10%. The government is also spending big on infrastructure, including a highway from Kazan to Yekaterinburg, two cities 450 miles (730km) apart. Indeed, it is spending on pretty much whatever takes its fancy. Mikhail Mishustin, Russia's prime minister, recently boasted about a government scheme to pay for children to holiday in Crimea.

The second reason for Russia's party economy relates to its unusual monetary policy. In order to deal with high inflation the central bank has raised interest rates from 7.5% to 18%. More increases may be on their way. This has the effect of strengthening the rouble by attracting foreign investment from “friendly” countries such as China and India, which in turn cuts the price of imports and thus inflation. It also encourages people to save, trimming consumer spending. In a normal economy higher rates would hurt indebted households and companies, as their cost of repaying debt rose.

Yet the government has almost entirely shielded the real economy from tighter monetary policy.

There is a bewildering array of schemes. Earlier this year the government made it much easier for consumers to suspend repayments on loans, so long as they could prove that their income had fallen or they were “affected by an emergency”. Banks have offered loan holidays to soldiers in Ukraine. A mortgage scheme, recently closed, kept lending rates fixed at 8%, less than half the current policy rate. An “industrial mortgage” programme has channelled lending to companies at rates as low as 3% a year. Banks’ arms are also twisted so that they do not raise rates too far. When the financial sector loses income as a consequence, the state often steps in to make up the difference.



The Economist

This meddling has easily observable effects. According to official data, in the first quarter of this year households spent 11% of their disposable income on servicing debt—about the same as three years ago, when the policy rate was considerably lower. In the past year the interest rate facing households and firms has risen, but by only about half as much as the policy rate (see chart 3). New borrowing remains healthy. Lending to companies is growing at more than 20% a year. Since Russia invaded Ukraine, unsecured

consumer lending has grown about as fast as nominal wages, which is to say very fast indeed.

How long can the party last? Much depends on the war. A continued slump in the rouble would raise inflation; more military recruitment would worsen labour shortages. At some point, people may get angry about the cost of living. And Mr Putin cannot run budget deficits for ever: at current rates, Russia's reserves will be gone in five years or so. But the economy has also shown its resilience in recent years. So, for now, the party continues. ■

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Finance & economics | Don't push it

How vulnerable is Israel to sanctions?

So far, measures have had little effect. That could change

August 15th 2024



Getty Images

The outcry was immediate. On August 11th Itamar Ben-Gvir, Israel's minister of national security, said that his country could permanently occupy the Gaza Strip. "Sanctions," Josep Borrell, the EU's foreign-policy chief, hit back, "must be on the agenda". It was unclear whether Mr Borrell meant they would be placed on Mr Ben-Gvir or Israel itself; either way, European support for measures targeting Israel is growing. A few months ago Micheál Martin, Ireland's foreign minister, and a supporter of sanctions, said that his colleagues were beginning to consider the question of "what if" they went for them.

Well, what if? Europe would not be the first to introduce such policies. Indeed, it already targets violent settlers in the West Bank, along with

America and Britain. Criticism of Israel by the International Court of Justice has incensed people around the world, while governments worry that rulings condemning the country's invasion of Rafah, in Gaza, could lead to them being sued in domestic courts if they sell weapons to the aggressor. Others simply want to undermine Israel by any means. In May Turkey announced a total trade embargo. South Africa may follow. The EU would choose less sweeping measures, perhaps targeting goods that could supply the country's armed forces. Yet this could hurt Israel nonetheless.

Policies introduced by countries in the global south are more likely to damage themselves than Israel. South American countries, including Colombia and Chile, have banned the export or import of anything with a military purpose. Even if they and others were to upgrade to a broader Turkey-style embargo, Israel would hardly feel the pinch because its trade with the global south is spread thin. Its commodity imports from such countries can also be easily replaced. It gets about as much oil and gas from Russia as it does from Brazil, and Vladimir Putin would be unlikely to turn away any additional demand. Israel does not buy fighter jets from Colombia; Colombia sources all of its jets from Israel's defence-tech industry.

European sanctions would be another matter. Nearly a third of Israeli imports come from the EU. Even measures targeted at the country's military imports—as are being sought by Belgium, Ireland and Spain, and as have been put in place at a national level by some countries already—would be painful. Germany is Israel's second-biggest supplier of ammunition and weapons, after America. Italy also provides a lot of arms. Worse still, the same circuits go into computers as drones. Since the EU is Israel's biggest supplier of technological and mechanical components, any military measures could hinder its tech industry, which accounts for 20% of Israeli

GDP.

For sanctions to work, they must do enough harm to change the target's behaviour. When it comes to military goods, America would almost certainly plug any gaps in Israel's arsenal. But the government would be less assured of support to replace revenue that it lost from the tech sector. On August 13th Fitch, a rating agency, downgraded Israel's credit rating on the grounds of its state's stretched finances. The government's budget deficit is projected to reach 8% of GDP this year, owing to higher military spending.

Tech firms contribute a handy 36% of income-tax receipts and 10% of corporate-tax revenues.

For now Israel is protected by the fact that all members of the EU carry a veto against sanctions, and countries including Austria, Finland and Germany remain opposed to their introduction. That could change, however—perhaps if Israel's conduct deteriorates further. Although the country's leaders can shrug off Chilean or South African threats, they are much more vulnerable to European action. ■

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Finance & economics | The danger list

Europe's economic growth is extremely fragile

Risk is concentrated in one country: Germany

August 15th 2024



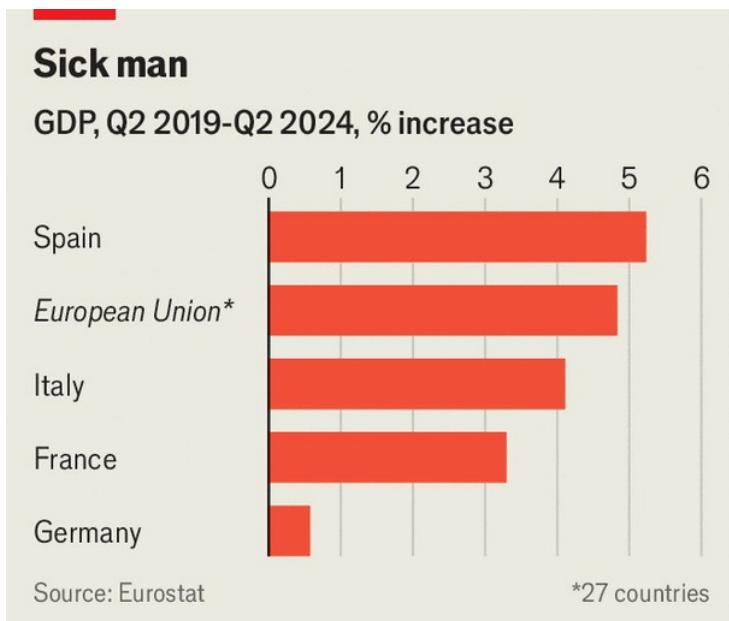
Getty Images

When an economy contracts for two consecutive quarters, it is often considered to be in recession. European policymakers will be hoping that two consecutive quarters of growth are equally notable. Data released on August 14th showed that, in the second quarter of the year, the EU's economy once again grew by 0.3% against the previous quarter. Although nothing to write home about by American standards, such growth is a relief after more than a year of stagnation.

The good news does not stop there. Employment is growing, albeit more slowly than before. Wage growth is outpacing inflation, too, leading to rising living standards. In the Netherlands, which has the continent's most up-to-date labour-market data, centrally negotiated wages rose by 7% in July,

twice the pace of inflation. Union-negotiated wages are similarly strong in Germany. Nevertheless, the European Central Bank (_{ECB}) still felt confident enough to cut interest rates in June, and is expected to do so again in September.

Full speed ahead, then? Not quite. The continent faces a number of risks—any of which could make the picture much gloomier. The first is that demand does not look as healthy as growth figures might suggest, as is illustrated by the construction industry. Rents are rising in many of Europe's most alluring cities: Athens, Berlin and Madrid are all seeing growth of about 10% a year. On top of this, interest rates are falling, which should boost property prices. Yet housebuilder confidence is now at the lowest it has been this year, for reasons that are not immediately clear.



The Economist

Growth in incomes should also be boosting consumption. In reality, however, “we are yet to see any meaningful pickup in real domestic demand,” observes Clemente De Lucia of Deutsche Bank. Households are mostly putting the additional money from higher pay into their savings accounts, he adds. In time, a cooling labour market could further reduce the desire to spend. As Davide Oneglia of _{ts} Lombard, a consultancy, notes, hiring has weakened in services, which has been the main source of jobs in recent years.

Governments are unlikely to support demand with extra spending of their own. Germany's has once again almost torn itself apart over the legal intricacies of its balanced-budget rules. Negotiations are ongoing, but the result is likely to be spending cuts. France and Italy, meanwhile, are both in an “excessive deficit procedure”, which the European Commission reserves for the most blatant violators of its guidelines. As such, fiscal policy will be a drag on growth in the years to come.

The next worry concerns a single country: Germany. It has barely grown since 2019. More recently, its exports fell by 4.4% in June on a nominal basis, compared with a year earlier, and surveys indicate that worse is to come. Industrial companies that have failed to modernise now face a bigger challenge from China, as low-cost electric vehicles (^{EVs}) pour out of its factories. Germany's long-term prospects are also concerning: other than Lithuania, no country in the ^{OECD} is set to lose more workers to retirement, relative to new entrants into the labour force. The country is big enough that its economic woes will also drag on Europe's growth.

The continent's trading partners will not come to the rescue. American demand, though enviable, is starting to weaken and China's economy is in a mess, which officials are hoping to fix with manufacturing subsidies. If Donald Trump is elected, trade wars—both transatlantic and between America and China—will worsen the situation. Europe's conflict with China is already under way, as the country prepares to sue the ^{EU} at the World Trade Organisation for raising tariffs on ^{EVs}.

As it stands, Europe appears to be pulling off a soft landing, even if its economy never truly soared in the first place. Inflation has fallen to 2.5%, just above the ^{ECB}'s target, and the continent has enjoyed two consecutive quarters of growth. But the euro zone's policymakers would be wise not to take too much cheer from this. Plenty of dangers must first be navigated before the celebrations can begin. ■

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How to invest in chaotic markets

Contrary to popular wisdom, even retail investors should pay attention to volatility

August 13th 2024



Just ignore it. That, in short, is the advice given to retail investors when stockmarkets convulse, as [plenty have over the past few weeks](#). Watching hard-earned savings disappear in a flash tends not to promote a cool head. So do not check your portfolio, do not tot up your losses and, above all, do not decide that now is the time to overhaul your entire investment strategy. Simply wait for the storm to pass and for share prices to resume their long march upwards.

In so far as it dissuades the nervous from panic-selling after a big drop, such advice is sensible, even if the investment platforms dispensing it are hardly acting out of altruism. “It’s about time *in* the market, not *timing* the market”

is a mantra with particular appeal to those who charge fees in proportion to the time their clients spend in the market. Yet the idea that doing nothing is the only proper response to volatility is also deeply unsatisfying—so much so that it stretches credulity. Everyone knows that markets can overreact, and that wild swings in prices may be caused by technical factors rather than changes to economic fundamentals. That does not mean they convey no useful information at all.

How should you respond to the turbulence that has swept markets this summer? Start with the immediate effect on portfolio allocation. Suppose that your strategy is the classic one of keeping 60% of savings in shares and 40% in bonds. After the upheaval of recent weeks, these two sides will now be out of whack. Share prices have fallen while bond prices have risen. Although this provides just the cushioning effect that makes the 60/40 strategy attractive, your split will have shifted to something more like 56/44. In other words, the buffer of bonds is too large compared with the stocks that will drive long-run returns. However jumpy markets are right now, at some point you will want to restore balance. Doing so now would entail selling bonds that have just become pricier to buy shares that have become cheaper.

No time like the present, then. In practice, though, such opportunistic rebalancing is easier said than done: it always seems worth putting off in case share prices fall even more, and the moment is missed. Therefore it is best to forget about perfect timing and instead commit to a regular schedule (rebalancing at the end of each quarter, say, or each month) regardless of what markets are doing.

Intrepid number-crunchers might want to go further, making use of the new information revealed by the tumult. When bond prices rise, their yields, or the prospective returns from holding them to maturity, fall. When stockmarkets plunge, their expected returns go up. Share-price volatility, meanwhile, implies that the spread of possible outcomes on either side of these expected returns has widened, making the investment riskier.

Put all this together and you can derive the “Merton share”, a formula for optimising a portfolio’s split between stocks and bonds based on market conditions and an investor’s own risk appetite. The formula says that the share allocated to stocks should be proportional to their excess expected

return above that of bonds, and inversely proportional to both the square of volatility and the investor's risk aversion. Each of these variables, except the last, is liable to change in a crash. Retaining a balance of risk and reward that you are happy with may entail updating your portfolio allocations in response.

Step back from such whizzy theory, and the downsides of intervention amid market chaos are plain. Professional traders may be able to swap from bonds to stocks almost immediately; mere mortals often face days-long delays during which prices leap around even more. If they move in the wrong direction, rebalancing might mean booking a substantial loss. Making such moves too often can involve trimming holdings of assets with momentum, causing you to miss out on gains. If you are to change your allocations at all, it must be via a procedure devised during calmer times, rather than a rash decision taken when fear is in the air. Adopting a new strategy, even one with rigorous grounding like the Merton share, is unwise. It is too easy to use the switch as an excuse to offload assets you are panicking about.

None of that, however, means that investors should simply ignore market madness. Price swings do not need to be rational to change your portfolio's positioning and prospects. A response, devised in advance, may well be in order. Keep your eyes open—provided you can keep your head while doing so. ■

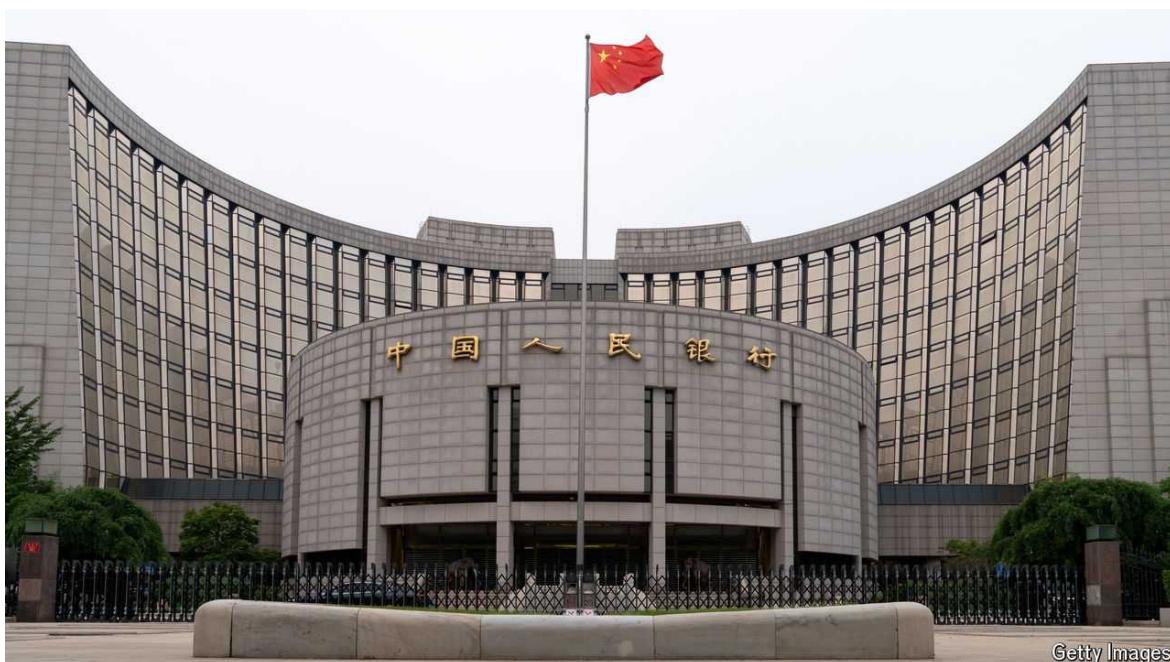
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What is behind China's perplexing bond-market intervention?

The central bank seems to think the government's debt is too popular

August 14th 2024

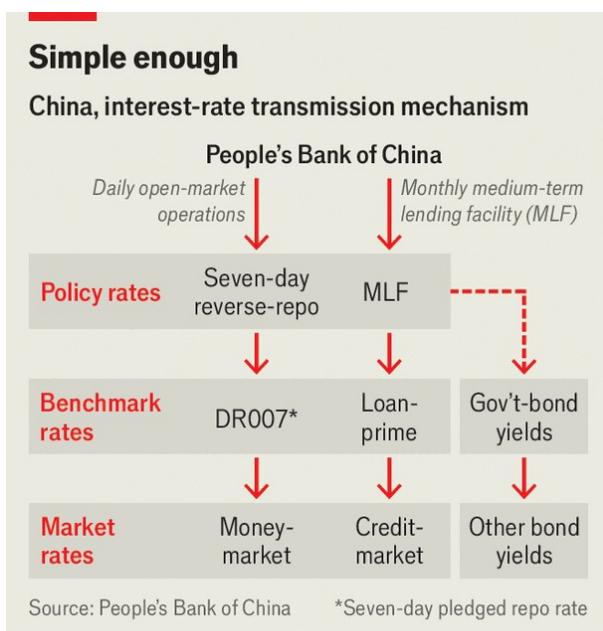


Many governments live in fear of bond-market “vigilantes”, investors who punish errant policies by aggressively selling the sovereign’s debt, driving down its price and thereby pushing up its yield. Financial regulators also worry about bond-market malfunctions, such as unsettled trades, when one party to a transaction fails to honour its promises. These mishaps can send ripples of anxiety through an entire [financial system](#).

Such fears do not seem to apply to China’s financial authorities. On August 9th regulators in the southern province of Jiangxi ordered several rural banks not to settle their recent purchases of government bonds, according to Bloomberg, a news service. Similar lenders elsewhere have also been

reported to the People's Bank of China (_{PBOC}), the country's central bank, for using their own accounts to buy bonds on behalf of others. Rural banks have been instructed to stick to their main business of lending to local enterprises, rather than to the central government.

The measures are part of an attempt by the central bank to stem a relentless rally in the government's bonds. Earlier this month yields dropped below 2.1% on ten-year securities, down from almost 2.6% at the start of the year. The causes are clear: China's economy has slowed, borrowers have retreated and inflation has vanished. Nonetheless, officials have been warning since April that yields would not stay low for ever. In July the _{PBOC} unveiled plans to sell government securities borrowed from other financial institutions if required. The central bank was, in other words, "preparing to short its own government's bonds", as Adam Wolfe of Absolute Strategy Research, a consultancy, put it. In the end, the bank left the vigilanism to other members of its posse. On August 5th state-owned banks sold bonds heavily, driving the price down and the yield back up a notch.



The Economist

Most analysts assume they were acting at the instigation of the _{PBOC}. Pan Gongsheng, its governor, has portrayed the buying and selling of government bonds as one of several necessary reforms to its monetary-policy apparatus. Even by the standards of a hands-on government, that

apparatus has an extravagant number of knobs and dials (see diagram). The central bank sets a seven-day interest rate via reverse repos (buying securities from financial institutions that need cash with an agreement to sell them back seven days later). But it also provides a “medium-term lending facility” that offers one-year loans to banks each month. This heavily influences banks’ “loan-prime rates”, which are supposed to be the interest rate they charge their best customers.

Mr Pan would like to settle on a single policy rate, the seven-day reverse repo rate—in the process downplaying the role of the medium-term lending facility. He also wants to improve the “transmission” of changes in this policy rate to other prices and yields in the financial markets. To this end, he has narrowed the corridor within which short-term bank borrowing costs can fluctuate. The reduction in volatility should make it easier for futures markets to operate, according to Mr Wolfe. In other countries, financial markets map out an expected path for policy rates into the medium term. Therefore a central bank’s tweaks to a one-week rate is able to influence even distant maturities.

Yet, on the face of it, the central bank’s new eagerness to throw its weight around in the bond market contradicts its other reforms. Even as officials aspire to make the seven-day rate their principal policy lever, they are not content to let market forces set the price of other longer-term instruments. As a consequence, the _{PBOC} evidently has a semi-official policy on the ten-year government-bond yield, too.

What explains the approach? There are three possible answers, each somewhat flawed in its reasoning. Mr Pan has said he is worried about a repeat on China’s shores of last year’s Silicon Valley Bank debacle in America. If financial institutions buy too many bonds, will they be able to withstand the losses when interest rates rise and bond prices drop? But the prospect of rate hikes in China is so distant that this danger seems remote. And the threat would be best resolved through bank regulation, not bond-market manipulation.

A second fear may be a weakening yuan. China’s interest rates are much lower than America’s, which is putting downward pressure on the country’s currency. _{PBOC} policymakers may feel that the exchange rate is particularly

sensitive to bond yields. That would help explain why it is clumsily propping them up, even as it tentatively brings interest rates down.

The central bank's third fear may be flat, rather than low, yields. During the Bank of Japan's long experiments in monetary easing, its policymakers worried that the yields on long-maturity bonds were falling into line with those on short maturities, rather than sitting comfortably above them. This flattening undermined the profitability of financial institutions that "lend long" and "borrow short". The ^{PBOC} may be trying to avert a similar danger. Central banks should "maintain a normal upward-sloping yield curve", Mr Pan said in a speech in June. But if the central bank wants financial institutions to profit from the yield on long-term bonds, why is it so worried about banks buying them?

In the long run, the best way to lift yields is to warm up the economy, which is likely to require more borrowing and spending from the central government. Its fiscal stimulus would be more powerful if the central bank supports spending with further interest-rate cuts. In other words, yields may have to fall before they can rise. If China's government is to succeed in reflating the economy, the ^{PBOC} will need to act like an accomplice, not a vigilante. ■

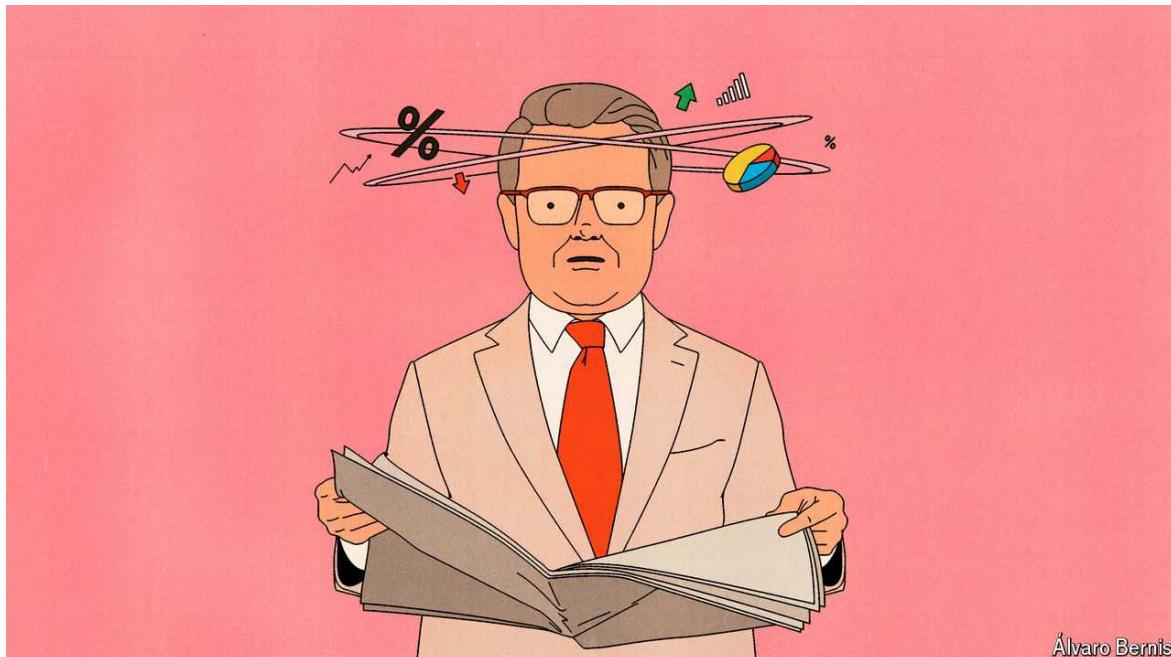
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Why companies get inflation wrong

Bosses should pay less attention to the media

August 15th 2024



Álvaro Bernis

Over the past year-and-a-half inflation has fallen sharply across the rich world. Although some central banks have now begun to cut interest rates, few are yet ready to pat themselves on the back for a job well done. In many countries the core rate of inflation, excluding volatile energy and food prices, remains uncomfortably high—at 3.2% in America and 2.9% across the euro zone—even as underlying economies show signs of slowing and financial markets become increasingly jittery. The marathon task of returning price growth to more normal levels is not quite finished. And the last mile, as so often, is proving the toughest.

In recent years policymakers have worried that inflation expectations would become “unanchored”: that a long period of high inflation would lead both

households and firms to expect more price rises in future. This is a particularly concerning prospect since such beliefs can become self-fulfilling, with workers bargaining for heftier pay rises to compensate for rising prices. Economists have often focused on how expectations take hold among households, but more recent research looks at how firms respond to rising prices. It not only holds a few surprises—it also offers fresh insight into why the last mile is quite so hard.

Surely companies have a good idea of where inflation is heading? After all, they receive regular data on the cost of inputs and how much customers are willing to pay for their goods and services, and have strong incentives to pay attention. If a company does not have a sense of the pricing strategies its rivals will be employing in the months and years to come, it will probably suffer.

Despite this, bosses seem to be easily swayed by less up-to-date sources of information. In particular, they are influenced by backward-looking data from national-statistics agencies. A new paper by Ivan Yotzov of the Bank of England (_{BOE}), Nicholas Bloom of Stanford University and co-authors examines how firms responded to inflation in 2022-24. The researchers look at responses to the Decision Maker Panel, a survey of British bosses that has been carried out by the _{BOE} every month since 2016.

Because respondents have a fortnight in which to send over thoughts and because their thoughts are time-stamped on arrival, the researchers can compare the inflation expectations of firms before a monthly consumer-price-index (_{CPI}) release with those afterwards. They find that an unexpected one-percentage-point rise in _{CPI} inflation produces a 0.7-percentage-point rise in expectations of future inflation in the days after, and continues to exert influence in the weeks that follow. Last year Yuriy Gorodnichenko of the University of California, Berkeley, and co-authors found a similar result, with a similar methodology, in Israel, where an unexpected rise in inflation of one percentage point was associated with a 0.5-percentage-point rise in expectations.

Indeed, the influence of official inflation statistics stretches even further than companies' views on the general inflation outlook. It also sways their views on the likely path of their own prices. Analysis of the _{BOE}'s Decision Maker

Panel finds that a one-percentage-point rise in headline inflation leads to a 0.6-percentage-point rise in expected own-price growth. These expectations are skewed in a manner that will concern central bankers. Higher inflation readings pull expected prices up by more than lower inflation readings drag them down.

The media may in part be responsible. Messrs Yotzov and Bloom constructed an index of inflation chatter in British journalism, based on the share of newspaper articles mentioning rising prices. Looking at this, the researchers and their co-authors discovered that days with lots of such chatter were associated with rising inflation expectations among companies. They assumed that firms obtained information about inflation from media outlets, rather than directly from the national-statistics agency. Between 2019 and October 2022, when ^{cpi} peaked at 11.1%, British inflation rose six-fold; by the same point, media coverage had also risen six-fold from its average in 2010-19. But during the period in which inflation subsequently fell, media interest declined. An old journalistic saying is that “if it bleeds, it leads”. Similarly, writing about the pain of rising inflation is more attractive to journalists than writing about the joy of falling inflation. This, in turn, distorts how companies perceive the state of the economy.

Race to the bottom

Given the astonishing array of information available to bosses, it may seem implausible that they really are such naive media consumers. However, corporate leaders are nowhere near as well informed on economic developments as might be expected. In 2021 Bernardo Candia of the University of California, Berkeley, Mr Gorodnichenko and Olivier Coibion of the University of Texas at Austin examined responses to a quarterly inflation survey by the Cleveland branch of the Federal Reserve. The researchers discovered what they called “systematic inattention” to issues of monetary policy and inflation. Less than 20% of chief executives were even able to say what the Fed’s inflation target is (2%, for those also not paying attention). Two-thirds of managers would not even offer a guess. Bosses also disagreed just as much about what inflation had done over the previous year as they did over what it was likely to do in the year ahead, despite the former

being public information. It seems that corporate leaders do not owe their career advancement to sophisticated economic analysis.

Media coverage, therefore, is one way in which high inflation begets even higher prices. By writing about rising inflation more than falling inflation, journalists make the final mile tougher still. *The Economist* is just as guilty of this as any other publication. Although it is tempting to lay the blame for persistent inflation solely on chief executives, your columnist offers his apologies. ■

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Schools brief

- LLMs will transform medicine, media and more

LLMs will transform medicine, media and more

But not without a helping (human) hand

August 13th 2024



Artificial Intelligence (AI) can be described as the art of getting computers to do things that seem smart to humans. In this sense it is already pervasive. Satnav software uses search algorithms to find the quickest route from your house to that new restaurant; airplanes land themselves; traffic cameras use optical character recognition to identify the letters on the number plate of a speeding car; thermostats adjust their temperature settings based on who is at home. This is all _{AI}, even if it is not marketed as such. When _{AI} works consistently and reliably, runs an old joke, it is just called engineering. (Conversely _{AI}, goes another joke, is the stuff that does not quite work yet.)

The _{AI} that is hogging so much of the world's attention now—and sucking up huge amounts of [computing power and electricity](#)—is based on a technique called deep learning. In deep learning linear algebra (specifically, matrix

multiplications) and statistics are used to extract, and thus learn, patterns from large datasets during the training process. [Large language models \(LLMs\)](#), like Google's Gemini or OpenAI's GPT have been trained on troves of text, images and video and have developed many abilities, including "emergent" ones they were not explicitly trained for (with promising implications, but also worrying ones). More specialised, domain-specific versions of such models now exist for images, music, robotics, genomics, medicine, climate, weather, software-coding and more.

Beyond human comprehension

Rapid progress in the field has led to predictions that AI is "taking over drug development", that it will "transform every aspect of Hollywood storytelling", and that it might "transform science itself" (all claims made in this newspaper within the past year). It is said that AI will speed up scientific discovery, automate away the tedium of white-collar jobs and lead to wondrous innovations not yet imaginable. AI is expected to improve efficiency and drive economic growth. It might also displace jobs, endanger privacy and security, and lead to ethical conundrums. It has already outrun human understanding of what it is doing.

In this series on artifical intelligence

1. [*The story so far*](#)
2. [*Running out of data*](#)
3. [*Controlling the chip supply*](#)
4. [*Fashionable models*](#)
5. [*Future applications**](#)

Researchers are still getting a handle on what AI will and will not be able to do. So far, bigger models, trained on more data, have proved more capable. This has encouraged a belief that continuing to add more will make for better AI. Research has been done on "scaling laws" that show how model size and the volume of training data interact to improve LLMs. But what is a "better" LLM? Is it one that correctly answers questions, or that comes up with creative ideas?

It is also tricky to predict how well existing systems and processes will be able to make use of AI . So far, the power of AI is most apparent in discrete tasks. Give it images of a rioting mob, and an AI model, trained for this specific purpose, can identify faces in the crowd for the authorities. Give an LLM a law exam, and it will do better than your average high-schooler. But performance on open-ended tasks is harder to evaluate.

The big AI models of the moment are very good at generating things, from poetry to photorealistic images, based on patterns represented in their training data. But such models are less good at deciding which of the things they have generated make the most sense or are the most appropriate in a given situation. They are less good at logic and reasoning. It is unclear whether more data will unlock the capability to reason consistently, or whether entirely different sorts of models will be needed. It is possible that for a long time the limits of AI will be such that the reasoning of humans will be required to harness its power.

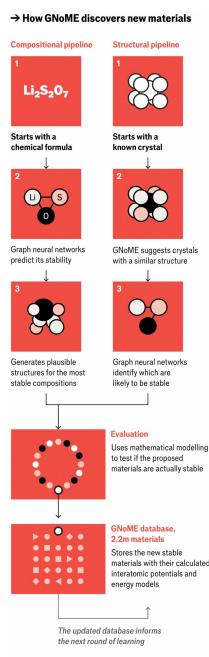
Working out what these limits are will matter in areas like health care. Used properly, AI can catch cancer earlier, expand access to services, improve diagnosis and personalise treatment. AI algorithms can outperform human clinicians at such tasks, according to a meta-analysis published in April in *npj Digital Medicine*. But their training can lead them astray in ways that suggest the value of human intervention.

For example, AI models are prone to exacerbating human bias due to “data distribution shifts”; a diagnostic model may make mistakes if it is trained mostly on images of white people’s skin, and then given an image of a black person’s skin. Combining AI with a qualified human proved the most effective. The paper showed that clinicians using AI were able to increase the share of people they correctly diagnosed with cancer from 81.1% to 86.1%, while also increasing the share of people told correctly they were cancer-free. Because AI models tend to make different mistakes from humans, AI -human partnerships have been seen to outperform both AI and humans alone.

The robotic method

Humans might be less necessary to explore new hypotheses in science. In 2009 Ross King at the University of Cambridge said that his ultimate goal was to design a system that will function as an autonomous lab, or as a “robot scientist”. Dr King’s AI scientist, called Adam, was engineered to come up with hypotheses, use its robotic arm to perform experiments, collect results with its sensors and analyse them. Unlike graduate students and postdocs, Adam never needs to take a break to eat or sleep. But AI systems of this type are (for now) restricted to relatively narrow domains such as drug discovery and materials science. It remains unclear whether they will deliver much more than incremental gains over human-led research.

AI techniques have been used in science for decades, to classify, sift and analyse data, and to make predictions. For example, researchers at Project CETO collected a large dataset of whale vocalisations, then trained an AI model on this data to work out which sounds might have meaning. Or consider AlphaFold, a deep neural network developed by Google DeepMind. Trained on a massive protein database, it can quickly and accurately predict the three-dimensional shapes of proteins, a task that once required days of careful experimentation and measurement by humans. GNoME, another AI system developed by DeepMind, is intended to assist in the discovery of new materials with specific chemical properties (see diagram).



Sources: Google DeepMind; Nature; The Economist

AI can also help make sense of large flows of data that would otherwise be overwhelming for researchers, whether that involves sifting through results from a particle collider to identify new subatomic particles, or keeping up with scientific literature. It is quite impossible for any human, no matter how fastidious a reader, to digest every scientific paper that might be relevant to their work. So-called literature-based discovery systems can analyse these mountains of text to find gaps in research, to combine old ideas in novel ways or even to suggest new hypotheses. It is difficult to determine, though, whether this type of AI work will prove beneficial. AI may not be any better than humans at making unexpected deductive leaps; it may instead simply favour conventional, well-trodden paths of research that lead nowhere exciting.

In education there are concerns that AI —and in particular bots like Chat_{GPT}—might actually be an impediment to original thinking. According to a study done in 2023 by Chegg, an education company, 40% of students around the world used AI to do their school work, mostly for writing. This has led some teachers, professors and school districts to ban AI chatbots. Many fear that their use will interfere with the development of problem-solving and critical-thinking skills through struggling to solve a problem or make an argument. Other teachers have taken an altogether different tack, embracing AI as a tool and incorporating it into assignments. For example, students might be asked to use Chat_{GPT} to write an essay on a topic and then critique it on what it gets wrong.

Wait, did a chatbot write this story?

As well as producing text at the click of a button, today's generative AI can produce images, audio and videos in a matter of seconds. This has the potential to shake things up in the media business, in fields from podcasting to video games to advertising. AI -powered tools can simplify editing, save time and lower barriers to entry. But AI -generated content may put some artists, such as illustrators or voice actors, at risk. In time, it may be possible to make entire films using AI -driven simulacra of human actors—or entirely artificial ones.

Still, AI models can neither create nor solve problems on their own (or not yet anyway). They are merely elaborate pieces of software, not sentient or autonomous. They rely on human users to invoke them and prompt them, and then to apply or discard the results. AI's revolutionary capacity, for better or worse, still depends on humans and human judgment. ■

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Science & technology

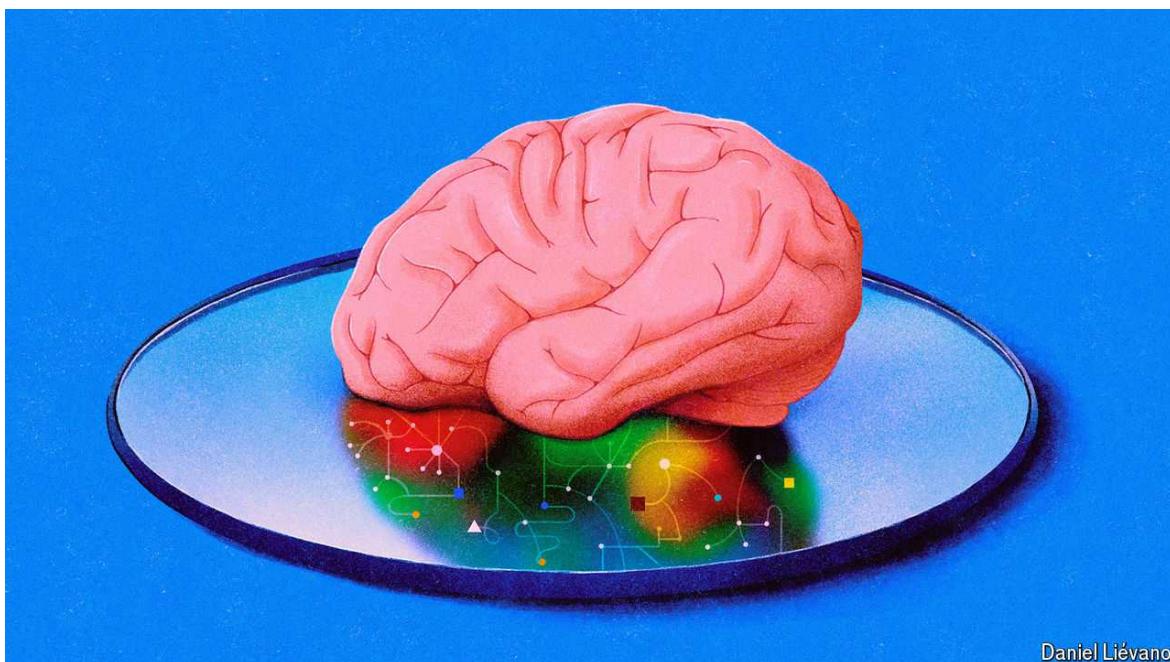
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Science & technology | Backprop in the brain

AI scientists are producing a host of new theories of how our brains learn

The challenge for neuroscientists is how to test them

August 14th 2024



Daniel Liévano

Five DECADES of research into artificial neural networks have earned Geoffrey Hinton the moniker of the Godfather of [artificial intelligence \(AI\)](#). Work by his group at the University of Toronto laid the foundations for today's [headline-grabbing AI models](#), including Chat_{GPT} and LaMDA. These can write coherent (if uninspiring) prose, diagnose illnesses from medical scans and navigate self-driving cars. But for Dr Hinton, creating better models was never the end goal. His hope was that by developing artificial neural networks that could learn to solve complex problems, light might be shed on how the brain's neural networks do the same.

Brains learn by being subtly rewired: some connections between neurons, known as synapses, are strengthened, while others must be weakened. But because the brain has billions of neurons, of which millions could be involved in any single task, scientists have puzzled over how it knows which synapses to tweak and by how much. Dr Hinton popularised a clever mathematical algorithm known as backpropagation to solve this problem in artificial neural networks. But it was long thought to be too unwieldy to have evolved in the human brain. Now, as ^{AI} models are beginning to look increasingly human-like in their abilities, scientists are questioning whether the brain might do something similar after all.

Working out how the brain does what it does is no easy feat. Much of what neuroscientists understand about human learning comes from experiments on small slices of brain tissue, or handfuls of neurons in a Petri dish. It's often not clear whether living, learning brains work by scaled-up versions of these same rules, or if something more sophisticated is taking place. Even with modern experimental techniques, wherein neuroscientists track hundreds of neurons at a time in live animals, it is hard to reverse-engineer what is really going on.

One of the most prominent and longstanding theories of how the brain learns is Hebbian learning. The idea is that neurons which activate at roughly the same time become more strongly connected; often summarised as “cells that fire together wire together”. Hebbian learning can explain how brains learn simple associations—think of Pavlov’s dogs salivating at the sound of a bell. But for more complicated tasks, like learning a language, Hebbian learning seems too inefficient. Even with huge amounts of training, artificial neural networks trained in this way fall well short of human levels of performance.

Today’s top ^{AI} models are engineered differently. To understand how they work, imagine an artificial neural network trained to spot birds in images. Such a model would be made up of thousands of synthetic neurons, arranged in layers. Pictures are fed into the first layer of the network, which sends information about the content of each pixel to the next layer through the ^{AI} equivalent of synaptic connections. Here, neurons may use this information to pick out lines or edges before sending signals to the next layer, which might pick out eyes or feet. This process continues until the signals reach the final layer responsible for getting the big call right: “bird” or “not bird”.

Integral to this learning process is the so-called backpropagation-of-error algorithm, often known as backprop. If the network is shown an image of a bird but mistakenly concludes that it is not, then—once it realises the gaffe—it generates an error signal. This error signal moves backwards through the network, layer by layer, strengthening or weakening each connection in order to minimise any future errors. If the model is shown a similar image again, the tweaked connections will lead the model to correctly declare: “bird”.

Neuroscientists have always been sceptical that backpropagation could work in the brain. In 1989, shortly after Dr Hinton and his colleagues showed that the algorithm could be used to train layered neural networks, Francis Crick, the Nobel laureate who co-discovered the structure of ^{DNA}, published a takedown of the theory in the journal *Nature*. Neural networks using the backpropagation algorithm were biologically “unrealistic in almost every respect” he said.

For one thing, neurons mostly send information in one direction. For backpropagation to work in the brain, a perfect mirror image of each network of neurons would therefore have to exist in order to send the error signal backwards. In addition, artificial neurons communicate using signals of varying strengths. Biological neurons, for their part, send signals of fixed strengths, which the backprop algorithm is not designed to deal with.

All the same, the success of neural networks has renewed interest in whether some kind of backprop happens in the brain. There have been promising experimental hints it might. A preprint study published in November 2023, for example, found that individual neurons in the brains of mice do seem to be responding to unique error signals, one of the crucial ingredients of backprop-like algorithms long thought lacking in living brains.

Scientists working at the boundary between neuroscience and ^{AI} have also shown that small tweaks to backprop can make it more brain-friendly. One influential study showed that the mirror-image network once thought necessary does not have to be an exact replica of the original for learning to take place (albeit more slowly for big networks). This makes it less implausible. Others have found ways of bypassing a mirror network altogether. If artificial neural networks can be given biologically realistic

features, such as specialised neurons that can integrate activity and error signals in different parts of the cell, then backprop can occur with a single set of neurons. Some researchers have also made alterations to the backprop algorithm to allow it to process spikes rather than continuous signals.

Other researchers are exploring rather different theories. In a paper published in *Nature Neuroscience* earlier this year, Yuhang Song and colleagues at Oxford University laid out a method that flips backprop on its head. In conventional backprop, error signals lead to adjustments in the synapses, which in turn cause changes in neuronal activity. The Oxford researchers proposed that the network could change the activity in the neurons first, and only then adjust the synapses to fit. They called this prospective configuration.

When the authors tested out prospective configuration in artificial neural networks they found that they learned in a much more human-like way—more robustly and with less training—than models trained with backprop. They also found that the network offered a much closer match for human behaviour on other very different tasks, such as one that involved learning how to move a joystick in response to different visual cues.

Learning the hard way

For now though, all of these theories are just that. Designing experiments to prove whether backprop, or any other algorithm, is at play in the brain is surprisingly tricky. For Aran Nayebi and colleagues at Stanford University this seemed like a problem AI could solve.

The scientists used one of four different learning algorithms to train over a thousand neural networks to perform a variety of tasks. They then monitored each network during training, recording neuronal activity and the strength of synaptic connections. Dr Nayebi and his colleagues then trained another supervisory meta-model to deduce the learning algorithm from the recordings. They found that the meta-model could tell which of the four algorithms had been used by recording just a couple of hundreds of virtual neurons at various intervals during learning. The researchers hope such a

meta-model could do something similar with equivalent recordings of a real brain.

Identifying the algorithm, or algorithms, that the brain uses to learn would be a big step forward for neuroscience. Not only would it shed light on how the body's most mysterious organ works, it could also help scientists build new AI-powered tools to try to understand specific neural processes. Whether it could lead to better AI algorithms is unclear. For Dr Hinton, at least, backprop is probably superior to whatever happens in the brain. ■

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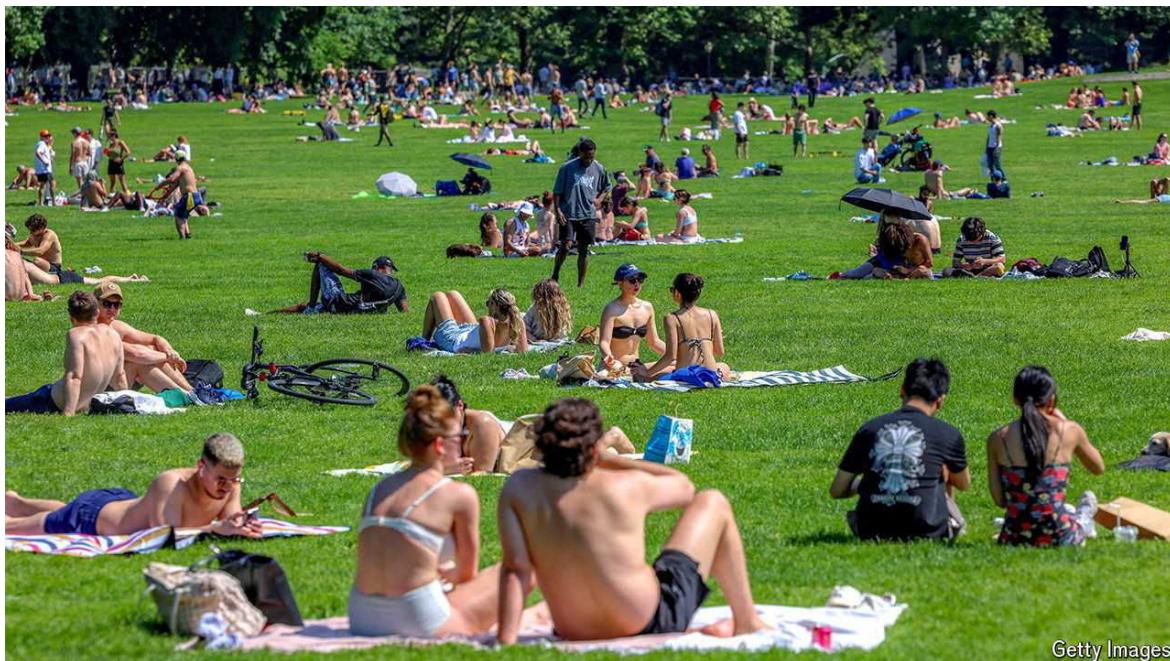
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Science & technology | Rays of hope

Exposure to the sun's UV radiation may be good for you

For now, though, keep the sun cream handy

August 12th 2024



BASKING IN THE sun has been considered a health hazard for at least four decades. The main risk comes from ultraviolet (_{uv}) light, which the Sun emits alongside visible radiation. This can increase the chances of skin cancer—the number of diagnoses of which are rising—as well as bringing on premature ageing and leading to wrinkles. As a result, most developed countries recommend [sunbathers](#) protect their skin in the heat of the day with sun cream, especially in the summer months.

The risks _{uv} poses are real, but new research suggests it may be time to consider the benefits. According to a study published recently in *Health and Place*, increased _{uv} exposure appears to make people significantly less likely

to die from cardiovascular disease as well as cancer. The risk of dying from melanoma skin cancer, the deadliest form of skin cancer, did not meaningfully change with _{uv} exposure. Although smaller-scale studies have previously nodded at health benefits, this is the largest study to show a direct correlation between _{uv} exposure and longer lifespans.

To conduct their analysis, the researchers from the University of Edinburgh used data from over 360,000 people in the _{uk} Biobank, a database. They identified two cohorts more likely to have high _{uv} exposure: those who claimed to use sunbeds or sunlamps; and those living in sunnier locations. To check that their assumptions about the subjects' _{uv} exposure were correct, the scientists also looked at vitamin D levels in a subset of blood samples. As vitamin D is synthesised in the skin in the presence of certain forms of _{uv} radiation, it is a reliable indicator of solar exposure.

The researchers then examined the subjects' death rates while correcting for other confounding factors, including age, gender, smoking and socio-economic status (in Britain, those who live in sunnier climes are typically wealthier). They also corrected for exercise, as some sun-seekers might lead healthier outdoor lives.

Their analysis showed that sunbed-users were 23% less likely to die of cardiovascular disease, and 14% less likely to die of cancer, than non-users. Similar trends held depending on where people lived. Someone living in Truro, for example, in the south of Britain, would on average experience about 25% more solar shortwave radiation (a measure that includes _{uv}, visible and some infrared light) in a year than someone living in Glasgow or Edinburgh, which are much further north. The team concluded this translated to a 19% lower risk of dying from cardiovascular disease and 12% lower risk of dying from cancer. Sunbed-users, in other words, lived an average of 48 days longer than non-users over the 15 years during which they were studied. The corresponding figure for those living in sunnier spots was 26 days.

According to Richard Weller, who co-led the study, most _{uv} exposure guidance has thus far been firmly focused on preventing melanoma skin cancer. But, he says, "Many times more people die from other cancers and

diseases. We have to think about how _{uv} radiation could help them avoid illness.”

The exact mechanism whereby _{uv} light might lengthen lives is unknown. The authors, for their part, believe part of the explanation may lie in vitamin D’s ability to boost the immune system and improve bone health. They also point to nitric oxide, a potent blood-vessel widener capable of reducing the risk of cardiovascular disease. Research published in the *Journal of Investigative Dermatology* in 2014 showed that nitric oxide is released in skin cells that have moderate exposure to some _{uv} radiation, and sunlight helps move it into the circulatory system where it could have health-boosting effects. The researchers hope that future studies might further clarify the causal chain.

There are other questions that need answering. For one thing, Dr Weller’s team was able to analyse data only from individuals living in Britain: different attitudes to the risks and benefits of sun exposure could arise in other places. Owing to the structure of the data, they also could not control for sun-cream use.

Most important, perhaps, they studied participants only of mostly white European ancestry, to ensure the response to _{uv} was consistent. “We know that skin colour affects your body’s response to _{uv} light and we don’t yet know how,” says Dr Weller. As people with darker skin are most at risk from vitamin D deficiency, more research on how _{uv} exposure affects this population is called for, says Frank de Gruyl, an emeritus professor of dermatology at Leiden University Medical Centre. “We need to dig into the biology.”

The new research may prompt scientists and health experts to look deeper into the benefits of _{uv} exposure versus its risks and, perhaps in the future, make available more nuanced advice about how different groups of people can best stay safe in the sun. But for now, experts agree, the study is not a licence to stop wearing sun cream. ■

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Climate change could reawaken harmful invasive plants

The sooner they can be weeded out, the better

August 14th 2024



THE MISSION is simple. Arrive on foreign soil, blend in and wait. Then, when the time is right, emerge from the shadows and take over. This procedure, familiar from [spy fiction](#) as the preserve of sleeper agents, is also the *modus operandi* of certain invasive plant species.

When botanists warn against [invasive plants](#), they are usually referring to those that colonise in plain sight—a group that includes Japanese knotweed. But not all invasive species are created equal. Though some spread like wildfire from the moment they arrive, others seem content to stay put. New work suggests that conservationists ignore them at their peril.

Invasive species that stay put, known as sleeper species, are not hard-wired to do so. Their natural tendency to expand is, instead, held back by some external factor. With the climate rapidly changing, Bethany Bradley at the University of Massachusetts wondered whether expected alterations in temperature and precipitation had the potential to activate some sleeper species. As she reports in a paper in *Biological Invasions*, a journal, the answer is a definitive yes.

Dr Bradley and her collaborators came to their conclusions by studying 1,795 plant species in north-eastern America identifiable as foreign but not yet locally listed as invasive. Of these, 169 were unquestionably demonstrating invasive behaviour in other parts of the world and causing damage to their environment. That suggested they had the capacity to wreak havoc in America too.

To determine whether the conditions coming to the region would activate any of these 169, the researchers first identified the conditions under which these species would thrive. A number of the plants on their list, including Japanese wisteria, were constrained by the cold winters that are less and less common in the region. They also found that other species, like kudzu (pictured), a climbing vine, required more rainfall than is typical.

According to the team's findings, climate change is on track to awaken 18 sleeper species that could cause serious environmental and economic problems. The risks include anything from choking rivers to outcompeting plants that pollinators and livestock depend upon. Dr Bradley estimates that they will start to make themselves felt between 2040 and 2060 if something is not done soon. Botanists in other rapidly warming regions should take heed.

The most practical course of action, in her view, is to seek these sleeper species out before they are able to spread. Removing them today may be expensive, but it will be far cheaper than trying to weed them out tomorrow.



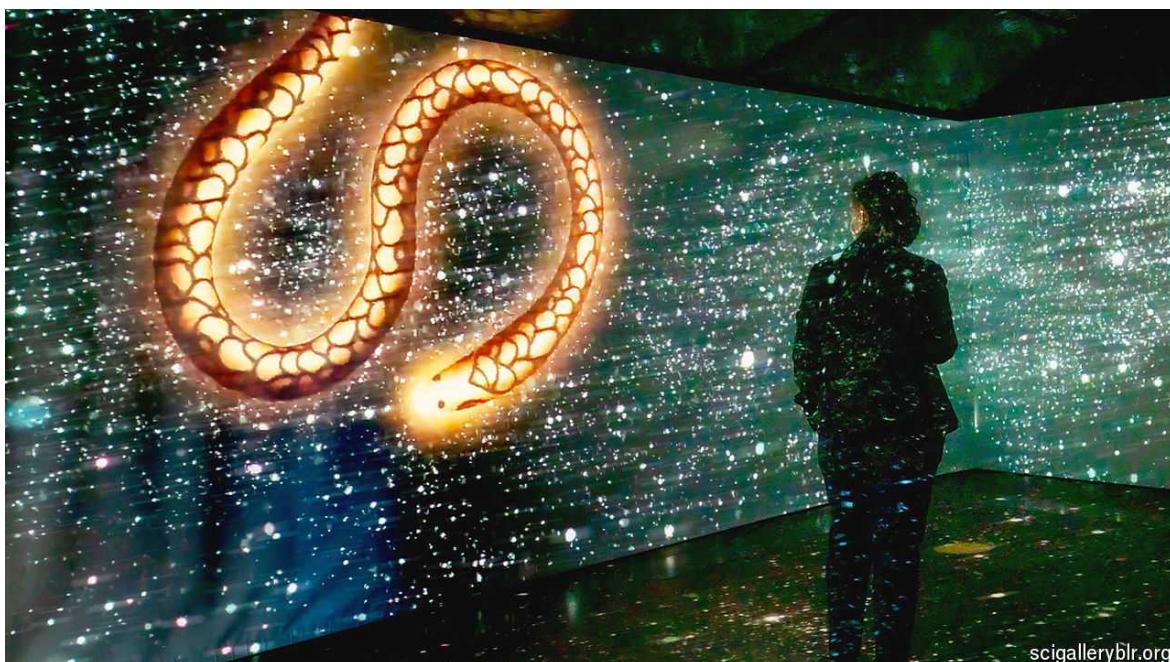
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Why a new art gallery in Bangalore is important for Indian science

It aims to make research and tinkering more accessible to the public

August 14th 2024



IN A WORK titled “Allotropy of Mine” Daniela Brill Estrada, an artist from Colombia, confronts viewers with her body’s carbon content. A set of Ikea shelves displays jars, big and tiny, each filled with charcoal powder and labelled with the body part it represents: “Brain: 150g”, “Intestinal flora: 210g”, “Fats: 2.1kg”. It is a powerful way of visualising human biochemistry.

The piece was one of three dozen on display until July as part of an exhibition called “Carbon” at the Science Gallery in Bangalore, India’s research-and-tech capital. The exhibition was the first in the gallery, a newly opened purpose-built space seeking to play a central role in [Indian science](#)—

and art. Jahnavi Phalkey, its director, describes it as “a public space for knowledge” that can serve as “a two-way bridge between research and the public”.

The aim is not just to make science less intimidating and more approachable for the general public. That role is already fulfilled by science museums in every decent-size Indian city. There are also art galleries galore. But India’s education system builds and reinforces a view that the arts and sciences are wholly separate. The Science Gallery hopes, instead, to bridge that chasm, provoking new questions and inspiring new ideas. There is a little “how”, in other words, and a lot of “wow!”.

The Bangalore outpost is the newest addition to a network of seven science galleries—in America, Australia, Britain, Germany, Mexico and, the first, in Ireland—whose purpose is to bring art and science together. All except India’s are sponsored by and located in universities, which are capable of throwing together researchers and experts from across disciplines.

The Indian knowledge system is organised differently. Teaching universities and research academies exist apart, and there is a long-standing allergy to multidisciplinary institutions. This prevents collaboration—or even much interaction—between disparate intellectual pursuits. The solution was to create an independent gallery that can act as a convener. It works with three leading lights of the Indian academy, all based in Bangalore: the National Centre for Biological Sciences, the Indian Institute of Science and Srishti Institute of Art, Design and Technology.

Exhibition themes are suitably original. What does carbon sound like? What if the human body could be distilled into a single molecule? What if silkworms were fed carbon nanotubes? Visitors do not face these thorny questions alone. Young men and women posted around the gallery strike up conversation with families, children and couples, explaining the exhibits and asking what thoughts they provoke. The gallery also organises workshops, lectures and performances.

Thoughts of experiment

The next step is to open several laboratories that members of the public can use. This is the other direction of Ms Phalkey's two-way bridge. The idea is not just to bring research into the public space but to bring the public into research labs, too. Ms Phalkey, a science historian, points to the example of C.V. Raman, who won the Nobel prize in physics in 1930 for his work on how light scatters. "For the first ten years of his professional life he was an accountant," she says. "In the mornings and evenings he would go and do his research at the Indian Association for the Cultivation of Science, which was a public lab in Calcutta...Where is that kind of space today?" Her goal is to develop them.

Such spaces, among other things, are sorely needed in India, which, despite its reputation as a technology superpower, punches below its weight in science. India spends less on research and development as a share of _{GDP} than other middle-income economies. Its scientific output as measured by published journal articles pales in comparison with America and China. None of its universities figure in global top-100 rankings. The Indian constitution calls upon citizens to "develop the scientific temper, humanism and the spirit of inquiry and reform". But opportunities to do so are few.

Moreover, Indian science has lately come under assault. Leaders of the Hindu-nationalist Bharatiya Janata Party (_{BJP}), which has governed India for the past decade, have claimed that ancient Hindus invented plastic surgery and that mythological epics offer evidence of nuclear weapons in antiquity. The board of a [new research foundation](#) created to overhaul the funding of Indian science has been stacked almost entirely with government officials. In April the top bureaucrat at the department of science and technology praised scientists for the high-school level achievement of rigging a series of mirrors to reflect sunlight onto the face of an idol.

Fortunately, India's federal nature allows states to set their own priorities. Karnataka, the southern state of which Bangalore is the capital, is the only one with a body whose purpose is "to encourage and promote science and technology education and research". The land on which the gallery sits, therefore, as well as half its initial funding and a third of operational costs, was granted by the government of Karnataka. The remainder of the funding comes from philanthropy.

Next year, the gallery plans to host an exhibition on the workings of quantum physics. As the gallery puts it, this will explore things that “can exist in more than one state at the same time”. A worthy aspiration. But for now, the fusion of art and science is limited to Karnataka. ■

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Culture

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Culture | In defence of the “dirty documentary”

Reality TV is irritating but irresistible

There is more to the format than meets the eye

August 9th 2024



Pablo Delcan

Cue the Sun! By Emily Nussbaum. *Random House; 464 pages; \$30*

IN NEW ZEALAND a contestant on “Race to Survive” has been disqualified for killing and eating a weka, an endangered flightless bird. In Britain a performer on “Strictly Come Dancing” has left the show after kicking his on-air partner. In America the makers of “The [Real Housewives](#) of New York City” are being sued by a housewife who says producers got her drunk to make for better television.

Few genres of entertainment cause as much outrage as [“reality” television](#), a format dismissed by its detractors as a form of dirty documentary. Critics have decried reality shows as human zoos ever since they made their

raucous debut on the radio in the 1940s, with prank shows such as “Candid Microphone”, a forerunner to the better known “Candid Camera”. “People always like to see other people fed to the lions,” admitted Chuck Barris, a reality-_{tv} pioneer. “It’s reassuring to find there is somebody unhappier than you are.”

Yet by digging through decades of trash _{tv}, Emily Nussbaum, a staff writer for the *New Yorker* who won the Pulitzer prize for criticism in 2016, has discovered treasure. Reality shows offer “something authentic, buried inside something fake”, she writes in “Cue the Sun!” (whose title is a line from “The Truman Show”, a satirical movie about the reality genre). Her detailed history reveals how the reality format tackled thorny social themes years before respectable, scripted programming got around to broaching them. If the results are ugly, that is often because the shows are holding up a mirror to the audience.

Viewers outraged by modern reality programmes should consider what came before. “Goodwill Court”, an early radio show in which disputes played out for the entertainment of listeners, had one episode featuring a birth mother and foster mother fighting for custody of their baby. On “Queen for a Day”, a _{tv} show in the 1950s and 60s in which women competed for a reward of their choosing, one woman’s prize was to get her concentration-camp tattoo removed. “The New Treasure Hunt”, a show in the 1970s, had a particularly cruel gimmick: the fancy-looking prizes were fake. (One contestant fainted.)

Reality shows established themselves as commercial winners, requiring the employment of neither writers nor actors. This also made them strike-proof. A Hollywood writers’ strike in 1988 was the catalyst for a boom in reality programming including “Cops”, which after 36 seasons has become the longest-running series in the reality genre. [Strikes in 2023](#) by writers and actors had a similar effect: 85% of the new series ordered in America in the second half of last year were unscripted shows, around ten percentage points higher than the usual share, according to Ampere Analysis, a research firm.

Despite their low budgets, reality _{tv} shows promise high ratings—and the biggest shocks have tended to deliver the biggest numbers. Producers have become experts at “panning for ratings gold in the rapids of outrage”, as Ms Nussbaum puts it. “Alien Autopsy: Fact or Fiction?”, a Fox special in 1995,

purported to show the dissection of a little green man in Roswell, New Mexico. The alien corpse was actually a plaster cast filled with sheep brains, chicken entrails and jam, something Fox executives were well aware of, according to some who worked on the show. It did not matter: a quarter of all Americans watching ^{tv} that night tuned in to see it. (Three years later, the producers scored another ratings hit with an exposé of their own fraud, in “World’s Greatest Hoaxes”.)

Yet reality shows also delivered shocks of a healthier sort. At a time when some southern ^{tv} stations in America refused to air programmes with racially integrated casts, reality shows like “Queen for a Day” slipped through the net. And unlike scripted ^{tv} at the time, they treated minorities as emotionally complex individuals, not caricatures. Something similar happened in the 1980s-90s when, as scripted ^{tv} fawned over the wealthy in shows such as “Dallas” and “Dynasty”, reality programmes including “The Jerry Springer Show” featured “all the categories that mainstream culture viewed as marginal”, Ms Nussbaum writes: the mentally ill, the disabled, the fat, the addicted. Critics saw it as a freak show. It was also a glimpse of a world otherwise unseen.

Reality shows also expose subjects that other formats avoid. They were among the first to normalise the depiction of gay people, initially through “An American Family”, the first real-life soap opera, which aired in 1973. Lance Loud, the gay son of the family, made a lasting impact on many viewers, including a young Jon Murray, who went on to make ^{mtv}’s “The Real World” 20 years later. A star of that show was Pedro Zamora, an ^{HIV-}positive gay man, at whose funeral then-president Bill Clinton gave a eulogy. Fans of “[Queer Eye](#)” included George W. Bush, who joked that its makeover team should do a number on John Ashcroft, his attorney-general.

Reality ^{tv}’s exploitation of its civilian “stars” is where the case against it is strongest. Participants have endured physical injury (including hypothermia on “The Chamber”, a grisly torture-based game show from the early 2000s, and severe burns on “Survivor”). More often, they face emotional trauma. The first person voted off the Swedish version of “Survivor” committed suicide (the show aired anyway). The first winner of the Dutch “Big Brother” had a nervous breakdown. Many struggle to deal with fame that

comes without fortune. The original cast of “The Real World” were paid just \$2,600 each.

Many producers see their subjects as raw material to be moulded at will. In the 2000s producers of “The Bachelor”, a dating game-show, got bonuses for making female contestants cry; they brought up eating disorders or dead grandparents to jerk the tears. If that did not work, editors created “Frankenbites”, stitching together contestants’ words to make sentences they never said. Participants, at least, have also become more cynical, conscious of the opportunities that minor celebrity now brings. As a producer on “The Bachelor” puts it, contestants once asked why they would kiss someone on camera; now they ask why they would bother to kiss someone off camera.

If that is reminiscent of social-media “influencer” behaviour, it is no coincidence. With their blend of slapstick humour and violence, reality shows like “Cops” and “America’s Funniest Home Videos” were “the first draft of internet culture”, Ms Nussbaum argues. Just as social networks provide snapshots of users that are at once airbrushed and authentic, reality ^{tv} offers a skewed yet telling take on real life. That makes it valuable not just to the producers who profited from it, but to popular culture more broadly. To understand where the modern newsfeed came from, study the dirty documentary. ■

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Culture | Mad, bad and dangerous to know

Two centuries after his death, why is Lord Byron still seductive?

The poet is celebrated where he spent his period of exile

August 15th 2024



Bridgeman Images

Even before rumours of his affair with his half-sister spread, Lord Byron had a reputation for scandal. His lover Lady Caroline Lamb famously described him as “mad, bad and dangerous to know”. That did not stop women besotted with his poetry from sending letters, invitations to parties and requests for locks of his hair. “I have been more ravished myself than anybody since the Trojan war,” Byron insisted.

Despite the breakdown of his marriage, he might have stayed in England, but the rumours of incest (probably true) and sodomy (also true) turned British society against him. The celebrated poet had become a monster. In 1816 Byron went into exile. For seven years he roamed Italy, frequenting

Venice's carnival, taking lovers, and studying Armenian with monks. He then sailed to Greece to lend his support to the Greek fight for independence from [Ottoman rule](#). He died there, in Missolonghi, of a fever on April 19th 1824, aged 36.

The Greeks, who adored him, kept his lungs and larynx in an urn; the rest of Byron was returned to England, against his wishes. ("Let not my body be hacked, or sent to England," he had ordered.) Westminster Abbey refused to accept a man of "questionable morality", so he was buried at a local church in Nottinghamshire, near his ancestral home. Within a month of his death his remaining friends burned his memoirs, judging them too scandalous.

Two centuries later, the poet is mostly recalled in the context of the Byronic hero: a dark, brooding, sexy rebel, derived partly from Byron's celebrity persona and also from his works, such as his [autobiographical masterpiece](#), "Don Juan". In England the bicentenary has been marked by new books and events. But many are also taking place abroad, in the countries that hosted his self-imposed exile.

In Italy, where he wrote some of his greatest works, including "Don Juan", he is claimed as something of a national poet. The Keats-Shelley House, at the foot of the Spanish Steps in Rome, is holding a year-long festival of readings, exhibitions and performances. "Byron's Italy: An Anglo-Italian Romance" emphasises how his Italian experiences shaped his poetry.

"I love the language, that soft bastard Latin, / Which melts like kisses from a female mouth," Byron wrote in "Beppo", a satirical poem set at the Venetian carnival. It was his first attempt at *ottava rima*, an Italian rhyming stanza form. In "Childe Harold's Pilgrimage", a moody wanderer journeys through Italy's crumbling beauty, "a ruin amidst ruins". It doubled as a travel guide, inspiring British and American tourists. The Byronic hero is, it turns out, an early travel influencer.

In "Don Juan" Byron turned the womanising Spaniard into a victim seduced by women: "What men call gallantry, and gods adultery, / Is much more common where the climate's sultry," his hero observes. Don Juan eventually lands in England, allowing Byron various jabs at the British aristocracy from the comfort of his Italian refuge.

[Greece](#) also tries to claim the poet. A suburb of Athens, Vryonas, is named in his honour. At the Acropolis Museum in Athens, an exhibition notes that Byron was one of the earliest critics of Lord Elgin's seizure of the Parthenon marbles. In "The Curse of Minerva", Byron savaged Elgin as a "spoiler" worse than the Turks and the Goths. If that was not enough to make Byron a hero, his commitment to Greece's independence sealed the deal. A passionate believer in liberty (political as well as [sexual](#)), Byron lent his celebrity and wealth to the Greek fight for freedom, selling his estate to raise money for the effort.

Though the struggle against Ottoman rule reflected his Romantic ideals of freedom and rebellion, it also offered Byron a chance to redeem his tarnished reputation by dedicating himself to a greater cause. After his death, the *Greek Chronicles*, a newspaper, mourned the loss of Greece's "precious benefactor". Dionysios Solomos, the national poet, eulogised him in verse. The Byronic hero may have been a libertine, but he was a liberator, too. ■

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Culture | Wanna bet?

A famous forecaster takes on the establishment

Nate Silver offers praise for contrarians and scorn for intellectual sheep

August 15th 2024



On the Edge. By Nate Silver. *Penguin*; 576 pages; \$35. *Allen Lane*; £30

NATE SILVER is among America's most famous forecasters. He won [plaudits in 2012](#), after his statistical forecast called all 50 states correctly in America's presidential election. But four years later he was pilloried after [Hillary Clinton](#), whom his model considered the favourite, lost to Donald Trump.

From a quantitative perspective, however, Mr Silver's work in 2016 was far more impressive. Whereas simple polling averages also predicted every state correctly in 2012, Mr Silver stood out in detecting that Mrs Clinton was vulnerable despite her [lead in polls](#). He calculated that Mr Trump had a 29% chance of victory, greater than the roughly 15% given by betting markets

and other models. It was, as he recalls, “a damned good forecast...for a simple reason: if you’d bet on it, you would have made a lot of money.” After this year’s presidential election, will Mr Silver be celebrated or critiqued? His model gives Kamala Harris a 56% chance of beating Mr Trump on November 5th; [The Economist’s own model](#) puts her odds at 52%.

The ridicule Mr Silver faced in 2016 partly inspired his sprawling new book, “On the Edge”. He argues that betting even on highly improbable events is profitable, so long as the potential pay-off is large enough to justify the risk—in all walks of life. Mostly about gambling and Silicon Valley’s obsessions, such as [venture capital](#), crypto and effective altruism, the book zeroes in on the “ecosystem of people and ideas” united by calculated risk-taking. Mr Silver nicknames this the “River”. Denizens of the River think analytically, but are also competitive and contrarian. He somewhat disdainfully describes a rival school of thought that predominates in government, the media and academia, which he dubs the “Village”, as being prone to groupthink and risk aversion.

Although Mr Silver identifies as a card-carrying member of the River, he criticises its errors, using [Sam Bankman-Fried](#), a cryptocurrency magnate convicted of masterminding a massive fraud, as a parable of “expected-value” logic (ie, betting on probabilities) run amok. However, precisely because the Riverian way of thinking is a fairly fundamental approach to logic, it is just as easily—and far more naturally—applied in domains that do not happen to be among Mr Silver’s interests or hobbies.

Chief among them are investments in stocks and currencies: no one takes bigger calculated risks than hedge funds, and nowhere can a greater number of competitive contrarians be found than on Wall Street, which is conspicuously absent from much of the book. The characters in, say, Michael Lewis’s [“The Big Short”](#), who earned a fortune wagering that America’s house-price bubble would burst, exemplify the River far better than the meme-stock traders who make a cameo in “On the Edge”.

The book is also light on supporting evidence for its core claim that “the River is winning.” Yes, Wall Street and Las Vegas have grown, and [Silicon Valley](#) in particular has become increasingly central in America’s economy and culture. But is that because of founders’ and venture capitalists’

distinctive skill at making mathematically optimal decisions amid high uncertainty—or just the latest step in a centuries-long march of technology-driven social change?

Mr Silver is surely right that society would be better off if more people approached risk more rigorously, and “On the Edge” offers a lively and comprehensive introduction to those who do this well. Unfortunately, however, the potential readers who would benefit most from its lessons—the prototypical Villagers who dismissed Mr Silver as an “idiot” after Mr Trump’s victory—may be those least likely to buy a copy. ■

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Culture | Dollar Bill

What Bill Gates reveals about other billionaires

An unusual biography of the technologist-turned-philanthropist

August 13th 2024



Getty Images

Billionaire, Nerd, Saviour, King. By Anupreeta Das. *Simon & Schuster*; 336 pages; \$32 and £22

“AMERICANS APPEAR to be growing increasingly uneasy about billionaires,” observes Anupreeta Das, a journalist and former finance editor at the *New York Times*. Do they embody the American dream or endanger it? And who gets to decide what billionaires owe to society? Ms Das has chosen an original way to address these questions: by writing a biography of Bill Gates, the first superstar tech billionaire. With his long career and its many ups and downs, Mr Gates is “the perfect prism through which to refract these thorny moral questions” in pursuit of a “collective rethink” about American values.

Ms Das goes from the founding of Microsoft in 1975 to its stockmarket flotation 11 years later (which made Mr Gates America's youngest billionaire) in just four paragraphs. This lets her broaden her analysis to the tech billionaires who followed in his footsteps. By 1995 Mr Gates was the richest person in America but was facing a new problem: his company was so dominant that it attracted the attention of antitrust regulators. The heroic nerd had come to be seen as a villain, a fate that [awaited other tech bosses](#), such as Mark Zuckerberg and Jeff Bezos. In his mishandling of the antitrust suit, Mr Gates provided a lesson to others in what not to do.

Chastened, Mr Gates reinvented himself as a philanthropist, establishing the [world's largest charitable foundation](#) with his then wife Melinda and promoting among other billionaires the Giving Pledge (a promise to donate most of one's wealth to charitable causes). So successful was this reinvention that Mr Gates was the most admired man in the world from 2014 to 2019, according to YouGov polls.

But then his infidelity and friendship with Jeffrey Epstein, a financier and paedophile, led to the collapse of his marriage. At the same time, the power of his foundation began to come under increasing scrutiny. It pours billions into public-health initiatives, outspending many governments, and thus shapes health policy in many countries—yet it is accountable to nobody but the Gateses. During the [covid-19 pandemic](#), Mr Gates was also the subject of conspiracy theories suggesting that he was profiting from vaccines and even injecting tiny microchips into people. The geeky hero had once again become a villain.

Ms Das considers different facets of Mr Gates's life, from his friendship with Warren Buffett and the breakdown of his marriage to the running of his foundation and the management of his wealth. Some of this is eye-opening. Mr Gates is, among other things, the largest private owner of farmland in America, and his investment firm, Cascade, owns big chunks of everything from Four Seasons Hotels to John Deere. But Ms Das's book is most interesting when it shows how Mr Gates has influenced other billionaires—how they have emulated him, and how they have not.

Mr Zuckerberg, for example, faced his own crisis over Facebook's role in the American election of 2016, and turned to Mr Gates for advice. (Mr

Zuckerberg dropped his hoodie for a sharp suit, but has recently reinvented himself as a hippie.) And when it comes to [philanthropy](#), other tech billionaires have embraced Mr Gates's technocratic, evidence-based approach, but have chosen to structure their philanthropic vehicles in different ways.

The book shows Mr Gates from many angles but provides few glimpses of him as a person. There is a Gates-shaped hole at the centre of the narrative; Ms Das was not granted an interview. So what does she conclude about billionaires? They are, she suggests, lightning rods for deeper concerns about inequality and privilege. But she holds back from making a strong argument about Mr Gates or the tech jet-set. She drops hints that she disapproves, noting that family offices are “unregulated entities” and that private jets have large carbon footprints. It is as if she is waiting for readers to boo. A book that promises to tackle billionaires’ place in society asks many questions—but also asks readers to make up their own minds. ■

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Culture | Cables from Kabul

Three years ago this month America withdrew from Afghanistan

A trio of new books tries to make sense of the war and its aftermath

August 15th 2024



eyevine

War & Peace & War. By Andrew North. *Ithaka Press;* 352 pages; £25

Twenty Years. By Sune Rasmussen. *Farrar, Straus & Giroux;* 352 pages; \$30 and £25.99

My Dear Kabul. By Untold Narratives. *Coronet;* 384 pages; £20

PHOTOGRAPHS AND videos captured the [haunting chaos](#), as America withdrew from Afghanistan and Kabul fell to the Taliban on August 15th 2021. In one photo 640 Afghans are crammed inside an army cargo plane, fleeing the country on one of America's final flights. In a video that horrified the world,

Afghans who were not offered a place on another departing plane can be seen clinging on as it took off. So strong was their desperation that they ended up plummeting to their deaths rather than live under Taliban rule.

Three years after the disastrous conclusion to a two-decade-long war, the longest in America's history, people are still taking stock of—and trying to learn from—the failures. A trio of new books mark the grim anniversary. Two of them are reporters' tales. They look back at the nearly 20 years following America's "Operation Enduring Freedom", which began a month after the [September 11th terrorist attacks](#) and eventually led to the killing of [Osama bin Laden](#), who had masterminded them from Afghanistan.

These two books by Western journalists (both of whom have contributed to *The Economist*), Andrew North and Sune Rasmussen, look superficially alike. Both writers covered Afghanistan for years. They broadly agree on what went right and wrong during the 2001-21 period of Western-backed semi-democracy. Both books emphasise the stories of Afghans they came to know well and sympathise with.

Yet the reporters have written surprisingly different tales. Mr Rasmussen, whose dispatches from Afghanistan for the *Guardian* and the *Wall Street Journal* were admirably objective, keeps himself out of the narrative. His story unfolds through the eyes and experiences of four main and several minor witnesses, ranging from a Taliban agent and fighter who grows disillusioned, to a hustler who parlays his mastery of English into a business empire supplying fuel to American armed forces. Another memorable character is Zahra, an abused child bride who reinvents herself as a single mother, actress and women's-rights campaigner. Her tale of grit and heroism alone makes Mr Rasmussen's book compelling.

Mr North, who has covered Afghanistan for the [BBC](#), builds his narrative around five central characters, including Afghan journalist colleagues, a provincial Taliban foot soldier and a bookish teenager who becomes a prominent lawyer. He weaves in his own reporting, with sharp insights into the slow unravelling of the American-backed experiment. After the fall of Kabul Mr North has his [own encounter with the Taliban](#). He and his crew are arrested and jailed for a week, a chilling and occasionally surreal

experience: an interrogator grills him insistently about which James Bond films he has seen.

A very different mix of voices emerges from “My Dear Kabul”. These are the diary entries from 21 members of a women’s creative-writing group, furtively recorded in a WhatsApp chat during the year after Kabul fell. The sense of dread and disbelief mounts: these women must abandon their jobs, studies, freedoms and, in all but four cases, leave their country for exile.

Particularly poignant are entries from Maryam, who had studied law at the University of Kabul. Bound to a wheelchair because of a health condition and with her freedoms restricted, she makes minute observations about a quince tree in her garden: “I know others have left and moved on to another country to be safe. I cannot even reach this tree. I will see it without fruit, standing alone against the autumn winds—I will see it turn yellow, then without leaves, then with blossom.”

What went wrong? Many things, from the intractability of rural Afghanistan’s tribal ways, to the short-sightedness of Western “benefactors”, to Pakistan’s abetment of the Taliban. Mr Rasmussen offers perhaps the deepest insight. The Americans had promised a generation of Afghans a bright future. “But if you topple a regime with military force, and promote an ideology on the back of an armed invasion, you implicitly ask the people who follow you to become soldiers, whether they realise it or not,” he writes. When Donald Trump told the Taliban that America would scuttle, and then his successor, Joe Biden, accelerated the withdrawal, they left a hopeful generation “on the front line, alone”. ■

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Culture | Back Story

On some holidays, beauty and bloodshed are entwined

In grand old cities like Verona, your gelato comes with a moral education

August 9th 2024



Alamy

He survived seven bouts in the arena at Verona, but at the age of 23 Glaucus was slain in his eighth. When it was built in 30^{AD} the arena stood outside the Roman city—to keep away the stench of death. Glaucus was one of countless fighters, prisoners and exotic beasts who shed their blood on its sandy floor over centuries of grisly games.

These days, imagining yourself as a gladiator, you make your way into the erstwhile killing zone through one of the arena's pink-and-white limestone entrances. But at Verona's summer opera festival, the worst hardship is the stone seating in the ancient stands. Audiences are often given candles to

light in unison at dusk. A gong sounds; the orchestra strikes up. The show begins.

“There is no document of civilisation”, wrote the critic Walter Benjamin, “that is not at the same time a document of barbarism.” Culture, for Benjamin, was indelibly tainted by conquest and exploitation. Take your holiday in a storied European city and you see what he meant. Beauty and bloodshed, dark and light, are entwined in the chiaroscuro canvas of history. In gory, glorious Verona, the contrast is stark.

Though you know the tragedy of “Romeo and Juliet” was invented, you begin, like most visitors to Verona, in the thronged courtyard of the Casa di Giulietta, where you jostle to snap a stranger-free photo of the balcony. You cross the Adige river and ride the funicular to gaze down on the old town and the Ponte Pietra, a Roman bridge blown up in 1945 but later rebuilt. Intermittently you nip into the churches, which even sightseeing-averse children appreciate as refuges from the heat.

The loveliest is the Basilica di San Zeno Maggiore, a 12th-century Romanesque masterpiece dedicated to Verona’s patron saint. A bas-relief shows Zeno, whose reconstructed corpse reposes spookily in a crypt, pulling a devil from a woman’s mouth. Look closely, and the church, like others, is in part a cathedral of suffering—from the martyrdom of saints and the ransacking by invading armies, to the torture and massacres depicted in carvings and frescoes.

It isn’t only the churches. Creepingly you realise that the stunning city’s history is a chronicle of torment: sieges, ambushes and coups, plus earthquakes, plagues and floods. After the [Romans](#) came the Ostrogoths and the Lombards (in 572^{AD} a Lombard ruler was killed by his wife after making her drink wine from her father’s skull). Barbarism and beauty mixed most glaringly under the Scaligeri, Verona’s bosses in the 13th and 14th centuries. They were a murderous lot, specialising in fratricide. Yet they were patrons of [Dante](#) and other artistic luminaries, building ornate palaces, bridges and tombs.

Verona is hardly alone. [Paris](#) has the Tuileries and the Terror, [Venice](#) the gondola and the ghetto, Seville the Alcázar and the *auto-da-fé*: Europe’s

great cities are saturated with treasures and tyranny, culture and cruelty, dual facets of the political and commercial clout they once amassed. Visit one of these places, open a guide book or read a plaque, and you are bound to encounter both. With the escapism and *gelato*, you get a lesson in the moral complexity of the past.

In Verona's arena, the horror outlasted the Romans. One of the Scaligeri strongmen used it to burn scores of heretics at the stake. [Napoleon Bonaparte](#) watched dogs and bulls rip each other apart there. The modern opera festival traces its roots to a performance of Giuseppe Verdi's "Aida" in 1913. "Aida" is playing again this summer, minus the elephants that featured in some previous productions. Instead it has whizzy lasers and a huge animatronic hand, which clutches at the hundreds of performers as an embodiment of power and fate.

The show is another magnificent spectacle with a tragic edge. An Ethiopian princess enslaved in Egypt, Aida is torn between loyalty to her homeland and her passion for an Egyptian warrior. In the evening's most poignant scenes she sings of her longing for the valleys and streams of her youth. Hers is a tale of war and exile, themes both primeval and painfully current.

After the curtain call, you emerge into balmy Piazza Bra and find a table at one of the restaurants. On some nights you may spot the orchestra's conductor heading over for a late repast. "Bravo, maestro!" the punters cry. This, you think fondly, is civilisation. Then, in what may be a trick of the floodlights and shadow, you glance across the piazza and the arena's pink stone seems, for a moment, to turn blood-red. ■

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Economic & financial indicators

- [Economic data, commodities and markets](#)

Economic & financial indicators | Indicators

Economic data, commodities and markets

August 15th 2024

Economic data

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	Gross domestic product		Consumer prices		Unemployment rate	
	% change on year ago:	quarter*	% change on year ago:	quarter*	rate %	rate %
United States	3.1	Q2	2.4	2.8	Jul	3.0
China	4.7	Q2	2.8	4.7	Jul	0.4
Japan	-0.8	Q2	3.1	0.5	Jun	2.5
Britain	0.3	Q1	2.9	0.7	Jul	2.8
Canada	0.5	Q1	1.7	1.3	Jul	2.5
Euro area	0.6	Q2	1.2	1.0	Jul	2.5
Austria	-1.1	Q1	0.7 [†]	0.5	Jul	3.5
Belgium	1.1	Q2	0.8	1.2	Jul	3.8
France	1.1	Q2	1.1	1.3	Jul	2.7
Germany	-0.1	Q2	-0.3	0.2	Jul	2.6
Greece	1.9	Q2	3.2	2.4	Jun	9.6
Italy	0.9	Q2	3.7	0.9	Jun	1.3
Netherlands	0.8	Q2	4.1	0.1	Jul	3.3
Spain	2.9	Q2	3.3	2.7	Jul	3.0
Czech Republic	-0.2	Q1	1.2	1.1	Jul	1.9
Denmark	1.3	Q1	-5.4	1.6	Jul	1.6
Norway	-0.8	Q1	0.7	1.0	Jul	3.3
Poland	3.2	Q2	2.0	2.9	Jul	3.8
Russia	4.0	Q2	na	3.3	Jul	7.5
Sweden	na	Q2	-3.2	0.6	Jul	2.1
Switzerland	0.0	Q1	1.8	1.1	Jul	2.4
Turkey	8.7	Q1	9.9	3.1	Jul	5.7
Australia	1.1	Q1	0.5	1.7	Jul	3.0
Hong Kong	3.3	Q2	1.6	3.2	Jul	1.5
India	7.8	Q1	5.4	6.9	Jul	4.7
Indonesia	5.0	Q2	na	5.1	Jul	2.6
Malaysia	5.8	Q2	na	4.4	Jul	2.0
Pakistan	2.8	2024**	na	2.8	Jul	14.2
Philippines	6.3	Q1	2.0	5.4	Jul	3.3
Singapore	2.9	Q2	1.6	2.7	Jul	2.6
South Korea	0.2	Q2	-0.9	0.6	Jul	2.4
Taiwan	0.3	Q2	0.1	3.3	Jul	2.0
Thailand	1.5	Q2	4.6	2.5	Jul	1.0
Argentina	-5.1	Q1	-9.9	-3.1	Jul	221
Brazil	2.5	Q1	3.1	2.0	Jul	4.2
Chile	2.3	Q1	7.8	2.4	Jul	3.8
Colombia	0.9	Q1	4.4	1.1	Jul	6.7
Mexico	2.2	Q1	0.8	1.6	Jul	4.6
Peru	1.4	Q1	3.2	2.7	Jul	2.6
Egypt	2.2	Q1	na	2.4	Jul	26.7
Israel	-0.4	Q1	14.4	1.3	Jul	2.9
Saudi Arabia	-0.8	2023	na	1.0	Jul	1.8
South Africa	0.5	Q1	-0.2	1.1	Jul	4.8

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		Budget balance		Interest rates		Currency units	
	% of GDP, 2024 [†]	latest %	% of GDP, 2024 [†]	latest %	10-yr gov't bonds	change on year ago	per \$	% change on year ago
United States	-3.3	na	-6.9	na	3.6	-36.0	51.0	-1.4
China	1.2	na	-4.5	na	7.15	21.0	1.4	-0.9
Japan	3.9	na	-4.9	na	0.8	1.47	0.8	1.1
Britain	-3.3	na	-4.1	na	60.0	0.78	1.3	1.3
Canada	-1.5	na	-1.5	na	67.0	1.37	1.5	1.5
Euro area	3.1	na	-3.0	na	45.0	0.91	1.1	1.1
Austria	2.9	na	-2.4	na	53.0	0.91	1.1	1.1
Belgium	-0.6	na	-4.7	na	49.0	0.91	1.1	1.1
France	-0.4	na	-5.2	na	45.0	0.91	1.1	1.1
Germany	6.6	na	-1.0	na	46.0	0.91	1.1	1.1
Greece	5.6	na	-3.3	na	64.0	0.91	1.1	1.1
Italy	1.5	na	-5.0	na	68.0	0.91	1.1	1.1
Netherlands	8.0	na	-1.4	na	48.0	0.91	1.1	1.1
Spain	2.5	na	-3.2	na	42.0	0.91	1.1	1.1
Czech Republic	0.2	na	-2.4	na	55.0	22.8	2.8	-3.1
Denmark	10.5	na	1.8	na	74.0	6.76	1.0	1.0
Norway	15.9	na	12.0	na	49.0	10.7	1.9	1.9
Poland	0.7	na	-5.4	na	37.0	3.88	5.4	5.4
Russia	1.6	na	-1.2	na	36.0	89.0	13.8	13.8
Sweden	5.5	na	-1.1	na	92.0	10.4	3.8	3.8
Turkey	0.6	na	0.4	na	46.0	0.96	2.3	2.3
Turkey	2.8	na	-3.1	na	87.0	30.6	-18.4	-18.4
Australia	0.5	na	-1.5	na	3.0	1.51	2.0	2.0
Hong Kong	11.3	na	-2.8	na	11.3	7.79	0.4	0.4
India	-0.5	na	-4.9	na	35.0	84.0	-1.2	-1.2
Indonesia	-0.3	na	-2.4	na	36.0	15.78	-2.3	-2.3
Malaysia	2.5	na	-4.4	na	11.0	4.42	4.5	4.5
Pakistan	-1.7	na	-7.4	na	14.0	-181	2.79	3.4
Philippines	-3.2	na	-5.8	na	57.0	39.0	0.3	0.3
Singapore	19.8	na	0.1	na	37.0	1.31	3.8	3.8
South Korea	-3.2	na	-1.6	na	93.0	1.30	-2.2	-2.2
Taiwan	14.6	na	1.5	na	34.0	32.3	-1.2	-1.2
Thailand	2.0	na	-3.7	na	2.8	34.9	0.5	0.5
Argentina	0.5	na	-0.6	na	na	94.1	-2.8	-2.8
Brazil	-1.4	na	-7.8	na	40.0	5.44	-9.0	-9.0
Chile	-2.7	na	-2.3	na	25.0	927	-6.9	-6.9
Colombia	-2.7	na	-5.8	na	68.0	4,014	0.5	0.5
Mexico	-0.3	na	-5.0	na	31.0	18.8	-9.2	-9.2
Peru	-0.4	na	-4.1	na	21.0	3.74	-1.1	-1.1
Egypt	-4.2	na	-5.0	na	na	49.1	-37.1	-37.1
Israel	6.3	na	-6.8	na	77.0	3.72	0.8	0.8
Saudi Arabia	-0.1	na	-2.1	na	na	3.75	nl	nl
South Africa	-2.0	na	-5.2	na	118	18.0	5.8	5.8

Source: Haver Analytics. [†]5-year yield. ^{***}Dollar-denominated bonds.

The Economist

Markets

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	% change on:		
	Index	Aug 14th	Dec 29th
In local currency			
United States S&P 500	6,455.2	4.9	14.4
US tech stocks	17,113.4	1.4	0.4
China Tech Comp	2,050.7	-0.7	-4.2
China Shenzhen Comp	15,410.9	3.6	-16.2
Japan Nikkei 225	36,412.4	3.9	8.9
Japan Topix	2,581.9	3.7	9.1
Britain FTSE 100	8,281.8	1.4	7.1
Canada S&P/TSX	22,760.0	4.0	8.6
Euro area EURO STOXX 50	4,727.6	1.3	4.6
France CAC 40	7,333.4	0.9	-2.8
Germany DAX	17,885.6	1.5	6.8
Germany MDAX	32,228.0	8.6	6.5
Netherlands AEX	895.2	0.5	13.3
Spain IBEX 35	10,753.0	1.5	6.4
Poland WIG	82,349.7	4.3	5.0
Russia RTS, \$ terms	1,137.5	nil	5.0
Switzerland SMI	12,071.8	1.9	8.4
Turkey BIST	9,830.9	-1.9	31.6
Australia All Ord.	8,070.2	2.0	3.1
Hong Kong Hang Seng	17,113.4	1.4	0.4
India BSE	79,105.9	-0.5	9.5
Indonesia IDX	7,436.0	3.4	2.2
Malaysia KLCI	1,671.4	3.3	0.9
Pakistan KSE	77,977.4	1.0	24.7
Singapore STI	3,298.3	1.1	1.4
South Korea KOSPI	2,644.5	3.0	-0.4
Taiwan TWII	22,027.3	3.4	22.8
Thailand SET	1,292.7	0.2	-8.7
Argentina MERV	1,607,310.0	10.7	72.9
Brazil Bovespa	13,317.7	4.6	-0.6
Mexico IPC	53,719.0	2.0	-6.4
Egypt EGX 30	29,567.0	3.3	18.5
Egypt EGX 50	2,000.0	3.9	6.4
Saudi Arabia Tadawul	11,949.7	4.0	10.1
South Africa JSE AS	81,402.3	3.3	5.9
World dev't MSCI	3,522.4	4.5	11.1
Emerging markets MSCI	1,076.6	2.5	5.2

US corporate bonds, spread over Treasuries

Basis points	latest	2023
Investment grade	119	154
High-yield	400	502

Sources: LSEG Workspace; Standard & Poor's Global Fixed Income Research. ^{Total} return index.

The Economist

Commodities

The Economist commodity-price index

2020=100	Aug 6th	Aug 13th*	% change on	
			month	year
Dollar Index				
All Items	125.9	124.2	-5.4	3.0
Food	136.7	133.9	-3.7	0.9
Industrials				
All	117.1	116.2	-7.0	5.0
Non-food agriculturals	129.0	128.6	-4.1	11.9
Metals	114.0	113.1	-7.8	3.2
Sterling Index				
All items	127.3	124.5	-4.5	2.3
Euro Index				
All items	131.6	129.6	-6.1	2.8
Gold				
\$ per oz	2,385.8	2,471.1	0.6	29.5
Brent				
\$ per barrel	76.6	80.9	-3.9	-5.0

Sources: Bloomberg; CME Group; Fastmarkets; FT; LSEG Workspace; LME; NZ Wool Services; S&P Global Commodity Insights; Thompson Lloyd & Ewart; Urner Barry; WSJ.

*Provisional.

The Economist

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Obituary

- Joss Naylor never let any mountain defeat him

Obituary | Running the peaks

Joss Naylor never let any mountain defeat him

The sheep-farmer and champion fell-runner died on June 28th, aged 88

August 14th 2024



There wasn't much to the Lake District village of Wasdale Head. Seen from a helicopter or a drone, it was just a few stone cottages and one hotel. On every side loomed up mountains: Kirk Fell, Great Gable and the huge bulk of Scafell Pike, 3,209 feet or 978 metres, the highest mountain in England. And if you kept on looking until relatively recently you might well see a lone figure, tiny as an ant, running down one of them. He had on a t-shirt and shorts, both flapping on his thin frame, and ran with that distinctive gait he had, not poker-legged but bent-kneed and leaning forward a bit, into the stride. A sheep dog usually bounded alongside. At the bottom he'd pause at the fast-flowing beck, cast off shoes and socks and give his legs a proper cooling scrub.

Joss Naylor's legs were remarkable. The knees were scarred and swollen-looking, especially the right, where at 18 he'd had all the cartilage removed. The doctors had botched the operation, and consequently his right leg was so wasted that he could circle the thigh with his two hands. All his propelling power came from his left leg, and that one had truly excelled itself over his career. In nearly six decades he had run in more than 50 Lake District Mountain Trials, and won ten of them. In 1986 he took on the Wainwrights (the 214 peaks described by Alfred Wainwright in his classic guide) and did them all in seven days, one hour and 25 minutes. In 1975 he ran the Lakeland Circuit, 72 peaks over 100 miles with 38,000 feet of ascent, in 23 hours 20 minutes.

That record stood for 13 years, and he considered it his best run. When he turned 60 he ran 60 Lakeland fell tops in 34 hours 25 minutes, and when he turned 70 he ran 70 Lakeland fells, with 25,000 feet of ascent, in less than 21 hours. He liked to celebrate big birthdays. Two of his records still stand: the Three Peaks (scaling the highest peaks in England, Scotland and Wales, including driving time between them), which he did in 11 hours 54 minutes, and the ascent and descent of Scafell Pike, which on one magic day took him 47 minutes. He doubted that time would ever be bettered. One man who saw it told him he must be a mountain goat.

That was not so far out, as living in Wasdale and helping gather in the family sheep, from the age of seven, made him very familiar with mountains. He got used to roaming the slopes all day on nothing but a basin of porridge, and barely ate more when he was grown. But it was other people who first enticed him into racing. In 1960, when he was 24, various runners urged him to do the Mountain Trial. He didn't have either the shoes or the shorts, so he ran in his big heavy work-boots and his old trousers cut off at the knee. That race stuck long in his mind: the mist on Red Pike, his shortcut after Pillar, the awful cramp he got in both legs from crawling under trees, and the way he cured it, by begging a salt-cellar from two picnicking girls and downing half of it. Yet despite all the accidents he still ended halfway up (not down) the field. He discovered then what a competitive streak he had. So much so, that if anyone went past him, he would rapidly repay the favour.

Yet he seldom did much training. He didn't have the time. As a tenant farmer after his father, grazing more than 1,000 Herdwicks and Swaledales

on the fells, his hands were full already. Up at dawn to milk the cow, quick breakfast of Weetabix, then get his sheep to fell all day until it was too dark to work. The reason he hardly ever left Cumbria to race was that he couldn't leave the farm. No one else was daft enough to look after sheep these days. So, though he readily gave advice to other runners, it was on the simple side. They should train on forest paths, the best terrain. When climbing, they should set off on a short stride, then lengthen the stride and just enjoy it. Don't think too far ahead. Eating en route was mostly unwise, though he took along a few of the missus's rock cakes and Ribena with a dash of salt. At official breaks, nothing beat a hot cup of tea.

He had two additional tricks, though. One was dry-stone walling, which he did round the farm and the village, keeping his lovely valley properly cared for. In his estimation the National Trust, which had charge of Wasdale, was bloody useless: walls fallen down, the bracken twice the size and briars everywhere. Repairing the walls could mean heaving about five tons of stones to start, so it was good exercise. But better than that, it taught him to read the rocks, knowing how solidly they were set, or not. That was how he could negotiate rock-fields and scree without losing any pace.

His second trick was his ability to put pain at the back of his mind. He didn't merely have a bad leg but a bad back, too. It had started with a mistimed kick up the backside from his mother when he was eight or nine and giving her cheek. Steadily it got worse, and at 22 he had two discs removed, only to fall on the operation site some months later. He was told to wear a corset for good then, and to give up both running and farming. Of course he did neither. He soon threw the corset out and kept the sheep, even clipping them all himself, which was purgatory for his back. And he went on running. His advice about pain was simply, shrug it off. At breaks in his long runs he got a bit of a massage, but barely lay down before he was springing up again.

The reason he ran was equally direct. It was paradise. He loved the sheer beauty of the place where he lived, the sunsets and the solitude of the hills. Piles of people paid attention to him, but he pushed those too to the back of his mind, and was just Joss, nothing bloody fancy. Over the years his racing also raised money for young people's charities, and he was glad of that.

He wanted his funeral to celebrate his life, and there was only one way to do that. Runners came from every quarter, cresting the various passes into Wasdale to escort him into the tiny church of St Olaf beneath Scafell Pike. From a helicopter or a drone you could see them, crowds of little figures in their club colours streaming down the slopes of the fells that were his joy. ■

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The
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FOOTLOOSE AND FANCY DEGREE

How countries compete for talent



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