

The Economist

China's looking-glass economy

Germany's radicals rise

Where Elon Musk is right

Mexico's democracy at risk

SEPTEMBER 7TH-13TH 2024

AMERICA'S KILLER CARS







STAY TIGHT. STAY THE COURSE.

All hands on deck. All eyes on the horizon. They take on the whim of the winds and the will of the seas. Hoisting the sails, easing, tacking; all work as one to draw the optimal trajectory. To stay the course, they must stay tight. **For in yachting, none can finish first on their own.**

#Perpetual



OYSTER PERPETUAL
YACHT-MASTER 42



ROLEX

Diversify, diversify, diversify

Put the odds in your favour by being in two places at the same time.



While worries over how macroeconomic events can impact the economy are valid, they more so illustrate a much broader and recurring issue for investors: how to position portfolios for success when faced with uncertainty.

In our experience, we've found considering these three principles helpful:

1. Invest when you have an edge;
2. Diversify otherwise; and
3. Realize that most of the time you don't have an edge.

In investing, it is not enough to be "right"—you also want an edge. An edge occurs when you have an insight that differs from the collective view; one that gives you confidence that the

odds displayed in the market are wrong. In other words, you believe your assessment of the odds to be more accurate.

While we do, at times, look for an edge with macroeconomic events, their inherent complexity often makes understanding their consequences difficult, if not impossible, to predict. And if we do find an edge, it's often in relation to protecting against the downside. In other words, we gain an advantage in figuring out what not to do.

When we believe we have no edge, we opt to diversify—as making one-way bets is not an advisable strategy.

For us, diversification means thinking probabilistically—we plan for a wide range of potential outcomes. As a

result, we often hold assets that should perform differently depending on what future scenarios unfold. With this approach, we can better position our portfolios for resiliency over the long-term. We think of it as trying to be in two places at the same time.

In truth, investors are always facing uncertainty. That's why we believe constructing diversified portfolios with solid, wealth-creating companies run by capable management teams, and purchased at a discount can help put the odds in our clients' favour.

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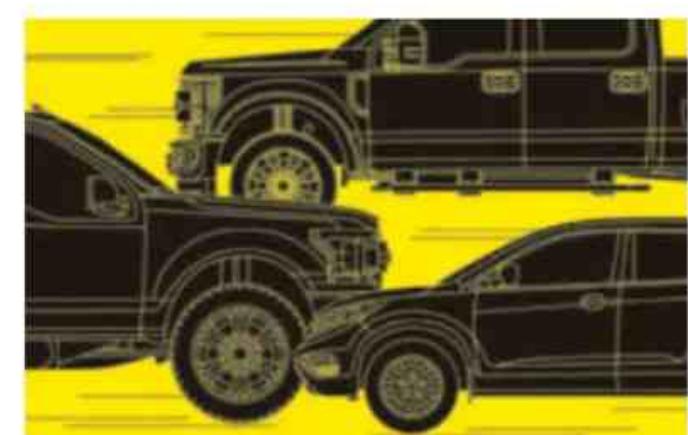


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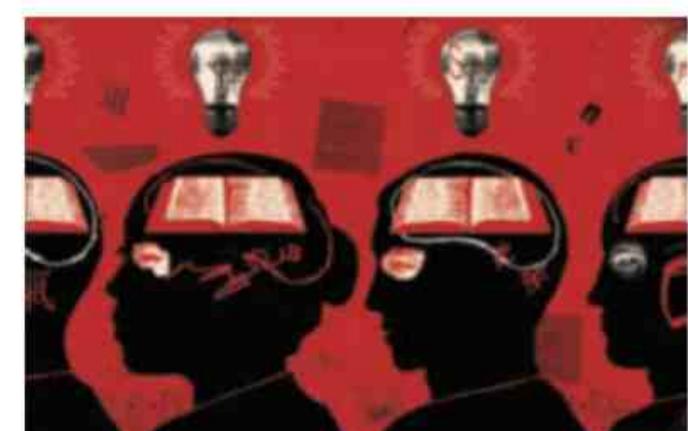
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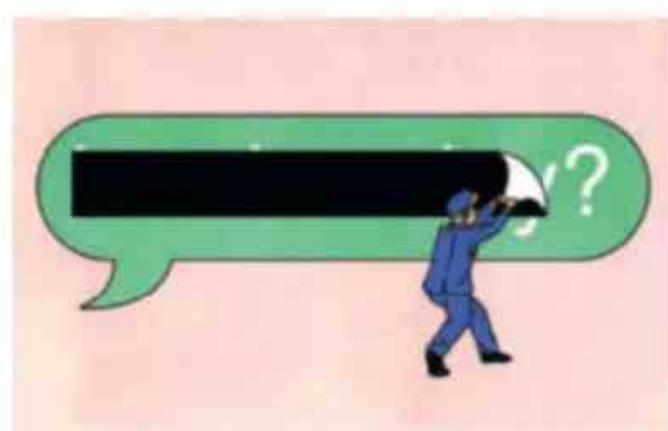
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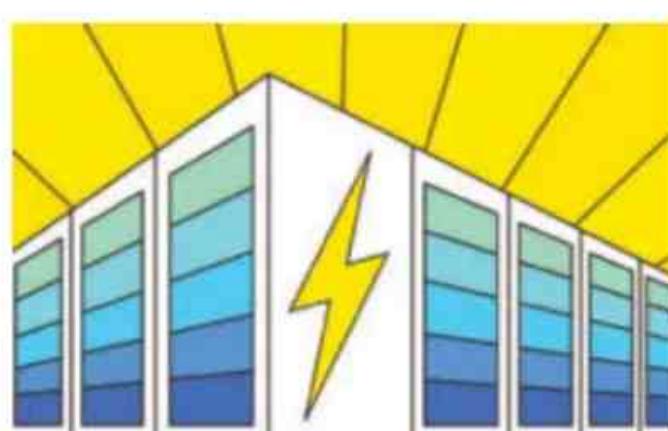
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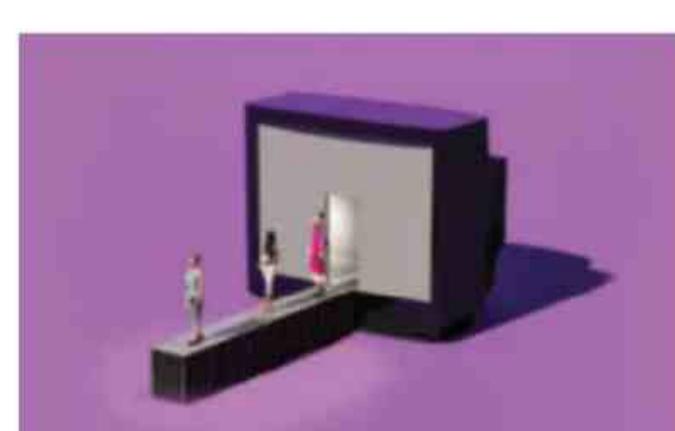
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to take part in "a severe contest between intelligence, which presses forward, and an unworthy, timid ignorance obstructing our progress."

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The world this week Politics



At least 50 people were killed when **Russian** missiles struck a military college in Poltava, a town in central **Ukraine**. Volodymyr Zelensky promised that “the Russian scum will definitely be held accountable” for the attack, and again pleaded for more air-defence systems from the West. Russia paid no notice, attacking Ukraine again and killing seven people in Lviv, a city close to the Polish border that has been relatively unscathed in the two-year conflict. Mr Zelensky overhauled the top echelons of his government, ousting Dmytro Kuleba as foreign minister. Earlier, the president sacked the head of the air force after an F-16 crashed, killing a pilot.

Vladimir Putin took a trip to **Mongolia**, the first visit by the Russian president to a member-country of the International Criminal Court since the court issued a warrant for his arrest 18 months ago. The ICC and Ukraine urged Mongolia to take Mr Putin into custody, but instead he was whisked away for talks held in a yurt. Mongolia gets almost all its petrol from Russia. One of the ICC’s current judges is Mongolian.

In **Germany** the anti-immigration Alternative for Germany (AfD) won its first-ever state election, taking 33% of the vote in Thuringia, which includes the town of Weimar. It will not be able to form a state government, however, as no other party will work with it. In Saxony, another former East German state, the AfD came a close second, with 31% of the vote, behind the Christian Democrats, on 32%. The two state elections were a disaster

for the federal ruling coalition. The Social Democrats, Greens and liberals all saw their share of the vote fall to single digits.

More than a dozen members of the nationalist Turkish Youth Union were arrested for assaulting two American marines who were on leave in Izmir, a city on **Turkey's** Aegean coast. One of the marines had a hood put over his head.

Risk calculation

Twelve **migrants** lost their lives when their boat sank off the French coast. Another 30 migrants have perished attempting to cross the English Channel so far this year, while 22,000 have made it to Britain. Migrants make perilous journeys via several routes to get to Europe, the most dangerous being across the Mediterranean Sea from Africa (some of those crossing the channel previously traversed the Mediterranean). This year 1,300 are dead or missing, out of 110,000 who made it over the sea.

Conservative MPs in Britain held the first round of a leadership contest to replace Rishi Sunak, who was prime minister until he lost an election in July. Robert Jenrick, a former immigration minister, won the first ballot, followed by Kemi Badenoch, a no-nonsense anti-woke candidate. The remaining five candidates face further knockout rounds until the final two are put to a vote of party members.

The bodies of six **hostages** were recovered from Gaza. Forensic evidence suggested that they had survived in captivity for around 330 days before being murdered by Hamas shortly before they were found by Israeli soldiers. The news prompted the biggest demonstrations in **Israel** since the start of the war, as protesters blamed the government for failing to secure the release of the hostages. Unions called for a general strike, though this was called off after a few hours by a court order.

The US Department of Justice indicted senior **Hamas** officials, including Yahya Sinwar, the group’s leader in Gaza, on charges related to the October 7th attacks, such as conspiracy to murder Americans.

The Pentagon’s Central Command said commandos had carried out an extensive counter-terrorism operation against **Islamic State** in Iraq (with the help of Iraqi forces) killing 15 of the group’s “operatives”. CENTCOM has warned that the number of IS attacks in Iraq and Syria is set to double this year.

Tunisia’s electoral commission approved just two candidates to run in October’s presidential election against Kais Saied, the incumbent, who is accused of trying to restrict the opposition against him. One of the approved candidates, Ayachi Zammel, was then arrested.

Robert Kyagulanyi, the **Ugandan** opposition leader better known as Bobi Wine, was injured in an altercation with police. His party says he was hit by a tear-gas canister. Mr Wine ran for president in 2021, losing a flawed election to Yoweri Museveni, who has been in power since 1986.

For the first time in 28 years, **Nigeria** is refining its own crude oil again. A refinery in Lagos, built at a cost of \$20bn, will initially produce some 90,000 barrels of petrol a day, with an aim of ramping up to 330,000 barrels a day once it reaches full capacity.

A former aide to **New York state’s** governor was charged with using her position to act on behalf of China. Linda Sun allegedly blocked Taiwanese representatives from meeting state officials, influenced statements to reflect China’s agenda and smoothed travel arrangements for Chinese officials to New York. She and her husband received millions of dollars in kickbacks, according to the Justice Department. Both deny the charges.

A suicide-bomb in Kabul, **Afghanistan’s** capital, killed six people. Islamic State said it had carried out the attack (and claimed the death toll was 45) in response to the Taliban government’s transfer of prisoners to the Bagram security base, where America ran much of its operations when it had troops in the country.

Canada’s New Democratic Party pulled out of an agreement that has kept the minority Liberal government of Justin Trudeau in power. The NDP accused the Liberals of not standing up to corporate interests. A general election is not due until October 2025, but Mr Trudeau may be forced to call one sooner.

The lower chamber of Congress in **Mexico** passed a judicial reform that would subject all senior judges in the country to election. The upper chamber will vote next. The outgoing president, Andrés Manuel López Obrador, is seeking sweeping changes to the constitution before he leaves office at the end of the month. Investors are deeply worried.

Seasonal beatings



A **Venezuelan** judge issued an arrest warrant for Edmundo González (above), the opposition candidate in July’s presidential election. Mr González won the contest, though the election commission declared President Nicolás Maduro the victor. Mr González is accused of “usurpation”. Mr Maduro tried to distract Venezuelans from the election and thuggery meted out to protesters by bizarrely declaring that Christmas would fall on October 1st.

The world this week Business

Stockmarkets had their worst trading session since early August's rout amid more fears of an economic slowdown. Tech companies suffered the most, led by **Nvidia**. It shed \$279bn in market value, the most ever by one company in one day. Its stock fell again on reports that the Department of Justice had subpoenaed it in an antitrust investigation, which the company later denied. **Intel's** stock dropped by 7% amid speculation that is about to be booted off the Dow Jones Industrial Average. The NASDAQ Composite fell by 3.3%. The sell-off spread to Asian and European markets.

Stock in **Rolls-Royce** also had a turbulent time after a problem with one of its engines caused a **Cathay Pacific** flight en route to Zurich to turn back to Hong Kong. The airline inspected its entire fleet of Airbus A350s for any similar faults.

X-communicated

The decision of Brazil's Supreme Court to shut down X in the country was met with disbelief by supporters of free speech. The entire court voted for the ban, which arose from a spat between one of its judges, Alexandre de Moraes, and Elon Musk, who owns the social-media platform. Mr Moraes had ordered X to remove some alleged fake-news accounts, which Mr Musk refused to do, citing free speech. Anyone in Brazil trying to gain access to X will now be fined \$9,000 a day. The accounts of Starlink, Mr Musk's satellite internet-provider, have also been frozen.

Unions in Germany reacted furiously to **Volkswagen's** admission that a "comprehensive restructuring" meant it may have to close factories in the country for the first time in its 87-year history. Along with its European rivals, the German carmaker has been hit by competition from cheaper Chinese-made electric vehicles and it also faces reduced demand for its cars in China, its most prof-

itable market. Oliver Blume, the chief executive, said the situation was serious, and decisive action had to be taken to save VW.

Meanwhile, Martin Winterkorn went on trial over **diesel-gate**. Mr Winterkorn was VW's boss in 2015, when it emerged the carmaker had cheated on emissions tests. He denies the charges.

With demand for EVs on the wane, **Volvo** dumped its target to produce only pure-electric cars by 2030. It said its aim was now more long-term.

Nippon Steel pledged to appoint a majority of Americans to the board of **US Steel**, if its \$15bn takeover of the company is approved. The Japanese group also emphasised that the new entity would be run by its North American subsidiary. The announcement came after Kamala Harris joined the chorus of politicians opposing the takeover on nationalist grounds. Joe Biden is reportedly preparing to block the deal.

The euro zone's annual inflation rate dropped to 2.2% in August, a three-year low, boost-

ing expectations that the European Central Bank will cut interest rates again.



White-collar workers in **London** now spend 2.7 days a week in the office, according to the Centre for Cities. That is up from 2.2 days in 2023, but still short of the 3.9 days recorded just before the pandemic. Younger people come in more often than their seniors, reversing the pre-pandemic trend of older workers being more present. Only 40% of all staff show up on a Friday. Travel costs are a big factor. The think-tank says that instead of trying to tempt workers back with free food and drink companies should instead subsidise their commute.

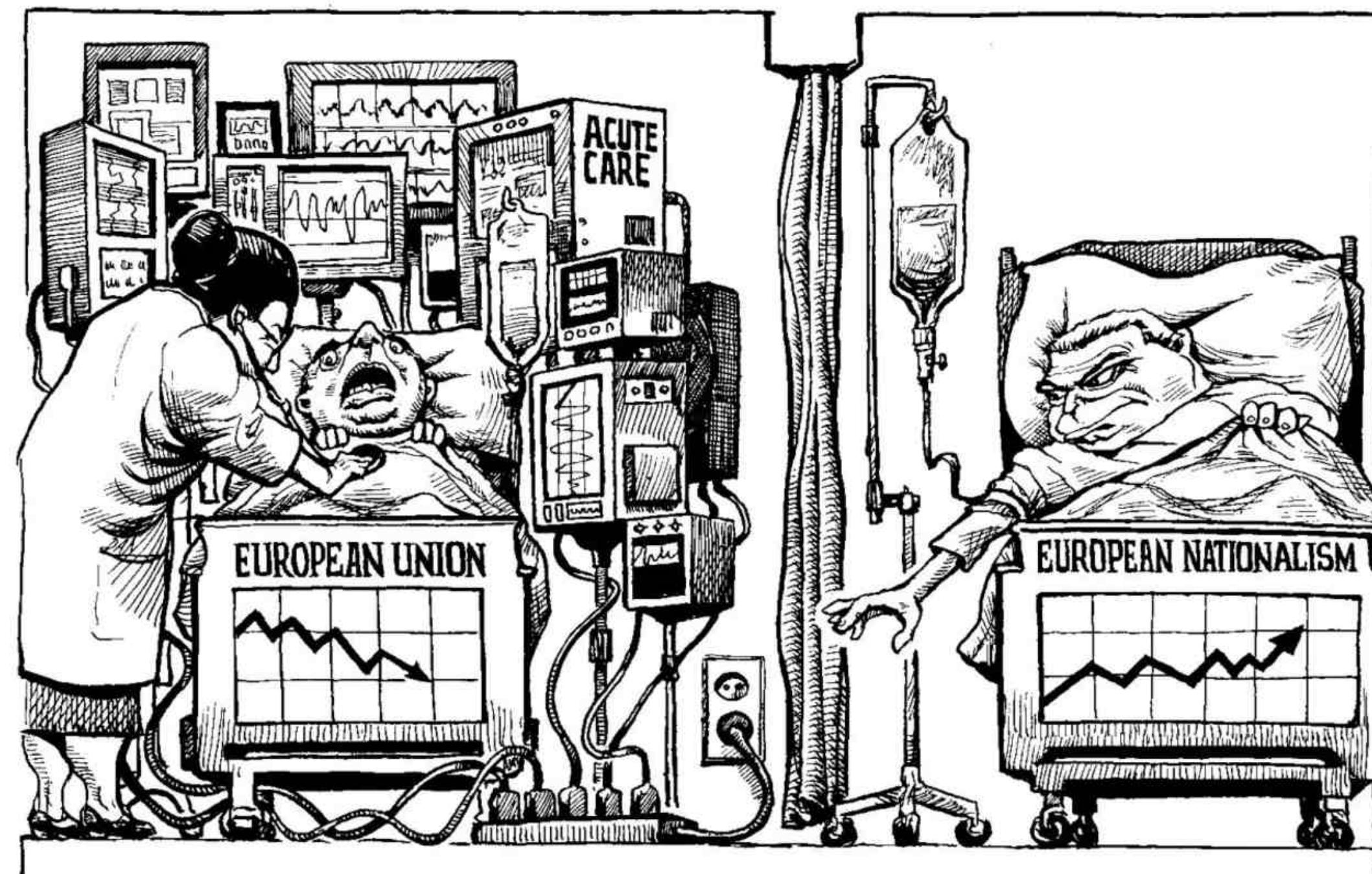
Amid a backlash in Europe against the **impact of tourism**

on cities and towns, the Italian government is holding discussions about increasing tourist taxes, including a levy of €25 (\$28) a night on high-end hotel rooms. The Italian tourist industry thinks the measures will scare visitors away. Meanwhile, New Zealand raised its fee for tourists entering the country to NZ\$100 (\$62) from NZ\$35.

Ten thousand **hotel workers** went on a three-day strike in America in a dispute over pay and conditions. Hotel services at Hiltons, Marriots, Sheratons and Westins were disrupted from Boston to Honolulu over the Labour Day holiday.

Don't look back in anger

Dynamic pricing was in the news again, after the British government said it would investigate the sale of concert events amid claims of **price-gouging** for tickets to next year's Oasis reunions. Fans were left furious when prices more than doubled over the tickets' face value during the long wait to buy them online. Many of Oasis's detractors, who think they are an overrated pub tribute band, wondered what all the fuss was about.



Our regular illustrator, KAL, is away this week. We have chosen to re-run this poignant cartoon from 2016

America's killer cars

The country's roads are nearly twice as dangerous as the rich-world average. It doesn't have to be that way

THIS NEXT time you are stuck in traffic, look around you. Not at the cars, but the passengers. If you are in America, the chances are that one in 75 of them will be killed by a car—most of those by someone else's car. Wherever you may be, the folk cocooned in a giant SUV or pickup truck are likelier to survive a collision with another vehicle. But the weight of their machines has a cost, because it makes the roads more dangerous for everyone else. *The Economist* has found that, for every life the heaviest 1% of SUVs or trucks saves in America, more than a dozen lives are lost in smaller vehicles. This makes traffic jams an ethics class on wheels.

Each year cars kill roughly 40,000 people in America—and not just because it is a big place where people love to drive. The country's roads are nearly twice as dangerous per mile driven as those in the rest of the rich world. Deaths there involving cars have increased over the past decade, despite the introduction of technology meant to make driving safer.

Weight is to blame. Using data for 7.5m crashes in 14 American states in 2013-23 (see United States section), we found that for every 10,000 crashes the heaviest vehicles kill 37 people in the other car, compared with 5.7 for cars of a median weight and just 2.6 for the lightest. The situation is getting worse. In 2023, 31% of new cars in America weighed over 5,000lb (2.27 tonnes), compared with 22% in 2018. The number of pedestrians killed by cars has almost doubled since 2010. Although a typical car is 25% lighter in Europe and 40% lighter in Japan, electrification will add weight there too, exacerbating the gap between the heaviest vehicles and the lightest. The Ford F-150 Lightning weighs around 40% more than its petrol-engine cousin, because of the battery that moves all those lithium ions from cathode to anode.

This poses a giant collective-action problem. Individually, it is rational for people to buy bigger cars. As Tony Soprano once said to his son A.J. when discussing SUVs, "So you want to be the sucker in a regular car who gets decapitated?" Yet the sum of those decisions is much more lethal roads, as well as more expensive car insurance.

In theory, regulators could insist that vehicles were lighter. Good luck with that. Pickup drivers love sitting behind the wheel of a huge truck. Running for election on a platform of banning massive cars would be a metrosexual caricature. In America it is hard enough to persuade gun owners to embrace sensible gun laws, because of a mistaken belief that guns make people safer. For big cars that argument is even harder to make, because up to a point it is actually true.

What, then, could make roads safer? As people become aware of the risk their choices impose on everyone else, attitudes to owning gigantic cars may change. This need not come at any cost to their drivers' safety. We estimate that if the heaviest 10% of vehicles in America's fleet shrank by roughly 1,000lb, road fatalities in multi-car crashes would fall by 12%, or 2,300 a year, without sacrificing the safety of the heavier cars.

Attitudes can be nudged with reforms. Bizarrely, the gov-

ernment body that rates cars for safety did not propose taking the safety of pedestrians or other vehicles into consideration until last year. Because of a trade dispute with Europe over exports of poultry, many lighter foreign-made trucks are not even sold in America, a wrinkle known as the "chicken tax". Tax deductions for working vehicles encourage people to buy trucks. Fuel standards, introduced in the 1970s to boost efficient vehicles, gave pickups a carve-out, inadvertently boosting their sales. The gradient could even tilt in the other direction. In 2022 France introduced a surcharge on new vehicles of €10 (\$11) per kg over 1,800kg (4,000lb). In 2023 Norway began taxing car buyers at a rate of NKR12.50 (\$1.17) per kg over 500kg.

Yet even if all those things were to change, consumer preferences are so strong that adjustments to fuel-efficiency standards would probably not be enough. That suggests another line of attack: as well as making cars lighter, you can make accidents rarer and less deadly.

In America the first step should be to redesign the road system. In the early 1990s the French were about as likely as Americans to die in a car crash (which worked out as being about twice as likely to die per mile). Now they are three times less likely. Driving in Mississippi is four times as dangerous as in Massachusetts. In both cases the design of roads explains much of the difference.

It may seem arcane, but the lack of roundabouts in suburban and rural America is a big cause of deaths. Replacing intersections would save thousands of lives a year. The spread of stroads, four-lane highways that sit next to shopping malls, mixing pedestrians and cars turning out into traffic with heavy vehicles travelling at 50mph, is dangerous too.

American highway engineers tend to associate wide lanes with safety. In fact, space encourages people to drive faster.

That points to a second step relevant everywhere: getting people to slow down. Because the energy—and hence destructive power—of a moving vehicle rises with the square of its velocity, finding ways to limit speed has an outsize effect. A good start would be to enforce the laws on speed limits that actually exist. Instead, plenty of American states ban speed cameras. More ambitious (meaning less popular) would be differential speed limits for heavier cars. Imagine the indignity of being overtaken by a Prius as you sit behind the wheel of your Chevy Silverado pickup, because you must travel 5mph more slowly to avoid being fined or losing your driving licence.

American car-nage

Ultimately, carmakers can innovate away a problem they have done so much to create. Better crash-avoidance technology and more pedestrian-protection systems with airbags would help. True self-driving cars, when they eventually become common, will greatly reduce the number of accidents and hence the death toll, even with heavy vehicles. Unfortunately, that could be years away. In the meantime, the task of saving lives will fall mainly to road engineers and traffic cops. ■



Data suppression

China's looking-glass economy

An information void threatens to do the country grave harm

CHINA'S GIANT economy faces an equally giant crisis of confidence—and a growing deficit of accurate information is only making things worse. Even as the country wrestles with a property crash, the services sector slowed by one measure in August. Consumers are fed up. Multinational firms are taking money out of China at a record pace and foreign China-watchers are trimming their forecasts for economic growth.

The gloom reflects real problems, from half-built houses to bad debts. But it also reflects growing mistrust of information about China. The government is widely believed to be massaging data, suppressing sensitive facts and sometimes offering delusional prescriptions for the economy. This void feeds on itself: the more fragile the economy is, the more knowledge is suppressed and the more nerves fray. This is not just a cyclical problem of confidence (see Briefing). By backtracking on the decades-long policy of partially liberalising the flow of information, China will find it harder to complete its ambition of restructuring the economy around new industries. Like the Soviet Union, it risks instead becoming an example of how autocratic rule is not just illiberal but also inefficient.

The tightening of censorship under President Xi Jinping is well known. Social-media accounts are ever more strictly policed. Officials are warier of candid debate with outsiders. Scholars fear they are watched and business people mouth Communist Party slogans. Less familiar is the parallel disappearance of technical data, especially if it is awkward or embarrassing for the party. Figures for youth unemployment, a huge problem, have been “improved and optimised”—and lowered. Balance-of-payments statistics have become so murky that even America’s Treasury is baffled.

On August 19th stock exchanges stopped publishing daily numbers on dwindling foreign-investment inflows. As the economic dashboard dims, the private sector is finding it harder to make good decisions. Officials probably are, too.

To understand the significance of this shift, look back to the mid-20th century. Witnessing the totalitarianism of the 1930s and 1940s, liberal thinkers such as Karl Popper and Friedrich Hayek argued that political freedom and economic success go hand in hand: decentralised power and information prevent tyranny and allow millions of firms and consumers to make better decisions and live better lives. The collapse of the Soviet Union proved them right. In order to maintain political dominance, its rulers ruthlessly controlled information. But that required brutal repression, starved the economy of price signals and created an edifice of lies. By the end, even the Soviet leadership was deprived of an accurate picture.

As China grew more open in the late 1990s and 2000s, its leaders hoped to maintain control while avoiding the Soviet Union’s mistakes. For many years they allowed technical information in business, the economy and science to flow far more freely. Think of Chinese firms with listed share prices disclosing information to investors in New York, or scientists sharing new research with groups abroad. Technology seemed to offer

a more surgical way to censor mass opinion. The internet was intensively policed, but it was not banned.

China’s top leadership also redoubled its efforts to know what was going on. For decades, it has run a system known as *neican*, or internal reference, in which journalists and officials compile private reports. During the Tiananmen Square protests, for example, the leadership received constant updates. Techno-utopian party loyalists reckoned that big data and artificial intelligence could improve this system, creating a high-tech panopticon for the supreme leader that would allow the kind of enlightened central planning the Soviets failed at.

It is this vision of a partially open, hyper-efficient China that is now in doubt. Amid a widening culture of fear and a determination to put national security before the economy, the party has proved unable or unwilling to limit the scope of its interference in information flows. Monetary-policy documents and the annual reports of China’s mega-banks now invoke Xi Jinping Thought. Deadly-dull foreign management consultants are treated as spies. This is happening despite the fact that China’s increasingly sophisticated economy requires more fluid and complex decision-making.

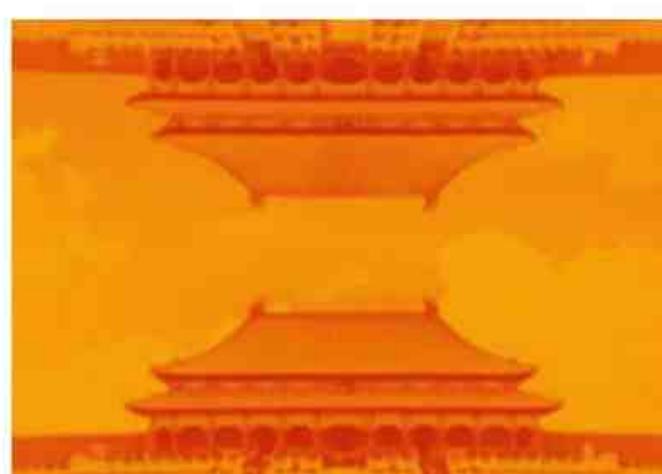
An obvious result is the retreat of individual liberty. In a reversal of its partial opening, China has become a more repressive place. Many Chinese still have liberal views and enjoy debate but stick to private gatherings (see China section). They present no immediate danger to the party.

The information void’s other effects pose more of a threat. As price signals dim, the allocation of capital is getting harder. This comes at a delicate moment. As its workforce shrinks, China must rely more on boosting productiv-

ity to grow. That is all about using resources well. The country needs to pivot away from cheap credit and construction to innovative industries and supplying consumers. That is why capital spending is pouring into electric vehicles, semiconductors and more. Yet if investment is based on erroneous calculations of demand and supply, or if data on subsidies and profits are suppressed, then the odds of a successful transition are low.

China’s admirers might retort that the country’s key decision-makers still have good information with which to steer the economy. But nobody really knows what data and reports Mr Xi sees. Moreover, as the public square empties it is a good bet that the flow of private information is becoming more distorted and less subject to scrutiny. No one wants to sign a memo that says one of Mr Xi’s signature policies is failing.

After the horrors of the mid-20th century, liberal thinkers understood that free-flowing information improves decision-making, reduces the odds of grave mistakes and makes it easier for societies to evolve. But when information is suppressed, it turns into a source of power and corruption. Over time, the distortions and inefficiencies mount. China has big opportunities but it also faces immense problems. A fully informed citizenry, private sector and government would be far better equipped to take on the challenges ahead. ■



After Brexit

Too timid

The Labour government's approach to Europe betrays a worrying lack of ambition

SIR KEIR STARMER, Britain's prime minister, says that he has a "once-in-a-generation opportunity" to turn the corner on Brexit. He is right. He was propelled to power in July by a largely pro-European electoral coalition. The leading lights of the Brexit era—Boris Johnson, Michael Gove, Sir Jacob Rees-Mogg—are figures of the past. And Britons themselves show plenty of signs of regret for the decision made in 2016. A clear majority of them now consider it a mistake.

Closer relations with Europe would also serve the Labour government's priority: growth. Working out how big an economic hit Brexit has inflicted is hard, but the damage has been substantial. Investment has suffered, trade has stuttered. The stifling of competition from abroad risks sapping productivity for years to come (see Britain section).

But opportunities can be wasted as well as seized. Sir Keir has spent the summer meeting leaders from the European Union and pursuing the Sally Rooney school of diplomacy: normal people having conversations with friends. That is a necessary first step. But he will need to do a lot more than that.

One problem stands out. The Brexit saga turned the relationship with Europe into a test of ideology. Compromise was portrayed as betrayal, sovereignty became a shibboleth. After Theresa May specified her hard-line negotiating priorities, one commentator wrote in 2017: "Those red lines swept the customs union and single market off the table, along with any future role for the European Court of Justice. This was always an extreme interpretation of the referendum."

That commentator was—you guessed it—Sir Keir. Yet seven years on, he and his government appear trapped by the lexicon and mindset of the post-2016 years. He has outlined some sensible, but piecemeal, objectives: fewer checks for farm products and more co-operation in foreign policy and defence. But he has needlessly drawn red lines of his own. In the cam-

paign Sir Keir said that Britain would not go into the single market or the customs union in his lifetime. He has been disdainful of European overtures for a youth-mobility agreement, although that would supply the economy with young, dependent-free workers and open doors abroad to young Britons.

Missing is any attempt to reframe the relationship. That does not mean trying to rejoin the EU: the one thing Brexit did mean was that Britain would leave the bloc. But the result left plenty of room to make the case for closer economic integration and regulatory alignment than exists today. Sir Keir can aim for more defence-industry co-operation, say, without having to pick a specific model, such as the customs union.

Sir Keir has some good arguments. One is that nothing matters more than growth, which alone makes closer ties with Britain's largest trading partner essential. Another is that trying to resist the EU's power to set regulatory norms is often quixotic and costly. Tory governments wasted time trying to promote a British rival to the "CE" product-certification mark stamped on toasters and toys. They failed. Integration is not a zero-sum game, despite what negotia-

tors on all sides tend to say. By allowing youth mobility to be presented as a European "demand", Sir Keir has made something that would be good for Britain seem like a concession.

Caution comes naturally to him. At some level, it is understandable: saying little on Brexit did not stop him getting into office. But public opinion on the EU is not rigid. Polls suggest a big majority of voters are receptive to common-sense forms of co-operation. He has the rare political capital that comes with a landslide election victory, and the chance to set out a new rationale for Britain's relationship with the EU in the national interest. If Sir Keir and his government are too timid and unambitious to argue their case on an easy issue like Europe, they will struggle with everything else. ■



Germany's state election

AfDer Thuringia

As extremists win more votes across Europe, forming moderate and effective governments is getting harder

IT WOULD BE comforting to play down the significance of the votes in two German states on September 1st, when the hard-right Alternative for Germany (AfD) party lost in Saxony by a whisker and scored a nine-point lead over its nearest rival in Thuringia. Yes, this victory is the first the hard right has won in a state election in Germany since the second world war. And yes, its leader in Thuringia is a nasty piece of work with two criminal convictions for using a slogan popularised by the Nazi brownshirts and banned under German law. But Thuringia is home to less than 3% of Germans. It is about as representative as Wyoming in America, where Donald Trump took 68%

of the votes in 2016, or Clacton in Britain, which elected Reform UK's leader, Nigel Farage, in July.

Yet what happens in Thuringia does not stay there. Polls show support for the AfD is running at 16-17% nationally, with the anti-migrant Sahra Wagenknecht Alliance (BSW) at 8%, and another radical anti-capitalist party on 3% (see Europe section). Almost a third of Germans favour extreme parties.

Germany is hardly alone. In France Marine Le Pen's hard-right National Rally and its allies hold 25% of parliamentary seats, with another 13% for the radical-left Unsubmissive France party of Jean-Luc Mélenchon. Or look at Italy, where ➤

► the hard-right parties the Brothers of Italy, led by Giorgia Meloni, and the League, led by Matteo Salvini, together took 35% of the vote in the election in 2022. Austria heads to the polls this month with the hard-right Freedom Party in the lead, on about 27%. Hungary is ruled by an ultra-nationalist who believes in antisemitic and homophobic conspiracy theories.

Rising support for extremists is concerning in its own right. But it has a pernicious knock-on effect. In order to form moderate governments that exclude extremists, the diminished mainstream parties are being forced to construct ever more unwieldy coalitions that often prove bad at governing. In a vicious cycle, disappointment further fuels support for the anti-establishment parties. Germany's national government, a hapless three-party coalition, is a case in point and next year's federal elections may be followed by more tortuous coalition negotiations. It may take months to form state governments in Thuringia and Saxony. The same dynamic explains why two months after France's president, Emmanuel Macron, held a snap parliamentary election, he has still not named a prime minister, far less begun to work alongside a government with a chance of surviving.

How, then, to handle the extremes? The answer depends on just how nasty they are. In some cases the problem is surmountable. Take Italy. Ms Meloni's party has its roots in neofascism, but she has been intelligent enough to moderate its policies to the extent that few could plausibly claim that her government is unacceptable in a liberal state. The lure of power is a strong incentive to evolve. In France Ms Le Pen is trying to tack towards the responsible centre. So far, no other party will formally deal with the National Rally, but in the future, perhaps under another leader, that may change. Even now, business folk in France are more worried by Mr Mélenchon's ruinous policies than by Ms Le Pen.



Another model is Sweden, where the anti-immigrant Sweden Democrats support a minority centre-right government, and have moderated their conduct in return for influence. In the Netherlands the right-wing firebrand, Geert Wilders, has been tied down inside a four-party coalition led by a technocrat; he had to drop his most incendiary proposals, such as banning the Koran. Bringing extremists in from the cold is no guarantee that they will be tamed, however. It did not work with Austria's Freedom Party, despite two spells in office.

Germany is the toughest nut to crack. Deals with the leftist BSW may be deemed necessary, though risky. But the AfD has a long way to go before the *cordon sanitaire* that keeps it out of office should be breached. It is not just individuals like the

Thuringian leader who are the problem; there and in Saxony, the state-level AfD outfits are designated by Germany's intelligence service as "proven" extremists, as is the party's national youth arm. Treating the AfD like pariahs reinforces its appeal among the discontented; but the alternative is worse.

The best way to grapple with the extremists is to deal with the grievances that boost their popularity. Dismissing the concerns of a third or more of the electorate is not just anti-democratic, it is anti-pragmatic. Loading the costs of the energy transition onto consumers evokes fury: central governments need to pick up more of the tab. Solving local irritants, such as a lack of teachers, can soothe voters' general discontent. The most intractable problem, however, is immigration. Liberals shy away from getting tough. Yet the perception that migration is out of control fuels the hard right more than anything else. Reinforcing Europe's external borders, deporting failed asylum-seekers and integrating those who stay are all difficult. But until governments look as though they are trying harder, the rise of the right will continue, and the centre will go on evaporating. ■

AMLO's dangerous parting shot

Constitutional carnage

In America's biggest trading partner the rule of law and democracy are under attack

ELECTED IN 2018, President Andrés Manuel López Obrador set out to remake Mexico. But the past six years will pale next to the coming four weeks. The country held presidential and parliamentary elections in June which the ruling coalition won by a landslide, in effect giving it a supermajority in Congress. It was clear back then that Mr López Obrador would try to use this supermajority to ram through a series of constitutional changes in the month during which his presidency overlaps with the new Congress. As *The Economist* warned at the time, it was also clear that many of these changes would profoundly damage Mexico's democracy and economy.

With the arrival of the new Congress, the moment of decision has come. On September 4th the lower house passed one of the most controversial reforms, on the judiciary. So far Claudia Sheinbaum, who will become president on October 1st, has failed to stand up to the man who is her mentor. This is her last chance to do so and she and her allies must seize it.

Mr López Obrador, a populist with a retrograde vision,

claims the reforms will purge the old elite and boost Mexico's democracy. He holds a long-standing grudge against independent courts, regulators and officials who check executive power. The judicial overhaul would make all federal judges elected, including those on the Supreme Court and the electoral tribunals, replacing a system of exams and nominations. State and local judges are expected to follow. Next is legislation to put the National Guard, a civilian police force, under the defence ministry, militarising public security. Another reform eliminates autonomous agencies including regulators and the freedom of information agency. The list goes on.

Most of these changes would be disastrous. Mexico's justice system is slow and often corrupt. But, as Bolivia shows, electing top judges will only make it worse (see Americas section). Most of Mr López Obrador's changes are intended to remove checks on the executive and concentrate power in the dominant party. His movement, Morena, is beginning to act like the authoritarian Institutional Revolutionary Party that ►

SAMSUNG

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▶ ruled over the country during most of the 20th century.

That is the last thing Mexico needs. It has a big opportunity as manufacturing supply-chains move closer to America, but it is missing the boat. The country is buckling under crime and violence, has a swollen budget deficit and faces a review of the USMCA, its trade deal with America and Canada, in 2026. Companies are wary: in June fixed investment fell compared with a year earlier. Chambers of commerce warn of eroding business confidence. The reforms are worrying financial markets. Since the election, the peso has fallen by 14%.

Investors are not alone. Judges are on strike. NGOs are alarmed at the threat to human rights. Foreign diplomats say the changes may violate the USMCA and endanger its revision. For years Mr López Obrador skilfully avoided blow-ups with the United States. Not any more. The American ambassador to Mexico has warned that his agenda “threatens the historic commercial relationship” between the two countries.

Ms Sheinbaum must help Mexico change course. After all,

she, not her old boss, will have to deal with the fallout. Although she shares his flawed ideology, she is more pragmatic and appears uneasy with some changes. She has tried to reassure investors. A proposal to elect members of the body that runs elections has apparently been sidelined at her request.

That is too modest. Ms Sheinbaum should make a final effort to persuade Mr López Obrador to reconsider. If the legislation proceeds, lawmakers in Congress and the states should put their country first and vote it down. If some changes pass, Ms Sheinbaum should resort to damage limitation. Constitutional amendments also require implementing legislation. As president, she could, for example, try to toughen the qualifications needed to stand for election as a judge.

The coming month will be a high-stakes test of Mexico's credentials as a constitutional democracy that operates under the rule of law. It will also show whether it can command the confidence of its trading partners and of investors. It is, therefore, a crucial test of Ms Sheinbaum's authority and values. ■

Online speech

Blocked and reported

Liberals should oppose a crackdown on speech, not cheer it on

IN BRAZIL JUDGES have blocked access to X, one of the country's most popular social networks. In France prosecutors have banned the head of Telegram from leaving the country while they investigate the messaging platform. In Britain judges are sentencing social-media users to prison for messages posted online during recent riots. In America there are plans to ban TikTok, a wildly popular Chinese-owned app. Arguments about free expression are beginning to boil over, as governments clamp down on speech online.

In some instances the crackdown is justified. France's case against Telegram, a Russian-founded app which has 50% more users worldwide than X, focuses on its policing of illegal content. The app, which has only about 50 employees, has long been seen as an easy place to share material involving child abuse and advertise drugs and other contraband. Telegram calls the French charges “absurd” and says it conforms with European digital norms. Whatever the investigation concludes, it is at least targeting something that is illegal.

America's draconian strike against TikTok is also defensible. The app is enjoyed by more than 1bn people worldwide and has shaken up an uncompetitive market. But with a parent company based in Beijing, it is vulnerable to manipulation by the Chinese Communist Party—which matters, given how many users treat TikTok as their source of news. Individuals have a right to freedom of speech, but foreign governments do not. Banning TikTok is a reasonable last resort if the firm cannot sever its ties with Beijing.

Yet other recent cases seek to censor and punish speech that should be within the law. Brazil has banned X over its refusal to comply with opaque court orders to remove dozens of accounts, including those belonging to members of its Congress; users trying to access the platform face ruinous fines (see Americas section). India, the United Arab Emirates and

others are seeking to weaken encryption (see International section); Malaysia has said that posts about religion must be cleared by the Department of Islamic Development.

Rich democracies are also reaching more often for the censor's scissors. The European Union is investigating X for fostering misinformation and racism—both bad, but not appropriate targets for the law. Britain is right to jail those who clearly incite violence and to expect platforms to observe the law, but when it convicted a man for posting a tweet deemed simply “grossly offensive”, it strayed into unjustified censorship. Even in America, which has the world's strongest free-speech tradition, Facebook has accused the White House of leaning on it to remove satire about covid-19.

Arguments about speech and the law have been raging since the invention of the book, never mind Facebook. Our long-standing position is clear: only with the freedom to be wrong can societies advance slowly towards what is right. What has changed is that today the loudest objections to the crackdown on free speech come from right-wingers such as Elon Musk, X's boss, while many self-described liberals applaud what they see as a blow against Trump-supporting billionaires. As speech becomes a culture-war battleground, those who disagree with the politics of Mr Musk and his allies have become relaxed about the onslaught.

They should wake up. The tightening curbs on what is said affect everyone who uses online platforms, not just the billionaires who own them. What's more, freedom of expression is hardly safe in the hands of fair-weather libertarians like Mr Musk, who sues those he disagrees with, bans words he dislikes from his platform and is cordial with Vladimir Putin, whose favoured content-moderation tool is Novichok. The ability to speak freely is perhaps the essential liberal value. It is time for true liberals to speak up and defend it. ■



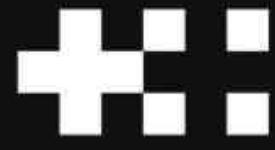
'Brightling'



Despite its 10.95mm height, the Trident C60 Pro 300 'Lumière' leaps from your wrist. (Just like it jumped off this page.) Its brightness results from proudly protruding indices and the logo they encircle. Featuring facets finely machined to tolerances of 0.03mm, these mini-monoliths are super-legible in daylight. But it's the Globolight®, the unique luminous ceramic from which they're hewn, that produces their astounding, super-brilliance at night. And inspired this timepiece's name. The light show doesn't end there. Carved from titanium, the 41mm case incorporates a second sapphire crystal displaying its super-accurate movement.

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Letters

Exposure to the sun

Regarding the notion that exposure to the sun's ultraviolet radiation may be good for you ("UV's bright side", August 17th), unprotected exposure to UV rays, whether through exposure to the sun or artificial sources, is a major risk factor for skin cancer. Your skin is damaged every time it is sunburned. As the damage builds over time the risk for skin cancer increases. One in five Americans will get skin cancer and nearly 20 die from melanoma each day. It is important to seek shade, wear protective clothing and apply sunscreen with an SPF of 30 or higher to uncovered skin. Moreover, using tanning beds before age 35 can increase your chances of developing melanoma by 59% and the risk increases with each use.

Contrary to recent news stories, skin cancer can affect anyone, regardless of skin colour. Skin cancer in patients with darker skin tones is often diagnosed in later stages, when it is more difficult to treat, and patients with darker skin tones are less likely than patients with lighter skin tones to survive melanoma.

You need only a small amount of sun exposure to produce all the vitamin D your body needs. Even if you apply sunscreen, you'll still get the minimum amount of sun exposure needed. And although vitamin D is crucial for bone health, there isn't enough evidence to support its impact on reducing the occurrence of other diseases such as certain cancers, neurological conditions, infectious illnesses, autoimmune disorders, or cardiovascular issues.

DR SEEMAL DESAI
President
American Academy
of Dermatology
Rosemont, Illinois

The stages of learning

"God and grades" (August 17th) reported that religiously minded pupils in America do better in public school than other pupils, but they underperform

in selective colleges because they prioritise families and communities over elite learning. Could the explanation for this be that excelling in a selective university requires deep and original critical thinking, at which the pious may perform more poorly than in their earlier stages of education, when things are taken on faith.

DAVE WARK
Professor of physics
Oxford University

The UAE responds

I appreciate that you are highlighting the unfolding tragedy in Sudan, describing it as a sign of growing global disorder ("Chaos machine", August 31st). The most recent peace talks in Switzerland led by the United States, where I represented the government of the United Arab Emirates, demonstrated that the international community is collectively united in its determination to address this humanitarian catastrophe. The UAE played a constructive role in helping to establish the Aligned for Advancing Lifesaving and Peace in Sudan format, which unlocked critical routes for aid deliveries, secured further commitments to protect civilians and developed a proposal for a compliance mechanism to ensure implementation of the Jeddah Declaration, with the objective to secure a ceasefire.

Unfortunately, women and girls continue to be the most affected in crises and conflict zones. We remain committed to intensifying diplomatic efforts to protecting all civilians, especially women and children, from all forms of violence, including sexual violence. The UAE has continued to push for elevating and integrating the perspectives of Sudanese women into recent efforts and talks.

Your allegations are misdirected. The UAE is not providing weapons or any other support to the Rapid Support Forces or any of the warring parties in Sudan. We believe that the only way to achieve peace is through effective

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diplomacy where the warring parties must reach a full nationwide ceasefire. Only a negotiated settlement and return to a civilian-led government through our collective investment of time, expertise, leverage and humanitarian resources will achieve the momentum needed.

The humanitarian crisis in Sudan is intolerable, and we remain focused on working towards securing an immediate and urgent ceasefire. Both parties must come to the next round of talks. The people of Sudan deserve our full attention and collective efforts to end this war.

LANA NUSSEIBEH
Assistant minister of foreign affairs for political affairs
Ministry of Foreign Affairs
Abu Dhabi

What could have been in 1968

Another reason why Democratic elders gave their party's presidential nomination to Hubert Humphrey in 1968 (Lexington, August 17th) was that the previous front-runner, Robert Kennedy, had been assassinated in June. If he had followed the advice of his security staff and not left the Ambassador Hotel through the kitchen Kennedy may have lived and may well have beaten Richard Nixon in the November election. The Vietnam war, a much bigger issue in 1968 than Gaza is today, would probably have taken a vastly different course.

ART SPENCE
Los Angeles

Growing up fast

Your review of the book "Infantilised" noted that the rise of "kidults" may be down to Western culture stopping people from growing up ("RIP adulthood", August 24th). This is not the case in Israel, where the reality of meeting existential threats on a daily basis from a young age leaves no room for immaturity. Young Israelis typically have attained all of the markers of adulthood by the time they are 30. They leave home, many to serve in

the military at age 18 and as active reservists by 23.

They become financially independent (except for those who rely on their parents to help buy an apartment), co-habit with a partner, parent a dog, get married and have children. Moreover, their independence starts in their early teens, when they assume leadership roles with full responsibility for younger children in youth organisations or as training assistants in a multitude of sports organisations. Teenagers in Israel also work as blue-collar apprentices, farm hands and even entrepreneurs, in addition to traditional service jobs.

You cited the example of a 20-something woman who broke down and cried and called her mother to intervene when her boss corrected her spelling. The notion of a similarly aged Israeli woman, who might have been an infantry or artillery commander, doing the same is risible beyond laughter. There is a far greater likelihood that she would argue her case vehemently, stare the boss down and either agree with the correction or tell him to stuff it. Mommy would never find out.

ILAN SEIDNER
Tel Aviv

I personally follow the policy stated by the oldest person I know of: "There's no point being grown up if you can't be childish sometimes." Doctor Who when he was around 750 years of age (played by Tom Baker at the time).

ADAM GUY
Durham

Baring diplomatic cheeks

Armenia's tricky balancing act of maintaining good relations with Russia and the West reminded me of how Kari Suomalainen, a political cartoonist, described Finland's diplomatic position during the cold war ("Westward ho!", August 3rd). He said it was "The art of bowing to the East without mooning the West."

RYAN SHARPLES
Tacoma, Washington

Briefing China's opaque economy



Lowering the veil

SHANGHAI

The Chinese authorities are concealing the state of the economy

ZHAO JIAN'S article was online for just a few hours on August 16th before censors erased it. To Western readers the content would have appeared anodyne, but to a Communist Party official it was laced with dangerous ideas. Mr Zhao, a respected economist, argued that it was hard to grasp why China's government was not making more effort to stimulate the economy. The most serious economic downturn in a generation had caused uncertainty about the future to "coil around the hearts of the people", he wrote. "The logic and constraints of decision-makers cannot be understood by the market."

The deletion of the article, ironically enough, proved Mr Zhao's point. China's army of internet censors routinely purge posts that run counter to the policies of Xi Jinping, the country's supreme leader. But the realm of what is considered too sensitive has expanded rapidly in recent years, and now includes much discussion about the economy. Academics and pundits who seek to debate seemingly mundane economic matters are silenced. Data that used

to be readily available are disappearing from the public sphere. That not only further restricts ordinary people's already limited freedom to speak their minds, but also harms growth by hampering investment. Most of all, it underscores Mr Zhao's pressing question: on what basis is economic policy made? What does the government know that ordinary people do not—and how reliable is the information on which it is basing its decisions?

Deviations standard

China's official economic data have always had their flaws. Li Keqiang, the previous prime minister, once questioned their accuracy. Economists have long grumbled that the National Bureau of Statistics (NBS) does not provide enough detail about its methodologies. But China-watchers used to assume that the data would gradually become more comprehensive and reliable. Instead the reverse seems to be happening. Recent data on China's capital account have been so contradictory—there has been a yawning discrepancy

of about \$230bn between customs and balance-of-payments statistics in recent years (see chart on next page)—that America's Treasury called on Chinese officials to clarify the figures. The resulting explanation was so convoluted that it only further confused matters. On August 19th, to the dismay of investors, China's stock exchanges stopped publishing daily data on flows of foreign capital, a critical gauge of sentiment. The numbers will now be revealed only quarterly.

Meanwhile, the data that are made public are ever less consistent with the experience of firms and investors on the ground. The official numbers show that the GDP growth rate has reverted to pre-pandemic level, despite the moribund housing industry and low investment in infrastructure. This is a risible claim, says Logan Wright of Rhodium Group, a consulting firm. "The broader problem is simply that the GDP data have stopped bearing any resemblance to economic reality," he explains.

The steady contortion of official statistics seems designed to obscure news that

► might embarrass the government. For instance, in mid-2023 a professor at Peking University said publicly that there were 16m young people without jobs who did not feature in the unemployment statistics because they had stopped looking for work. If they were taken into account, the professor asserted, the underemployment rate for youth would be over 46%. Within a month the NBS stopped issuing data on urban youth unemployment altogether. Then in January it began publishing an "improved and optimised" figure, which also happened to be far lower. Academics and journalists have had relatively little to say on the subject since then.

All hail the economy!

Officials' bold claims about the economy often go unquestioned, at least in public. The government has declared that no one in China lives in absolute poverty any more—the sort of assertion that might naturally invite all kinds of questions about whether the data are correct and the right standards have been applied. Yet there has been almost no debate about the finding in the media.

In much the same vein, subjects of great importance to the economy, but of an awkward nature for officials, receive little scrutiny. The biggest victims of China's property crash are the 20m-30m households that are thought to have paid for apartments that have never been completed. Understanding who these people are, how they are coping economically and what could be done to help them is critical to reviving the property market. Yet few economists appear to be conducting any research on these cheated millions.

The full economic effects of long, severe and unpopular lockdowns during the pandemic in cities such as Shanghai and Wuhan have never been publicly examined. In several cases journalists and social-media commentators broaching such topics have been jailed. The true number of deaths from covid-19 in China is unknown. A prominent scientist based in Shanghai who was looking into the origins of covid found himself locked out of his laboratory earlier this year. Officials seem much more interested in controlling discussion of the disease than in understanding its impact.

Even ardently pro-government pundits are sometimes silenced if their opinions have not received official approval. In late July Hu Xijin, a nationalist journalist, praised directives on the economy issued at a recent meeting of senior party leaders. But his interpretation of them as a boon for private enterprise apparently ruffled feathers. Posts to that effect were deleted from his social-media accounts, which then fell silent. The party, not content with regulating and managing markets and the econ-

omy, seems to be claiming a monopoly on interpreting them, too.

The reticence about discussing the economy extends to private interactions with foreigners. In theory the authorities are courting investors to help stimulate growth. Visiting businessmen confirm that meetings are easy to come by. But discussions lack substance, they complain. The pitches local officials make to attract investment to their region have become vague and formulaic, says one such visitor. There is little detail on local economic conditions. And securing more substantive meetings with regulators has become much harder.

Foreign academics report similar experiences. Universities are keen to hire professors with expertise in industry from abroad to compensate for an exodus of such people during the pandemic. But informal exchanges have become more strained. Visitors with long experience in China say they are able to see old contacts, but that their meetings must be reported to and approved by the authorities. Conducting field work in China has become increasingly difficult, says Huang Yanzhong of Seton Hall University in America, because contact with foreigners could present a risk to local people. "You sense the political environment and you don't want to get people in trouble," he says.

These sorts of restrictions also extend to foreign journalists. Many have returned to China after the pandemic to find their interactions with companies closely supervised by bureaucrats. In Hefei, an inland industrial city, big Chinese firms have been instructed not to speak to the press without permission from local authorities. Journalists are asked to submit hour-by-hour travel schedules along with the names and contact details of those they plan to interview. Some diplomats have been subjected to much the same treatment.

For those outside the country, getting access to information about the economy is even harder. The authorities appear to have asked Chinese firms selling corporate

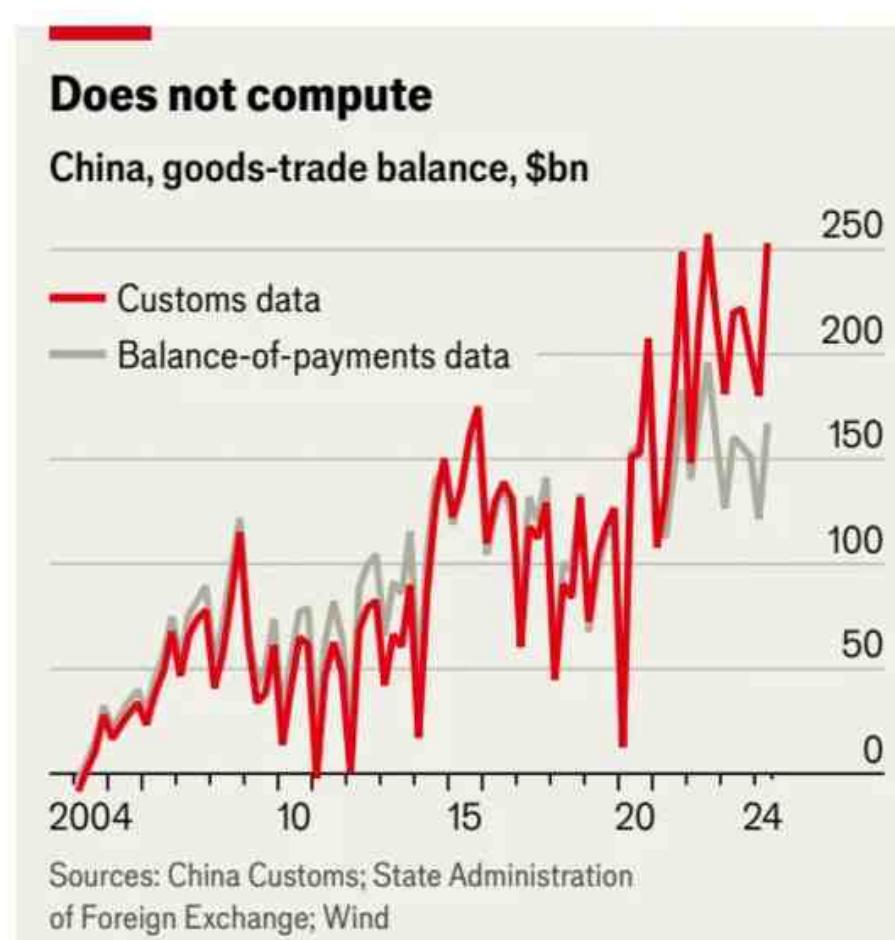
data to curb sales of certain statistics to foreigners. For example, one such firm, Wind, stopped providing information on online spending last year to users outside China. A database on corporate ownership compiled by Qichacha, a corporate-intelligence firm, is no longer accessible abroad. The firm also used to provide data on bankruptcies, but now says the information is "too sensitive".

When a special economic zone in Shanghai set out rules earlier this year governing the use of data, it explicitly banned the transfer abroad of any information on stock prices or market trends, a surprising regulation for what is, after all, China's financial hub. Stockbrokers are ever more reluctant to hand over analysts' reports; negative takes on the economy or state policy are becoming rare. Some official data series on industrial output have started to vanish, Mr Wright says. A legal database that appeared online a decade ago is becoming less comprehensive and harder to access, says Rory Truex of Princeton University. When it comes to obtaining data, he says, "Nothing good in China can last."

Access to China's universities is also becoming more circumscribed, curtailing one of the main ways in which foreigners and locals alike improved their understanding of the Chinese economy. During the pandemic campuses, like most public spaces, were closed off; special permission was required to enter. But as much of China reopened early last year, some universities stayed shut. To this day visitors need permission in advance to set foot on these campuses. Academics at a number of institutions have been told they must seek approval to speak with foreign press. In a few regions this must be issued not by officials at their university, but by bureaucrats at the provincial level.

Since Mr Xi came to power in 2012 the conditions under which academics operate have become far more constrained. In 2019 several top universities amended their charters to make explicit reference to their loyalty to the Communist Party, which sparked a few small protests on campuses. Last year the party's oversight committees at some universities began formally merging with the university administration. This, in effect, gives the party day-to-day control over how universities operate. This is a part of what Mr Xi has called "socialist education with Chinese characteristics", which involves subordinating academic imperatives to the needs of the party. Academic freedom is at one of its lowest points since the Cultural Revolution, a period of fanaticism in the 1960s and 1970s, says Sun Peidong of Cornell University.

Much academic research remains relatively unfettered by political constraints because it has nothing to do with contemporary Chinese society. The government



▶ has heaped funding on the natural sciences, engineering and medicine, helping transform China into a powerhouse of scientific research. But the study of anything related to political, economic or social conditions within China, scholars say, has suffered badly under Mr Xi.

China's universities are full of talented faculty, some of whom are still devising ways of writing about fraught topics. One method is to wrap critical ideas up in a politically correct coating. Corruption, for instance, tends to be too sensitive a topic on which to centre a research project, an academic explains. But a project that focuses on a prominent government initiative could include a portion on how that initiative has been affected by corruption. The crux of the research is in essence buried within a longer paper. Those who read academic papers, in turn, have become accustomed to wading through long reports to find small pearls of insight.

Controversial topics can be discussed as long as they omit any analysis of the central government's policies. An economist specialising in Taiwan says he frequently writes papers that analyse the stances of the Taiwanese and American governments but simply exclude most information on China's approach to the topic at hand. Some economic researchers have been able to conduct local surveys on controversial subjects, but have no intention of publishing them now. Instead they are sitting on their findings in the hope that a time will come when it is safe to publish them, Ms Sun claims.

The gradual strangulation of information about the economy is not just vexing for foreign investors and economists. It also raises the same question that Mr Zhao did in his censored article: on what basis do Mr Xi and other senior officials make decisions about how to manage the economy? They are not groping around in the dark. China has long maintained a confidential system for collecting information

from academia, the news media and think-tanks. Journalists, researchers and economists are asked to pen "internal reference" reports, or *neican* in Chinese. These documents are commissioned at all levels of government. Local officials have access to analysis produced by local researchers. Trusted scholars at top universities and think-tanks, meanwhile, produce reports for the most senior leaders in Beijing.

Neican can be far punchier than material for public consumption. A report might demonstrate, say, that even though local officials talk excitedly about a boom in whizzy technologies such as AI or robotics, the actual benefit to the economy of these industries is woefully small. Academics and journalists can live something of a double life, producing both public reports and those meant only for the eyes of officials. A reporter at Xinhua, the state news agency, for instance, may appear to be churning out nothing but adulatory drivel, but behind the scenes could be writing explosive articles exposing polluting firms or corrupt officials. It is a privilege to be allowed to write internal reports, says one such author, noting that there is intense competition to do so.

Think-tanks are a mainstay of *neican*. Under Mr Xi, even as independent think-tanks have been forced to close, state-aligned ones have multiplied. The doors of the last prominent free-market think-tank in China, Unirule, were literally welded shut in 2019, briefly trapping some of its researchers inside. But hundreds of "think-tanks with Chinese characteristics" have been established by city and provincial governments, ministries and even some state-owned firms. Between 2018 and 2020 such outfits nearly tripled in number, from 507 to 1,413. (The fad is fading somewhat: by the end of last year there were only 1,096.) Most of the research they do is for internal consumption only. Their output can give officials a good understanding of the local dimensions of problems like the

property crash, says a researcher. Another affirms that he is able to write openly about administrative problems such as the difficulty of implementing government edicts at odds with one another.

Some experts have speculated that China's vast digital economy provides policymakers access to a trove of high-quality data about firms and consumers in real time. The state is building exchanges where data that companies collect on transactions can be bought and sold. But these platforms are still a work in progress. By the same token, China's security services run a massive nationwide surveillance operation that by its very nature tracks the movement of people and goods and the opinions expressed by ordinary citizens. But there is no evidence that officials make use of such information to improve their understanding of the economy.

Errors thrive in darkness

The ultimate question is, how much of all this information filters through to the top echelons of the Communist Party? That is hard to say. Authors often brag about the influence of their *neican* reports, says Mr Huang, but there are no reliable data about who is having an impact on public policy. A researcher says he is informed if a senior official has made a note on one of his reports, but is not told what the note says. The profusion of think-tanks presumably delivers an enormous number of recommendations to different arms of the government. But Bob Chen, an investor based in Shanghai, recently argued on a local podcast called Baiguan that the centralisation of power at the apogee of the party means that the recipients no longer have the authority to push through whatever reforms the reports might espouse (see Finance & economics section).

Moreover, it seems only natural that *neican* reports would tend to flatter the authorities. A state researcher notes that the more positive his analysis is, the better the reception it receives. That provides an obvious incentive to put an optimistic slant on things. The obverse also appears to be true: the same researcher who said he was free to discuss administrative problems also cautions that he never directly criticises policy edicts from on high.

No one outside the highest reaches of power understands exactly what Mr Xi reads and how he acts on the information. China's economic policymaking has always been somewhat opaque, but this mattered less when growth was strong and policymakers appeared pragmatic. With growth deteriorating and the bureaucracy becoming more ideological, the dearth of good information about the economy is much more worrying. It may eventually become as big a problem for China's leaders as it is for puzzled outsiders. ■



AI ORCHESTRATES THE PROCUREMENT SYMPHONY

Imagine a procurement process that flows seamlessly, from initial request to final payment. Disjointed workflows and frustrated buyers are history. This harmonious state is now achievable, thanks to artificial intelligence (AI).

Traditionally, procurement software fell short of creating a smooth user experience. But a new wave of AI-powered orchestration platforms is changing the game. By combining generative AI with low-code platforms, these solutions synchronize data and tasks, enabling a unified “intake-to-pay” process.

So, how exactly does AI conduct the procurement orchestra? Here are five key ways in which AI can help.

C **Traditionally, procurement software fell short of creating a experience. But a new wave of AI-powered orchestration platforms is changing the game.**

First, AI helps synchronize and automate source-to-pay workflows, streamlining the entire procurement lifecycle. Picture it as a conductor coordinating the various instruments (spend management, supplier management, risk management, etc.) in a synchronized performance.

Second, AI helps personalize user experience. Generative AI can guide buyers through the process, especially those unfamiliar with procurement complexities. It can detect and understand plain language requests, interact for clarification, and

offer suggestions, empowering non-procurement buyers to make self-directed purchases. This makes the procurement software more accessible, significantly boosting user adoption.

Third, AI can help tailor the experience to specific roles. Like assigning parts in an orchestra, the system can provide tailored dashboards, reports, and alerts based on different user personas and functions. This way procurement professionals get focused insights to optimize outcomes, while non-procurement users see relevant data for informed decision-making.

Fourth, AI can help enhance transparency. Getting real-time visibility into processes and request statuses keeps everyone accountable and compliant. It's like having a transparent score sheet for procurement performance. This empowers buyers to track their requests and frees up procurement teams from managing routine tasks.

Finally, AI can help foster effective collaboration. It can gather data and coordinate workflows across functions, breaking down silos. So all stakeholders — procurement, finance, suppliers, other internal/external parties — have access to the same sheet music. This encourages collaboration, allowing everyone to adapt quickly to changing circumstances.

With AI-powered orchestration, the procurement symphony plays in perfect harmony, driving efficiency, collaboration, and informed decision-making across the organization. And, most importantly, effectively realizing the desired business outcomes. ■

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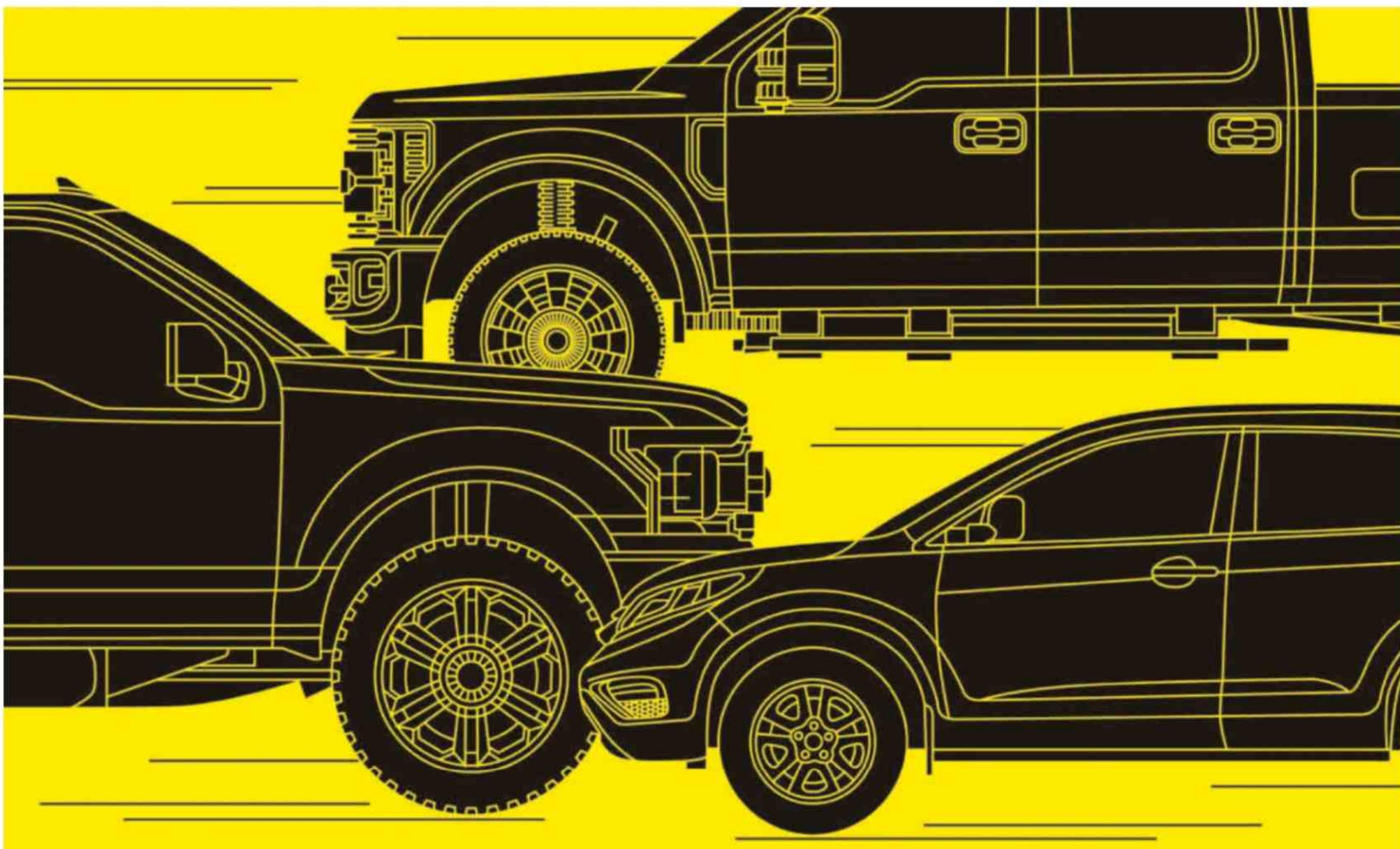
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United States



American cars

Dangerously heavy

Big cars take many more lives than they save

WITNESSES SAID the driver showed no signs of slowing down. On June 3rd Nicole Louthain and her six-year-old daughter were stopped at a red light in Grand Forks, North Dakota, when they were struck from behind by Travis Bell. Such crashes are not uncommon—around 10,000 rear-end collisions occur in America every day. What made this one noteworthy was that the vehicles involved were so unevenly matched. Ms Louthain was driving a Ford Focus weighing around 3,000lb (1,360kg), whereas Mr Bell was in a 7,000lb Ram 3500 pickup. Alas, the disparity proved deadly. Although Mr Bell was not harmed, Ms Louthain suffered serious injuries. (Court documents later showed that Mr Bell had been drinking.) Her daughter Katarina died two days later.

The crash in Grand Forks helps to illustrate a sad truth about America's roads. For all the safety features available in cars today, crashes are still often determined by

the laws of physics. When two vehicles collide, it is usually the heavier one that prevails. This advantage has changed little over time. Thirty years ago, when a passenger car crashed with a pickup truck or sport-utility vehicle (SUV), the driver of the car was roughly four times as likely to die; today this driver dies around three times as often. Critics say this is too high a price to pay for roomier interiors and more powerful engines. Carmakers insist they are giv-

ing consumers what they want. *The Economist* has crunched data on 7.5m crashes to quantify how many lives would be saved by reining in the heaviest vehicles.

Mismatches between big and small cars on America's roads are not new. In the 1960s the 1,400lb Mini Cooper shared the road with the 5,000lb Cadillac Fleetwood and the 5,500lb Lincoln Continental. But the issue of vehicle "compatibility" did not gain public attention until the rise of SUVs in the 1990s. Between 1990 and 2005 the market share of such vehicles grew from 6% to 26%, pushing up the weight of an average new car from 3,400lb to nearly 4,100lb. As suburban soccer moms traded in their station wagons for Ford Expeditions, many felt safer. And they were right. "One of the reasons the roads are much safer is because vehicles...[are] bigger and they're heavier than they were," Adrian Lund of the Insurance Institute for Highway Safety (IIHS), a research organisation, told conference-goers in 2011.

But the extra protection provided by heavier vehicles comes at the expense of others on the road. In a paper published in 2014 Michael Anderson and Maximilian Auffhammer of the University of California, Berkeley estimated that when two cars crash, a 1,000lb increase in the weight of one vehicle raises the fatality rate in the other by 47%. The safety benefits of vehicle

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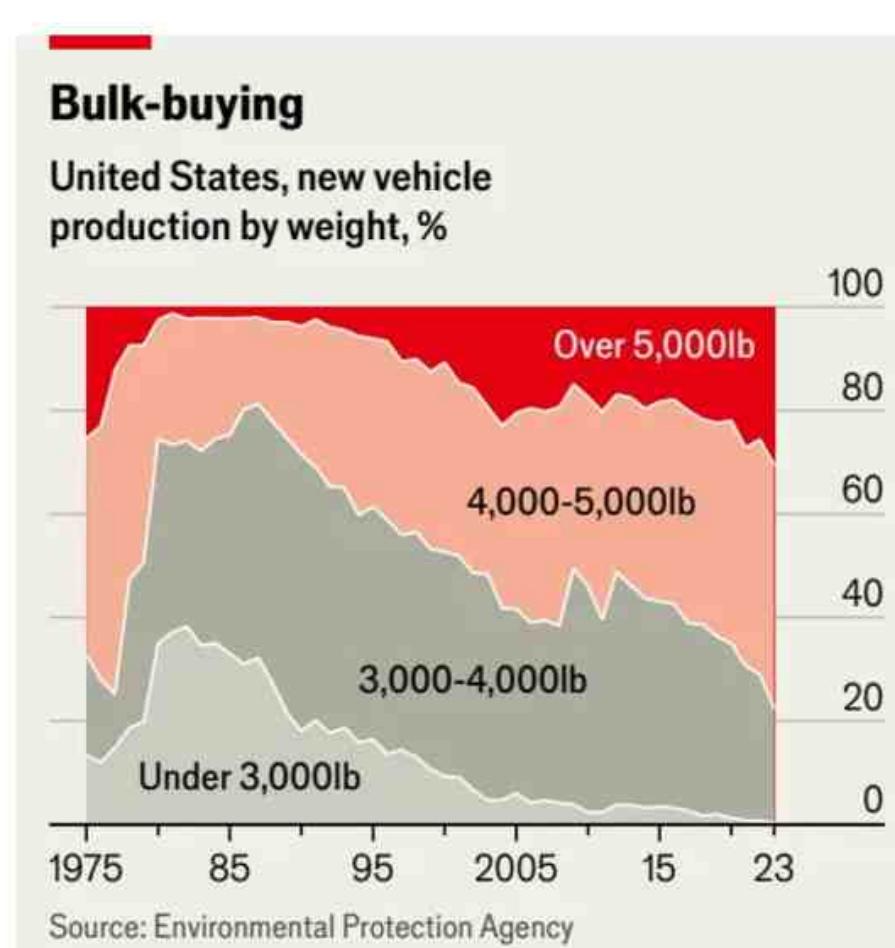
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► weight also suffer from diminishing returns. Once vehicles reach a certain weight, packing on more pounds provides little additional safety, while inflicting more harm on others. "The self-protection benefits of increasing weight diminish as vehicles get heavier and heavier," wrote Brian O'Neill and Sergey Kyrychenko of the IIHS in 2004. "At some point heavy vehicles cost more lives...than they save."

So how big is too big? At what point do the costs of the heaviest vehicles—measured in lives lost—vastly exceed their benefits? To answer this question, *The Economist* assembled ten years' worth of crash data compiled from police reports filed in 14 states. Although accident reports vary from state to state, most of the crashes in our database include information about location, the number of cars involved, each passenger's age and gender, whether they were wearing seatbelts and the injuries that they suffered. To obtain the weight of each vehicle, we matched the vehicle identification numbers included in each crash report to vehicle specs data from VinAudit, an auto-data provider. Combining these data yielded a dataset of more than 7.5m two-vehicle crashes.

What do these numbers tell us? First, as expected, heavier vehicles are safer for their passengers than lighter ones. The heaviest 1% of vehicles in our dataset—those weighing around 6,800lb—suffer 4.1 "own-car deaths" per 10,000 crashes, on average, compared with around 6.6 for cars in the middle of our sample, weighing 3,500lb, and 15.8 for the lightest 1% of vehicles, weighing just 2,300lb. But heavy cars are also far more dangerous to other drivers. The heaviest vehicles in our data were responsible for 37 "partner-car deaths" per 10,000 crashes, on average, compared with 5.7 for median-weight cars and 2.6 for the lightest cars (see chart). This suggests that, for every life that the heaviest SUVs and trucks save, more than a dozen lives are lost in other vehicles.

As for the weight at which the social costs of driving a heavier vehicle exceed



the benefits, the evidence is clear (see chart). Vehicles in the top 10% of our sample—those weighing at least 5,000lb—experience roughly 26 deaths per 10,000 crashes, on average, including 5.9 in their own car and 20.2 in partner vehicles. For vehicles in the next-heaviest 10% of our sample—those weighing between 4,500lb and 5,000lb—the equivalent figures are 5.4 and 10.3 deaths per 10,000 crashes. A back-of-the-envelope estimate suggests that if the heaviest tenth of vehicles in America's fleet were downsized to this lighter weight class, road fatalities in multi-car crashes—which totalled 19,081 in 2023—could be reduced by 12%, or 2,300, without sacrificing the safety of any cars involved.

Given these figures, one might expect carmakers to be slamming the brakes on production of their heaviest SUVs and pickups. In fact, they are pressing on the accelerator. Official figures from the Environmental Protection Agency show that the average new car in America weighs more than 4,400lb (compared with 3,300lb in the European Union and 2,600lb in Japan). Vehicles weighing more than 5,000lb accounted for 31% of new cars in 2023, up from 22% five years earlier (see chart). Asked to comment on *The Economist*'s findings, representatives from the big three car manufacturers pointed to safety features that help drivers avoid crashes, rather than those that make them less deadly. "Vehicle weight doesn't solely determine crash performance," Mike Levine, a Ford spokesman, wrote in an email.

America's tax system subsidises heavier vehicles by setting more lenient fuel-efficiency standards for light trucks, and allowing bosses who buy heavy-duty vehicles for business purposes to deduct part of the cost from their taxable income. The National Highway Traffic Safety Administration (NHTSA), America's top auto-safety agency, uses a five-star rating system—but only takes account of the safety of the occupants of the vehicle in question, not that of other drivers. The NHTSA declined to comment on *The Economist*'s findings. ■

Swing states

North Carolina starts voting

JOHNSTON COUNTY

Can Kamala Harris finally deliver the elusive swing state?

DAVID JOHNSON fears his neighbour is a socialist. As a retiree he volunteers with his local Republican Party in Johnston County, a patch of North Carolina where pristine suburban streets yield to rambling country roads. The neighbour in question has put up a Black Lives Matter sign and Mr Johnson says she has accused him of being a white supremacist, which he denies. "She's from Delaware," he says. "Make of that what you will."

North Carolina will start distributing absentee ballots on September 6th, and as early voting begins, Johnston County is an unlikely battleground. Republican candidates for president have won the last 11 contests here, often handily. Yet Democrats increasingly see this part of the state as contested territory. Population growth in exurban counties and the state's peculiar political demography mean that Democrats cannot afford to overlook small towns and the countryside, while Republicans can no longer take them for granted.

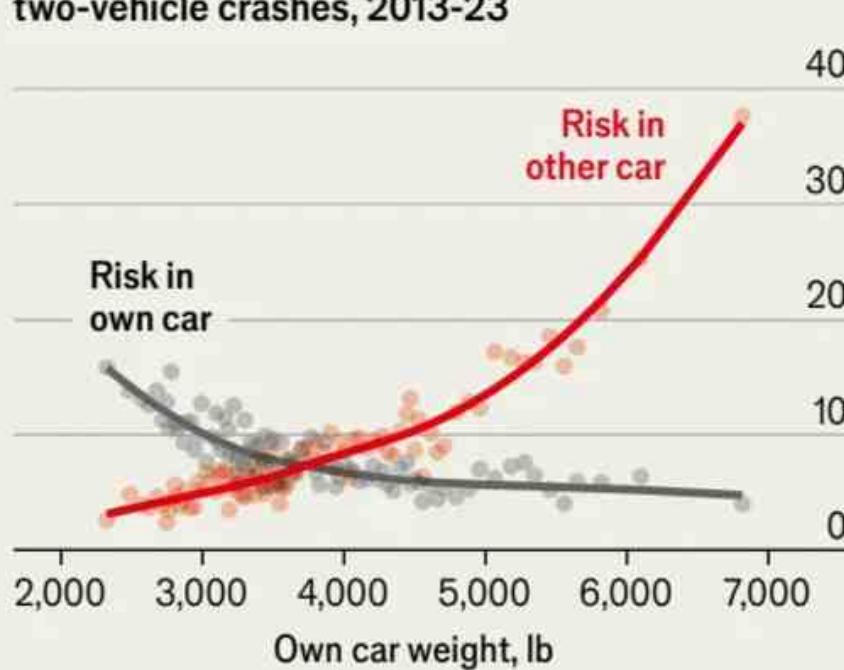
North Carolina only recently joined the list of swing states rated by nonpartisan analysts as toss-ups in November's presidential vote. (The others are Pennsylvania, Michigan, Wisconsin, Georgia, Arizona and Nevada). Joe Biden's decision to step aside and Kamala Harris's ascension put the state in play. Where Mr Biden once trailed Donald Trump by seven points, Ms Harris now appears to be roughly tied.

Yet North Carolina—an enticing prize with 16 electoral votes—has repeatedly teased and disappointed Democrats. The party's nominees have lost the state in ten of the past 11 presidential elections. But North Carolina reliably elects Democrats to statewide offices. The party has controlled the governor's mansion for 28 of the past 32 years, for example, and in 2020, Governor Roy Cooper attracted 150,000 more votes than Mr Biden. Mr Cooper's local roots and tailored brand of moderate politics probably explain that vote gap.

His success and that of other state Democrats feeds the party's optimism despite the dismal record in presidential races. Demographic currents do seem to strongly favour the party's multi-racial and college-educated coalition. In 1990 North Carolina was 75% white. Three decades later the figure is 60%. It is one of the most educated states in the south, and of the small number of swing states this year it has the highest share of college-educated

A heavy price

United States, deaths per 10,000 two-vehicle crashes, 2013-23



► residents. Still, “If demography is destiny, that destiny is arriving at a much slower pace than many people had hoped,” says Asher Hildebrand, a professor of public policy at Duke University.

One reason is the state’s “multi-directional” political evolution, as Mr Hildebrand describes it. Contrast North Carolina with its southern neighbour Georgia, which unexpectedly veered left in 2020. African-American voters buoy the Democratic coalition in the South, and nearly a third of Georgians are black. This compares with only a fifth of North Carolinians. And while nearly three-quarters of Georgia’s population growth since 1990 has been in Atlanta, only 40% of North Carolina’s has occurred in Charlotte, the state’s largest city. The people moving to North Carolina are not just young, diverse urbanites, but also Republican-leaning retirees and military veterans. The electorate’s expansion, Mr Hildebrand sums up, “is all over the place, and that has the effect of muting the overall trend left”.

Some of the fastest-growing counties are in exurban areas. They help Republicans answer Democrats’ advantages in the cities and increasingly the suburbs. In JoCo, as locals call Johnston County, Republican presidential candidates easily carry the jurisdiction. But population growth has made JoCo relevant to both parties. For Democrats, holding down their opponent’s net margin in an expanding Republican stronghold is worth just as much as running up the score with their own base.

Sharon Castleberry, the Democratic Party chair of Johnston County, is the local architect of this approach. A fifth-generation Johnstonian, she grew up helping out on her family’s tobacco farm. These days she pores over voter-registration data. She thinks Democrats are holding their own since Mr Biden yielded to Ms Harris. In the month after that pivot point, “we were pretty even with Republicans in terms of new registrations,” she notes.

If Republicans and Democrats agree on one thing, it is that Democrats cannot win North Carolina in urban and suburban areas alone. Rather, “you have to go west of 77 and east of 95 to win,” says Matt Mercer of the North Carolina Republican Party, referring to two highways that bookend Charlotte and Raleigh, the prosperous cities in the state’s centre.

Under Anderson Clayton, a rural North Carolinian, the state’s Democratic Party has organised in areas beyond cities and suburbs. About half of the Harris campaign’s field offices are in exurban and rural regions. “They’re welcome to go into all of North Carolina,” says Mr Mercer, “which they seem to have an aversion to.” He is adamant that all this effort by his opponents will merely lead to more Democratic disillusionment come November. ■

The Onion

Back in black

CHICAGO

The latest in news innovation: printing it out

FACING A DIFFICULT media environment, the *Onion*, a satirical news organisation based in Chicago, announced in August that it was entering the subscription household-supplies business. In the glory days of media, writers could simply upload stories to a website and watch as eyeballs and advertising dollars flooded in. These days that is not enough, and the *Onion* has identified a potentially lucrative new source of revenue: regular deliveries of multipurpose layered cellulose fibres.

“Whether it is for lining cat-litter trays, wrapping gifts or rolling up to swat your enemies with, what the *Onion* offers is a solid, physical product,” says Ben Collins, the CEO of Global Tetrahedron, which owns the publication. It is even possible, he adds, to read it.

Mr Collins, a former NBC reporter who does indeed run the *Onion* through a firm called Global Tetrahedron, in fact said no such thing when *The Economist* visited its offices. But your correspondent hopes he will forgive the pastiche, because over a decade after its last physical edition rolled off the presses, the *Onion* is genuinely relaunching in print.

The first issue was published to coincide with the Democratic National Convention in Chicago. It featured an exclusive interview with Kamala Harris

(voting for Donald Trump); news from the campaign trail (“Tim Walz Writes ‘Great Job’ On Supporter’s Baby”); and a heartening update on investment in Chicago’s public transport for convention-goers (“CTA Hoses Train Cars Down With Fresh Piss”). For \$99 a year subscribers will get a print issue every month. It is, the *Onion* points out, cheaper than joining a cult.

The relaunch comes after several years in which the *Onion*, which began in 1988 as a student paper in Madison, Wisconsin, was owned by Great Hill Partners, private-equity firm, via a holding company, G/O Media. Earlier this year, with digital ad rates on the floor, G/O Media announced a fire sale of its titles. Some, such as *Deadspin*, a snarky sports-news site, saw their staff gutted by new owners.

When he heard of the sale, Mr Collins drew up an only semi-serious plan to buy *The Onion* and turn it around. “I just didn’t want this thing to go away,” he says. He posted about it on Bluesky, a fashionable new social-media website, and somehow acquired a supportive investor, Jeff Lawson, a former tech CEO. Their goal is simply to keep the business afloat and its 15 writers paid. They have already restarted a hiring scheme.

Will it work? Mr Collins claims that the *Onion* has already beaten their target for print subscribers four-fold. The paper has readers who have known it for decades; many have missed the print version. Online, po-faced outrage stifles satire, and it is harder to maintain a distinctive brand when so many readers flit in from social media or search engines, suggests Chad Nackers, the editor-in-chief. Print provides a chance to do more daring, extended jokes again, and build a new fanbase.

Alternatively, as Bryce P. Tetraeder, Mr Nackers’s fictional boss, writes in the first new issue, “only with print can we ever hope to target readers too stupid or infirm to use the internet. Only through print can we tell imbeciles like yourself precisely how to think in a single, unswerving voice.” For a publication devoted to teasing newspapers, returning to paper is the ultimate troll. If the *Onion* succeeds, the joke will be on everyone else fleeing the format.



Return of the bulbous monocot

The presidential election

“Comrade Kamala”

JOHNSTOWN, PENNSYLVANIA

The Trump campaign hopes a barrage of negative advertisements will prevent her from reassembling the Biden 2020 coalition

THE PRESIDENTIAL race has been upended over the past two months, but a Donald Trump rally is still a Donald Trump rally. Thousands of supporters flocked to see him at a recent one in southwest Pennsylvania. As usual, vendors sold a variety of ever-evolving merchandise to satisfy all sorts of MAGA fans. (“If you’re not wearing a Trump hat, you might get mistaken for a Democrat,” one winking seller warned.) A breakdancer with a Trump mask performed for those standing in a line that stretched around a corner and up a hill. Attendees either mocked or ignored the handful of anti-Trump protesters outside. And Mr Trump was very much himself, bragging to delighted fans about how he had mastered “the weave”. He explained: “I’ll talk about like nine different things, and they all come back brilliantly together, and it’s like, friends of mine that are, like, English professors, they say, ‘It’s the most brilliant thing I’ve ever seen.’”

Mr Trump left the Republican National Convention in July a clear front-runner against Joe Biden. The emergence of Kamala Harris reset the contest. Mr Trump initially appeared off when grappling with his new opponent, but as the campaign reaches its final phase, his advisers and allies have established a clear strategy. They are betting heavily on attack ads that paint Ms Harris as an out-of-touch leftist who is soft on crime and immigration. One goal is to persuade voters that Ms Harris—who wants the election to be a referendum on her rival—should be held accountable as the number two official in a “weak and pathetic administration”.

The approach may be working: Mr Biden’s winning coalition from 2020 had fallen apart during his re-election bid, and Ms Harris has only partially rebuilt it, despite the progress she has made in the polls in a short time. Her support among those under 30 has fallen 12 points below what Mr Biden earned in 2020, according to *Wall Street Journal* polling. She lags ten points with black voters and Hispanic support has dropped six points. These gaps could be decisive given that Mr Biden won the presidency four years ago by a margin of just 44,000 votes in three swing states.

Currently 53% of Americans view Mr Trump unfavourably, according to FiveThirtyEight, a data-journalism outfit. This mattered less when Mr Trump was running against Mr Biden, who voters disliked even

more. But Ms Harris now earns favourable ratings from 46% of Americans, almost the same share who view her unfavourably. With Mr Trump’s numbers seemingly immovable it will be hard for him to win unless he brings down Ms Harris, as he did in his contest against Hillary Clinton.

The campaign and allied groups are investing heavily in this strategy. In the week leading up to the Trump rally in Johnstown, 57% of television spending came from the Trump campaign and allied super PACs. All of it was attack ads against Ms Harris, according to AdImpact, a media-tracking firm. The Harris campaign and its allies advertised less during that period and took a less negative approach. Less than a fifth of the ads for Ms Harris were devoted solely to attacking Mr Trump; the rest promoted Ms Harris or compared her favourably with Mr Trump.

Boating weather

Chris LaCivita, a senior Trump campaign adviser, certainly knows how to drag down an opponent. During the 2004 presidential race the longtime Republican operative and Marine Corps veteran played a key role in Swift Boat Veterans for Truth. The political advocacy organisation turned the military service of John Kerry, the Democratic nominee, into a liability with a series of ads questioning his record during the

Vietnam war. Mr Kerry had been leading George Bush over the summer but saw his lead erode as the ads aired.

The evidence about campaign-ad effectiveness is mixed, but researchers at Northwestern University have found that negative ads suppress voting more than positive ads encourage it. Mr Trump’s negative spots about Ms Harris concentrate on immigration and crime. One lists several illegal migrants who were arrested for committing violent crimes and then set free: “Who released every one of them? Liberal DA Kamala Harris. The victims’ blood is on her hands.” Another warns that Ms Harris wants to provide “amnesty for the 10m illegals she allowed in as border tsar”, which eventually “will lead to cuts in your Social Security benefits”. No one has ever accused Mr Trump of subtlety. Yet the relentless negativity is making Trump fans nervous. “I do wish he would stick to the policy more than the name calling,” said Doug Feathers, a 46-year-old from Hollidaysburg, Pennsylvania. “I don’t disagree with his name calling. I do enjoy the entertainment. But stick to the policy for the voters out there that are still undecided.”

While Mr Trump outspent Ms Harris in the final week of August, she has committed several times as much to advertising in the final days of the campaign. The Harris campaign currently has committed \$52.4m compared with \$14.1m by Team Trump for the week of October 22nd. And so far Mr Trump only leads in total spending in Georgia. Democrats have committed more money in every other swing state. Having invested early on in ads that promote Ms Harris’s biography and her youthful summer job at McDonalds, Democratic strategists may yet decide to match Mr Trump’s brutal attacks as election day nears. ■



Coalition of the thrilling

Public health

Nile-ism

OXFORD, MASSACHUSETTS

Towns are on high alert because of mosquito-borne illnesses

HIGH SCHOOLS in Plymouth, Massachusetts have moved kick-off times at American football games to the afternoon from the evening. Everyone has to be off the field by dusk because of worries about a rare but often deadly illness, carried by mosquitoes: Eastern equine encephalitis (EEE), also called Triple E. Two people in the state have been infected. About 30% of people who develop EEE die.

Last month New Hampshire's department of health reported a fatal infection in an adult, the first in ten years. New Jersey, Vermont and Wisconsin also reported cases this summer, according to the Centres for Disease Control and Prevention (CDC). Health officials are worried about West Nile Virus, too. That is also transmitted by mosquitoes and can cause long-term neurological damage. Hundreds of cases in 38 states have been reported. West Nile recently hospitalised Anthony Fauci, a former top health official.

Why is this happening? The changing climate is almost certainly part of the story. Birds act as introductory hosts, infecting mosquitoes, which in turn infect humans. Migratory bird patterns are changing, so diseases are showing up in new places. The mosquito season has become longer in much of the country. "With longer summers, warmer weather on average and longer rainy seasons," says Ashwin Vasan, New York City's health commissioner, "what we are seeing is a prolonged risk, not so much an increased risk, but a prolonged risk for mosquito-borne illnesses."

Erin Staples, a CDC epidemiologist, is cautious about calling the headline-grabbing cases a surge. "It's very hard to predict even in the middle of our season, is this going to be a really bad season?" Data is still preliminary and lags by two weeks. This makes messaging complicated. "There's this balance between, 'Hey, there's this really bad disease. It is super rare, but it's really bad,'" says Catherine Brown, Massachusetts's state epidemiologist.

Four Massachusetts towns near the Connecticut border are deemed at "critical risk" for EEE. State officials recommend that people in those towns avoid being outdoors during peak biting hours. Maybe one out of 1,000 mosquitoes carries EEE. "It is almost like a lottery ticket," says Kristy Murray at Emory University, who has tracked West Nile since 1999. "Except you just don't want that one to bite you." ■

Campaign calculus

Eeyore's balloon

Where is Kamala Harris's convention bounce?

NATIONAL CONVENTIONS are among the biggest spectacles of the presidential campaign. What was once a formal exercise to adopt a policy platform and nominate candidates is now a political variety show. Tightly choreographed, each party performs an all-singing, all-dancing televised audition to the nation, culminating in a curtain call and balloon drop. While this might look out of place in an era of political cynicism, millions of voters watch and reward the garish performances in opinion polls. After Bill Clinton, then governor of Arkansas, took to the stage in 1992, for example, voters were so impressed that his poll numbers leapt eight percentage points, putting him on course for victory.

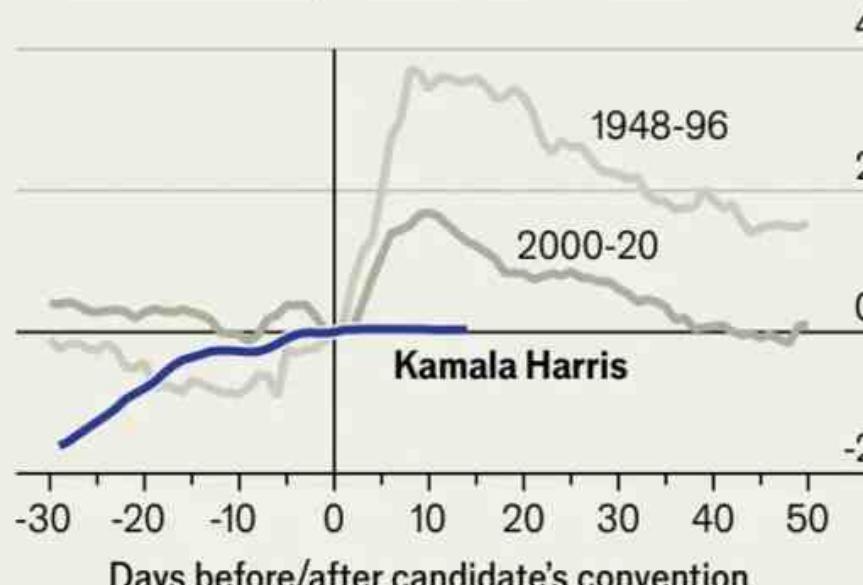
For many years the polling uptick seemed almost as choreographed as the convention itself, appearing on cue each election cycle. So much so, some election forecasters have formally incorporated the phenomenon into their statistical models. But with the conventions behind us, Democratic nominee Kamala Harris's polling bounce is a no-show.

Empirically, convention bounces have been waning for some time (see chart). Before 2000 the spike was worth an average of 3.7 percentage points in two-party polling. Since then the post-performance high has been smaller—around 1.7 points—and has faded faster. But the absence of a jump in this year's polls is still striking: Ms Harris's post-convention gains are smaller than those of 17 of the past 19 Democratic nominees.

In some ways, the idea of convention

From bounce to flounce

United States, percentage-point change in polling average of presidential candidate
Relative to first day of national convention



Sources: FiveThirtyEight; The Economist

bounces is rooted in an outdated version of politics. When more Americans consumed news through traditional media, especially television, conventions offered an opportunity to speak directly to them. Candidates were introduced on their own terms and delivered their message without journalistic interpretation. Conventions generated a stream of positive coverage. Convention poll boosts were therefore a combination of genuine persuasion (good vibes) and non-response bias (when partisans are more or less likely to respond to pollsters depending on the news cycle).

This effect may be diminishing. In 1992 when Mr Clinton accepted the nomination, around 22% of households tuned in, according to Nielsen, a media-research firm. This year the number was closer to 15%. Those who watched were more likely to be watching a partisan network. And polarisation means fewer voters are truly persuadable.

Ms Harris had her bounce before the convention even began. In the weeks following President Joe Biden's withdrawal from the election, she had all but uninterrupted positive coverage, comparable to the convention buzz. She had a flawless roll-out, reintroducing herself and auditioning to be president. And despite being an incumbent vice-president, she seemed like a newcomer. In turn, she gained two percentage points in polls, putting her 4.7 points ahead of the final polls of Mr Biden's campaign.

When it comes to forecasting the election, this is a conundrum. *The Economist* gives her a 52% chance of winning—effectively a coin toss. Our model does not include a formal convention effect, meaning it does not penalise Ms Harris for the absence of a poll bounce, as some other forecasts do. Given the dynamics laid out above, we think this is justified.

But although she has not had the convention uplift, the Democratic nominee may still experience the post-convention descent. Positive news coverage will not last forever and, unlike her opponent, there are few scandals and blunders already priced into her polling. With the election too close to call in these favourable conditions, it could be a matter of time before Ms Harris sees her own balloon drop.

LEXINGTON

Advantage: Harris

Kamala Harris is a better debater than Donald Trump. Will it matter?



ALL OF THE THINGS that we've done, nobody's ever, never seen anything like, even from a medical standpoint. Right to try, where we can try space age materials instead of going to Asia or going to Europe and trying to get when you're terminally ill. Now, you can go and you can get something. You sign a document." Thus spake Donald Trump during his debate with President Joe Biden in June. Sift a bit, and maybe consult Google, and you can extract the meaning from the heap of words, shovelled up as part of his closing argument. The debate, a disaster for Mr Biden, may yet also prove one for Mr Trump, who did well that evening only because his opponent did worse.

In fact, Mr Biden's answers often seemed more on point when read in transcription. His shaky delivery doomed him, along with his failure to counter his blundering adversary. Mr Trump looped back on himself, adduced perplexing facts ("We bought the certain dog") and emitted gassy bubbles of unreality that a nimbler opponent, with a sharper wit, would have delighted in popping. "Everybody, without exception" wanted *Roe v Wade* overturned? Nancy Pelosi said, "I take full responsibility" for the attack on the Capitol on January 6th, 2021? "We're living in hell"? *Really?*

Vice-President Kamala Harris may prove to be that nimble, mocking adversary if Mr Trump debates her as planned on September 10th. A review of her debates so far, including in her state-wide campaigns in California, suggests she is far less prone in such face-offs to the abstract meandering that, before she was the nominee, could confuse audiences during her extemporaneous remarks or interviews. The presence of an adversary seems to focus and energise her.

Mr Trump has a gift for upselling people already inclined to buy his wares; Ms Harris trained as a prosecutor to persuade diverse juries to believe her story rather than a contending one. The candidates' prior careers may have left both of them less preoccupied with nuance or objective truth than with their preferred sets of facts. But where his experience persuaded Mr Trump of the power of the bombast he has called "truthful hyperbole", her own background appears to have concentrated Ms Harris on preparing her cases to overcome reasonable doubts, while scrutinising her

opponents' arguments for weaknesses.

"That's not true!" Senator Harris exclaimed during the fifth Democratic primary debate, on November 20th 2019, when Joe Biden claimed to have been endorsed by "the only African-American woman" ever elected to the Senate. "The other one is here," she added. As she often does during such attacks, she laughed merrily, choosing to be amused rather than offended by her pitiable adversary, and the audience laughed along with her. In what proved a pivotal moment in her race for attorney-general of California in 2010, her opponent, a longtime public prosecutor named Steve Cooley, was asked if he would accept his pension for previous service along with the salary that would go with the new position. He said he would because he had "definitely earned" it and would rely on it "to supplement the very low, incredibly low salary that's paid to the state attorney-general". Ms Harris lit up like a blowtorch. "Go for it, Steve!" she said, laughing uproariously. "You've earned it, there's no question." Mr Trump seldom if ever smiles in debate, much less laughs.

Ms Harris can also be deft in flashing anger, turning attempts by opponents to paint her as weak into opportunities to show strength. "I will not sit here and be lectured by the vice-president on what it means to enforce the laws of our country," Ms Harris shot back during her debate with Vice-President Mike Pence in October 2020, a contest she won, according to polls at the time.

Ms Harris has less experience on this big stage, and she has many vulnerabilities. Mr Trump may succeed in embarrassing her over the withdrawal from Afghanistan or illegal immigration. He will no doubt accuse her of reversing herself on important positions. But here Ms Harris might prove to have the stronger hand: she seems more at home with her new stances. Mr Trump, by contrast, is struggling to find some new middle-ish ground on one of her core issues, reproductive rights. And while Mr Trump has yet to settle on a line of attack against Ms Harris, toggling between treating her as a joke and a menace, she has been honing her criticisms of him for years. Mr Trump is so prickly about his self-image, if not his honour, that he has been easy to bait into defensive claims about everything from his intelligence to his golf swing.

A sign of Ms Harris's confidence is that while Mr Biden requested that the debaters' microphones be silenced when it was not their turn to speak, to prevent Mr Trump from interrupting, she wanted them left open. The Harris campaign repeatedly told the press that Mr Trump's aides were insisting the mics be closed, in a clear bid to taunt Mr Trump into overruling them. He did not.

Alpha female

Ms Harris is betting that Mr Trump's urge to project dominance will get him in trouble. She made the much milder Mr Pence look like a cad, and herself appear strong, by staring him down and sternly saying, "Mr Vice-President, I'm speaking" when he interrupted her. That moment went viral on social media, and it clearly haunts Mr Trump. He cited it recently in calling Ms Harris "a nasty person" who was "horrible" to Mr Pence, though threats by Mr Trump's supporters to hang Mr Pence might seem a bit harsher.

Before Mr Biden's belly flop in June, conventional wisdom had concluded debates don't matter much. Polls showed, for example, that in 2016 Hillary Clinton easily won all three debates against Mr Trump. But in contrast to Ms Clinton or Mr Trump, Americans are still getting to know Ms Harris. This debate is her best chance before the election to show she would be the better president. ■

The Americas



Mexican politics

A hospital pass

MEXICO CITY

Claudia Sheinbaum's presidency will begin mired in constitutional chaos

A BOISTEROUS EMERGING economy with 126m people, a 3,140km-long border with the United States and powerful criminal gangs were always going to mean a full in-tray for Claudia Sheinbaum, Mexico's first female president, who will be sworn in on October 1st. But President Andrés Manuel López Obrador, her mentor, is making it yet more daunting. In his last month in power he is pushing through a slew of constitutional changes that will profoundly reshape Mexico for the worse.

Chief among them is an overhaul of the federal judiciary (the PJF). The lower house, in which the ruling coalition now has a two-thirds majority, passed it on September 4th. So fierce was the opposition that lawmakers were blocked by protesters from entering Congress; instead they began voting in a nearby gymnasium. The upper chamber, in which the coalition lacks just one vote for a supermajority, may soon pass it too. The reform opens the judiciary to political, criminal and corrupt

influence by deeming that federal judges—including those of the Supreme Court and electoral courts—must soon be elected by popular vote, replacing a professional system of exams and nominations. Members of a new disciplinary tribunal with power to punish judges would also be elected, ruining a potentially good idea.

Other reforms will push Mexico further towards authoritarianism, something for which support has risen alarmingly under Mr López Obrador (see chart on next page). His next priority is to put the National Guard, which he created to supplant the federal police, under the control of the army. That would further militarise Mexico's response to crime, reduce transparency and potentially hamstring security co-

operation with the United States. Other amendments that he has drafted, but may not have time to pass fully into law, eliminate autonomous bodies, including the freedom of information agency and energy regulator; and render commissioners on the electoral body subject to elections.

A final batch affect the economy and business. They enshrine generous hand-outs and stop the state-owned electricity firm from partnering with private companies in transmission and distribution. They also ban fracking, opencast mining and imports of genetically modified maize.

The fallout will damage Ms Sheinbaum. It will dent Mexico's hard-won democracy and deter investors, just as the country is trying to woo businesses looking to relocate close to the United States. Hence the outcry both at home and abroad from academics, bankers, businesspeople and diplomats. The peso has plunged. The reforms will undermine Mexico's relations with the United States and Canada, its partners in the free-trade deal known as USMCA. Many measures may breach the deal itself, complicating a review in 2026.

Mr López Obrador cares little: he believes he is consolidating his "Fourth Transformation" to purge Mexico of rule by the traditional elites. In his final big speech on September 1st in Mexico City, the capital, he said he was leaving power with a "calm conscience" and touted his ➤

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► achievements. A handful are real, such as a boost to the minimum wage and handouts which helped lift 5m Mexicans out of poverty between 2018 and 2022. Yet in most of his speech he sought to spin his failures. He claimed Mexico's health system is now better than Denmark's, despite 30m fewer Mexicans having any access to health care in 2022 than in 2018. He boasted that murders are down, but his six-year term has been the bloodiest ever and organised crime has tightened its grip on the country.

Despite such failures his approval rating is 71% because of his success in reducing poverty, his relentless attacks on elites and his mantra of caring for the downtrodden. His popularity fuels his intransigence over the constitutional changes. During his speech he asked supporters gathered in the Zócalo, Mexico City's main square, to raise their hands if they agreed with the judicial reform: all did so. It helps that he has spent six years railing against judges as "corrupt" and "neoliberal".

But what of Ms Sheinbaum, who has belatedly embraced the reforms? She is in an awkward position. She has impressive credentials, yet owes much to Mr López Obrador. He picked her as his successor and used his political base to get her elected. Hence she is reluctant to go against him now—and may continue to be until halfway through her six-year term, when there will be a referendum on whether she should finish it (another tripwire left by her mentor). She may not even want to challenge him: she celebrated the judicial reform's progress by tweeting "more democracy, more justice, more freedom".

Still, many see glimmers of hope. Ms Sheinbaum is reportedly concerned about some of the reforms: a plan to elect members of the electoral commission may be on the back burner at her request. In her time as mayor of Mexico City she was more pragmatic and technocratic than the president—and less inflammatory. Many of the people she has appointed to her cabinet are well-qualified. That raises hopes

she could change institutions that need it, such as the judiciary and many autonomous bodies, but in ways that tackle their real problems and do not threaten Mexico's hard-won democracy. And she could do more to spur economic growth, which has been weak under Mr López Obrador.

Come October 1st, it will start to become clear whether such hope in Ms Sheinbaum is justified. An early test will be what she does with the constitutional reforms that Mr López Obrador leaves her to pass, as well as her approach to secondary legislation for the ones she has to implement, which she could tone down. Many will hope to quickly see much better security co-operation with the United States.

For now, Ms Sheinbaum seems focused on consolidating her power in her party. That is sensible. Many officials are loyal to Mr López Obrador; this will not change just because the presidential sash has been draped on her. Holding the coalition and the party together will be difficult.

For months many have debated whether Mr López Obrador will try to control his successor or retire to his ranch on October 1st, as he has promised. Yet even if he puts his feet up, his last blast will already have changed Mexico in worrying ways that will shape not only his successor's term but the country for years to come. ■

that should have happened in 2023, so as to maintain its influence in the courts. The battle poisoned Bolivian politics so badly that it opened the door to a coup attempt by power-hungry soldiers.

Under Bolivia's system, every top judicial post, including those on the Constitutional Court and Supreme Court, is up for grabs every six years. The elections involve two steps: first, a two-thirds majority in Congress picks a shortlist of candidates, then the people vote. In both 2011 and 2017 the Movement to Socialism (MAS), the ruling party, had a congressional supermajority, so it chose a shortlist with little openness, compromise or serious evaluation. Each time, the opposition called for a protest vote; each time, about two-thirds of Bolivians obliged and symbolically voted null or blank. The result was that the MAS and Mr Morales, who was president during that time, got the judges they wanted, but with little legitimacy. "They packed the courts," says Eduardo Rodríguez Veltzé, a former chief justice of the Supreme Court.

At first Mr Morales reaped the benefit. When he lost a referendum over whether he could run for a fourth consecutive term, the Constitutional Court ruled it would be against his human rights to stop him. After he left office, the courts have proved submissive to the political power of the day. Judges who resist are sometimes suspended by Congress. Those who pander to the government appear to be rewarded, sometimes with plum ambassadorial posts. Mr Rodríguez Veltzé believes that there has been "a general loss of integrity" among Bolivia's top judges.

By last year, the MAS was riven by disagreements, leaving Mr Arce with a minority government. As the deadline for judicial elections approached, the government seemed to worry it would lose influence in the courts if the polls went ahead. The Constitutional Court instead extended the terms of the current judges indefinitely. Since then, the court has issued rulings favourable to Mr Arce, including a resolution that the government insists disqualifies Mr Morales from running in 2025, though many experts disagree. Mr Arce is now also seeking a referendum to stop Mr Morales.

The delayed judicial elections have crippled Bolivian politics for the past year. Supporters of Mr Morales took to the streets, calling for the elections to be held, while his legislators blocked loans from development banks, thus worsening an economic crisis rooted in an acute shortage of dollars. Prices are rising, fuel is scarce and the gap between the official and black-market dollar is over 50%. This crisis set the scene for the haphazard attempted coup in June. (Some Bolivians suspect the failed putsch was a set-up by Mr Arce to boost his popularity.)

Judicial elections are finally set for De-

Bolivia and its courts

The fight to control justice

LA PAZ

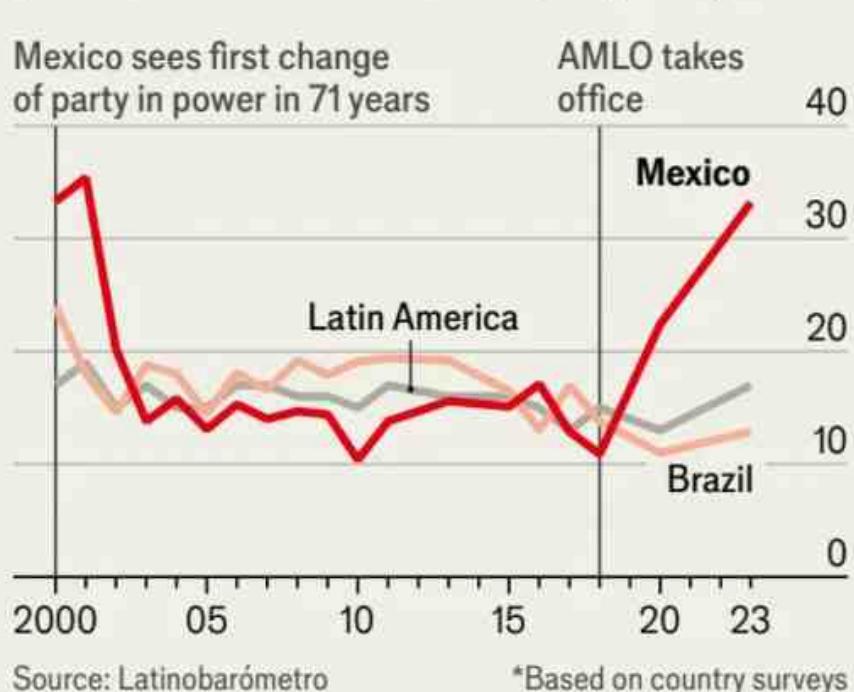
Electing top judges has been a disaster

BY SOME COUNTS, Bolivia has seen two coup attempts in the past year. Everyone saw the failed one in June, when a disgruntled general smashed an armoured personnel-carrier through the doors of the historic seat of government, before being arrested. But some in the opposition claim there was another, late last year, when the Constitutional Court suddenly interfered to hand sitting judges more power.

Bolivia is the only country in the world that elects its top judges. Mexico may soon join the club. Yet Bolivia's experience has been disastrous. The courts have become a prize to control, the opposite of being a neutral arbiter. President Luis Arce, who took office in 2020, and a former president, Evo Morales, both want to be the ruling party's candidate in the presidential election next year. They know the courts may ultimately decide who it will be. That has set off a fierce fight to control them. Last year the opposition accused Mr Arce's government of torpedoing judicial elections

The Fourth Transformation

"Under some circumstances, an authoritarian government can be preferable to a democratic one", % agreeing*



Source: Latinobarómetro

*Based on country surveys

ember 1st. Expectations are low. The shortlist of candidates is weak. The process is so tainted that many of the best did not apply. Some legislators seemed to feed answers to candidates in the oral exam to get onto the shortlist. Once again voters will be confronted with sprawling ballot papers and dozens of candidates they know nothing about because, in a perverse attempt to offer a level playing-field, campaigning is forbidden. The opposition may call for another protest vote. "We will choose judges, but without any legitimacy," says José Luis Exeni, a former vice-president of the electoral tribunal.

Judicial elections were meant to boost the legitimacy and independence of Bolivia's courts. Instead, they have done the opposite, and have fuelled Bolivia's roiling crisis. Mexico's leaders "should visit Bolivia to realise the failure it represents", sighs Mr Rodriguez Veltzé. ■

Brazil and X

Moraes v Musk

Is the legal cure of banning X worse than the disease?

IT REQUIRES A giant ego and plenty of courage to take on Elon Musk, the world's richest man who owns X, a social-media network that can often seem like his personal megaphone. Alexandre de Moraes, the judge who on August 30th ordered X to be blocked in Brazil, has both. Mr Musk has likened him to Darth Vader and shared an AI-generated image of the judge behind prison bars.

The ban on X partly reflects Brazil's severe laws on speech. But it also fits a pattern of controversial decisions by Mr Moraes, known for his relentless pursuit of high-profile cases. In hyper-polarised Brazil he was once cheered as a hero by liberals for taking on Jair Bolsonaro, an autocratic former president. Now even they worry that Mr Moraes may be overreaching his judicial powers.

Mr Moraes did not always appear destined to be a target for memes from a world-famous right-wing billionaire. A former prosecutor, he was appointed to the Supreme Court in 2017 not by a woke liberal but by Michel Temer, a conservative president of Brazil. In a previous role Mr Moraes had dealt with a hacker attempting to blackmail Mr Temer's wife.

The blocking of X is Mr Moraes's most high-profile decision yet. It comes after Mr Musk refused to comply with his orders to take down accounts on X as part of an investigation into online misinformation. In-

stead, Mr Musk closed X's local office. Without a legal representative in Brazil, the company is not permitted to operate there. That is a position few well-run firms would contemplate.

Nonetheless, the judge's punitive response hardly seems proportional. He has warned that anyone logging into X by using a virtual private network (VPN)—services that make it appear as if a device is in another country—will face daily fines of up to 50,000 reais (\$8,700). He also froze the Brazilian bank accounts of Starlink, a separate satellite company founded by Mr Musk, supposedly in order to collect fines levied on X of nearly 19m reais.

Part of the explanation for this draconian approach is Brazil's interventionist laws on speech. These now seek to police "crimes against democracy", such as falsehoods on social media that may jeopardise the electoral process, and "crimes against honour", even when offensive messages are received in private. Although a single judge on Brazil's 11-member Supreme Court can make binding decisions, these are sometimes reviewed by the full or partial bench. On September 2nd a panel of five judges including Mr Moraes upheld his rulings on X with small modifications.

Yet Brazil's laws are only half the story. Mr Moraes also has form: he is a man who likes and understands power. He has extensive contacts in the police, military and intelligence services. "Alexandre is a *sherifão*," says a source close to the judge, using slang for "super sheriff". "If you put a problem in front of him, he will go to the ends of the earth to complete his mission."

His most celebrated moment involved confronting Mr Bolsonaro. When the covid-19 pandemic struck, Mr Bolsonaro supported quack cures. Before the presidential

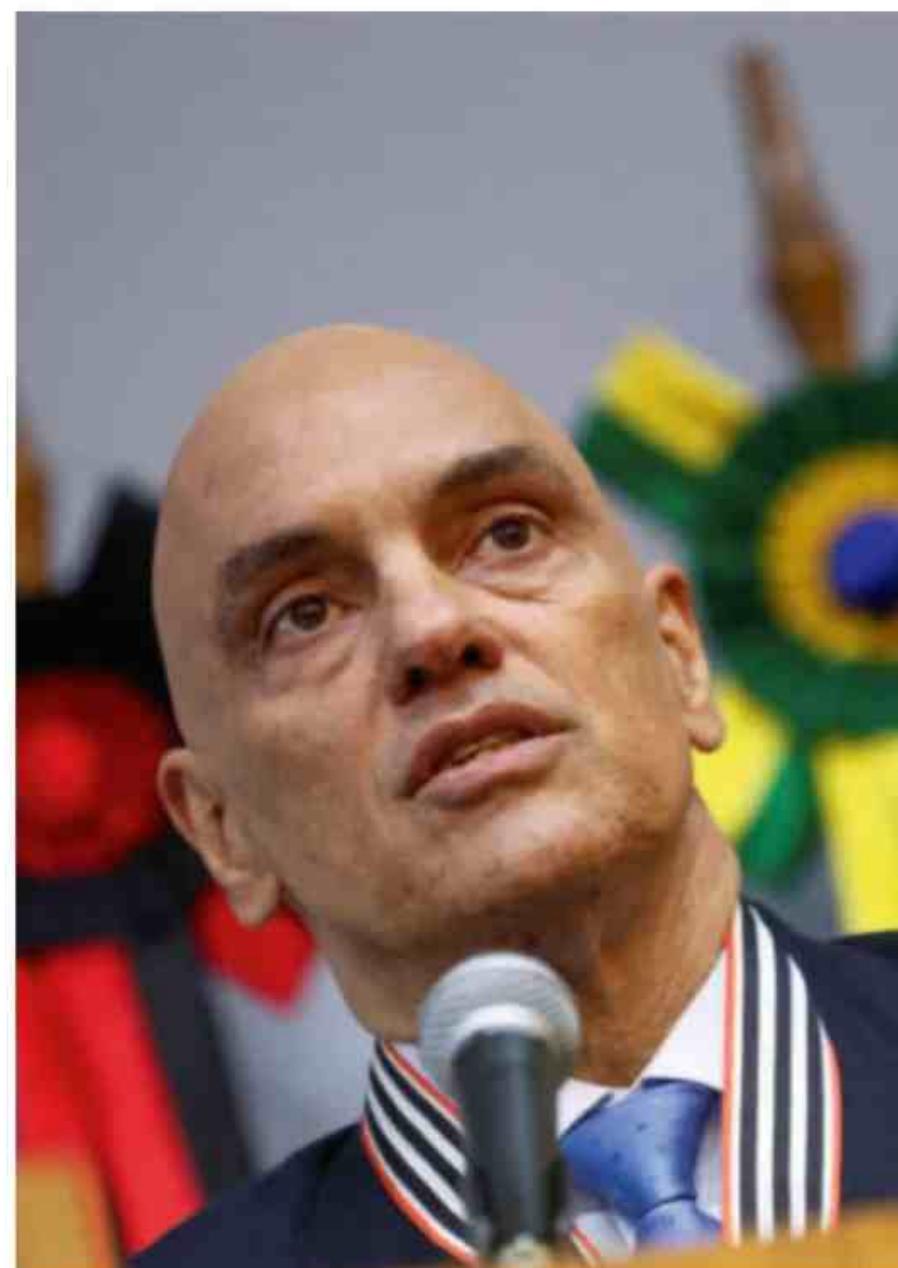
election in 2022 he spread lies that voting machines were rigged. On January 8th last year, one week after Mr Bolsonaro's opponent was inaugurated, *bolsonaristas* ransacked Congress, the presidential palace and the Supreme Court. Mr Moraes opened a probe against the rioters. In 2023 an electoral tribunal that he presided over barred Mr Bolsonaro from running for office for eight years for spreading falsehoods about voting machines.

Other campaigns have made the court look authoritarian. In 2019 Mr Moraes was put in charge of investigating misinformation about the Supreme Court and threats against the court's members. These had spiked after the election of Mr Bolsonaro. The "fake news" inquiry was contentious from the start. Normally investigations are opened by the public prosecutor or the police. By giving itself the power to initiate investigations the Supreme Court became victim, prosecutor and judge all at once. No time limit was set, there is no legal definition for disinformation in Brazil and Mr Moraes has not made public which accounts he has ordered to be shut and why. He later opened a related inquiry into "digital militias", a worryingly woolly term.

Some decisions seem even harder to defend. In 2019 *Crusoé*, an investigative outlet, published an article suggesting that another Supreme Court judge was mentioned in emails from 2007 about a corrupt permit for a dam. Mr Moraes deemed the article "fake news" and ordered it to be taken down. Only after public outcry was the order reversed. In another case, businessmen who exchanged loose but passive talk about preferring a coup to the main left-wing party on a private WhatsApp chat had their homes raided, their bank accounts frozen and their social-media accounts suspended.

Mr Moraes is undoubtedly brave. As the public face of the crusade against *bolsonarista* fanatics, he has received numerous death threats. Yet today there is a wider sense that his mission has veered off track. In December 2022 almost a third of Brazilians said the court did a "good" or "excellent" job. In May only 14% did. Pushback is mounting. The day he shut X Mr Moraes demanded that Apple and Google prohibit downloads of X and VPNs, but revoked the order hours later after a public outcry.

Luiz Augusto D'Urso of the Fundação Getúlio Vargas, a university in São Paulo, calls the VPN order "absurd". The decision to freeze Starlink's assets "violates the fundamental rights" of the firm, says Ricardo Sayeg, a lawyer. Many farmers and soldiers depend on Starlink for internet in remote areas. The takedown of X and Mr Musk's angry response is stirring up Brazil's hard right, which feels that it is persecuted. Mr Moraes's legacy may be to strengthen the very elements he sought to curb. ■



Anyone seen Elon?

Asia



Civil war in Myanmar

On the road to Mandalay

SINGAPORE

The ruling military junta is increasingly on the back foot

IT HAS BEEN many decades since war came to Mandalay, the last seat of Burmese kings. But on September 3rd a 107mm rocket cracked the pre-dawn calm, striking a residential area west of the old royal palace. A local group fighting Myanmar's military junta claimed the attack. Its target was inside the vast palace grounds, now a military base, and home to the junta's Central Region Command. It was the third rocket attack in Mandalay this year.

For now, such attacks are still unusual. But recent advances by two armed groups have nearly brought the war against the military junta to the country's second city. The two groups, part of a coalition known collectively as the Brotherhood Alliance, have benefited from shadowy relationships with China. It is likely that the rocket which hit Mandalay this week was Chinese-designed. Their shocking victories are an illustration of how China has become the most important outside power in Myanmar since the armed forces seized

power in February 2021. But the Brotherhood's progress has taken on a momentum of its own, and now even China is struggling to rein it in.

The Brotherhood groups are distinct from the National Unity Government (NUG), formed by ousted lawmakers after the military coup in 2021. The NUG and its closest allies along the border with Thailand mostly look to the West for support, but have received little, and have struggled to make progress. By contrast, the Brotherhood is made up of three groups, all of which get support from China. Two are active in the hills and mountains of Shan

state between the Chinese border and Mandalay. The oldest and strongest of the three, the Myanmar National Democratic Alliance Army (MNDAA), broke away from the once formidable Burmese Communist Party in 1989. It draws support mostly from the Kokang ethnic group, who live along the border with China, speak Mandarin and identify as Han Chinese.

For 20 years, under a ceasefire with the junta which then ruled Myanmar, the MNDAA grew rich and powerful. It taxed trade between Myanmar and China, and ran casinos catering to Chinese visitors to Laukkaing, the capital of Kokang. Any opposition was met with violence, including public executions. But brief wars in 2009 and 2015 with the Tatmadaw, as the junta's armed forces are known, forced it to flee into nearby hills. In its place, the Tatmadaw installed a militia led by a rival Kokang group to govern the area.

In recent years this proxy militia has turned to online scams as a source of revenue. Scam centres in Laukkaing target victims in mainland China, and lure Chinese citizens to work in the centres. Outrage at mounting losses from scams, and at the treatment of Chinese citizens forced to work against their will, pushed the Chinese government to act last year.

In October 2023—with the tacit consent of China's government, analysts say—the MNDAA launched an offensive against

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the junta's forces along the border with China. It routed the Tatmadaw, encircling its forces in Laukkaing. In January Chinese diplomats brokered a truce, under which the junta agreed to withdraw from the city. The junta also allowed the Chinese authorities to arrest the militia's leaders and extradite them to China to be prosecuted.

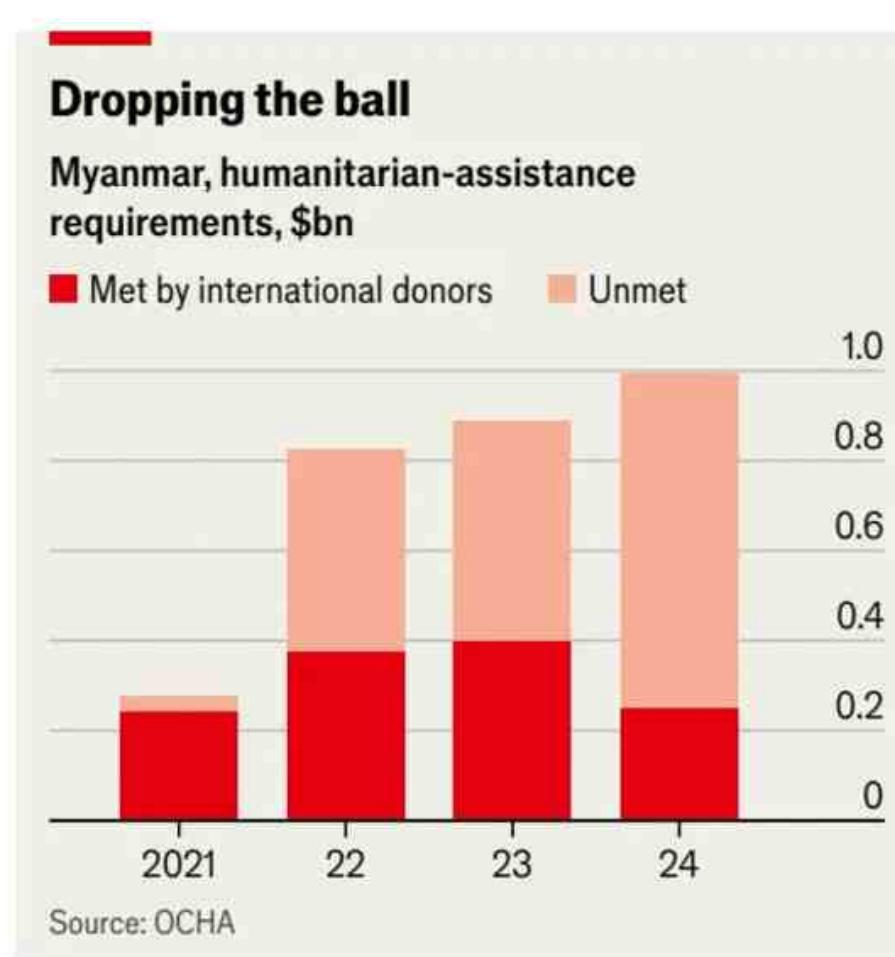
The second of the Brotherhood groups, the Ta'ang National Liberation Army (TNLA), played a supporting role in the initial offensive last year. Now it is poised to play the lead role in the assault on Mandalay. Among the various ethno-national armed groups that patrol Myanmar's hilly peripheries, the TNLA is unusual for its hardline anti-drug stance. It has also banned mining in areas that it controls, citing environmental costs. This has made it popular among ordinary Ta'ang. But its approach to governance, like that of the MNDAA, is authoritarian. The United Nations has criticised forced recruitment of young people in the areas that it controls. And it has come into conflict with other ethnic armed groups, who bristle at how it treats their people in villages that it has conquered, including its practice of taxing non-Ta'ang businesses.

Rebel soldiers

Both groups were among the Tatmadaw's fiercest enemies prior to the coup. In 2019 they launched a daring rocket attack on the West Point of Myanmar, the garrison town of Pyin Oo Lwin, where the military's service academies are based. But after the coup, both observed an informal truce with the junta, even as other ethnic armed groups joined the nationwide resistance against it. This allowed them to expand the areas under their control.

The two groups also sought to build up units of ethnic Bamar who had fled central Myanmar—and Mandalay in particular—after the coup. Between 60% and 70% of Myanmar's population is Bamar. After the military began to shoot protesters, however, the Bamar were forced to seek the tutelage of ethnic-minority armed groups. The TNLA's support for the Mandalay People's Defence Force (PDF), which is mostly Bamar, has turned its members into disciplined insurgents.

On June 25th the MNDAA, the TNLA and the Mandalay PDF renewed their offensives against the junta. On August 3rd the MNDAA conquered Lashio, a city of 200,000 people and home to the Tatmadaw's North-Eastern Region Command. Lashio is a hub of Shan state, in the northeast, where various ethnic groups from across the Shan Hills come to do business. No city of its size and importance had fallen to an ethnic armed group before in Myanmar's history. This victory led many to think for the first time that the Tatmadaw might begin to crumble.



At the same time the TNLA kept its eye on the road to Mandalay. It has now reached Bant Bwe, not far from Pyin Oo Lwin—where five years ago it could only stage one-off rocket attacks. It also sent the Mandalay PDF and other Bamar cells through the hills that it controls to infiltrate townships north of Mandalay (see map). One of these groups probably launched the rocket attack that struck the city on September 3rd.

The Brotherhood's intentions with regard to Mandalay are unclear. Both the MNDAA and the TNLA were long thought to be interested only in controlling their home areas in Shan state. Neither seemed to want to overthrow the junta. Some argue that their drive towards Mandalay demonstrates that the Brotherhood is aligning itself more closely with the revolution. But it is more likely that both groups fear that the potential collapse of the junta would lead to a free-for-all. They will want to be the strongest forces should that happen, so are seizing the advantage now.

If the TNLA does decide to move on Mandalay, the road runs through Pyin Oo Lwin. Fears of an impending assault on the city run high; in August convoys of vehicles could be seen snaking down the escarpment from the hill station into the city. But the group might face stiff resistance

there. Its capture would be fraught with symbolism for the Tatmadaw's leaders, many of whom have homes in the former colonial resort. Instead, exhausted after the past year of battle, the TNLA may choose to first pause and regroup. It may also push the Mandalay PDF to stage ever more daring rocket attacks in the city.

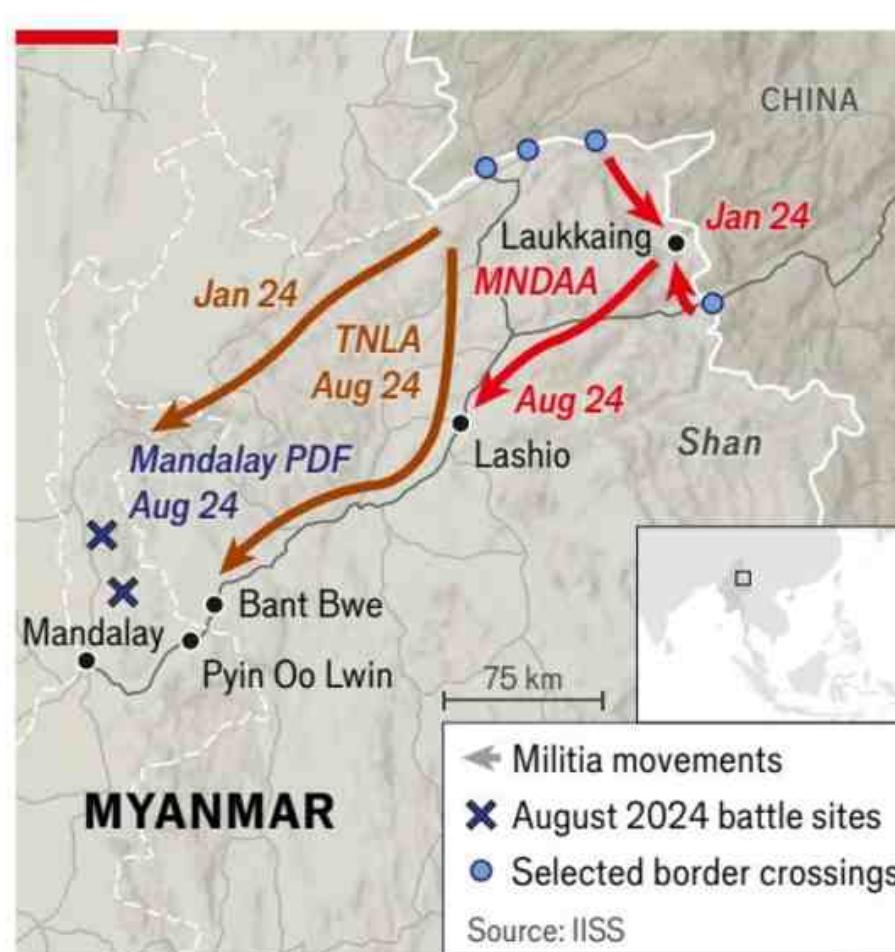
What is clear is that, having used these groups to teach the junta a lesson about the scam centres, China is now struggling to contain the forces that it has unleashed. While it is dissatisfied with the junta, it does not want a vacuum to emerge which democratic forces might fill. A recent bid to convene the Brotherhood Alliance and the junta for fresh ceasefire talks in Yunnan came to naught. The Chinese government has also experimented with shutting off the supply of electricity to Laukkaing, and closing border gates which provide customs revenues, to little effect.

Indeed, taking things up a notch, China's People's Liberation Army staged three days of live-fire exercises along the border last month. A leaked message to the TNLA from a Chinese intermediary pointed to the exercises and demanded that the group halt its offensive and return to talks. But as Brotherhood groups capture more areas, and junta defeats multiply, the armed groups have fewer incentives to heed their former patrons.

Run from the hills

China's weakened grip on Myanmar's most powerful armed groups, and the Brotherhood's rapid advance, might present an opening for Western countries to play a bigger role in Myanmar. As the Brotherhood has moved outside its home areas, it has entered into discussions with the democratic forces to help legitimise its rule over diverse ethnic groups, with whom it has little experience. Many in these new territories regard the Chinese-speaking MNDAA and ethno-nationalist TNLA as outsiders, while the pluralist NUG is more representative. Mandalay, a multi-ethnic city of 1.5m, would present particular challenges for the Brotherhood to administer.

But Western governments have been reluctant to provide humanitarian assistance directly to the NUG, fearing that it falls foul of international norms which insist that such aid not be politicised (see chart). As a result, it lacks the resources to administer liberated areas, many of which are still reeling from recent battles. If Western governments were to put aside these qualms, the NUG would have more to bring to the table in talks with the Brotherhood over the future of these areas. That would be a good development for residents; the NUG would govern more responsibly than the Brotherhood. It would also help to shift the balance of power in Myanmar from China to the West. ■





Korea-Japan Relations

Is the past really past?

SEOUL AND TOKYO

Younger Koreans and Japanese are becoming friendlier

NATIONAL LIBERATION Day is traditionally an occasion for solemn celebration in South Korea, marking the country's independence from its colonial overlord, Japan. Yet for many younger South Koreans, the holiday has become a day off like any other, and a chance to unwind. This year, on August 15th, scores of 20-somethings filled a pop-up bar in Seoul, the capital, for a party featuring drinks from around the world, including Japanese sake. "I know it's Liberation Day, but we decided to do something fun together," says Min Young-ji, a 28-year-old who was there with her 27-year-old sister, Gyoung-im. As children they raised South Korean flags with their parents during the holiday, but these days "you see fewer and fewer flagpoles", says Gyoung-im.

Diplomatic relations between South Korea and Japan have improved markedly over the past few years. That is in large part thanks to Yoon Suk Yeol, South Korea's president, who came to office in 2022 determined to repair ties with Japan following a period of bitter disputes over compensation for atrocities committed during the colonial era. Kishida Fumio, Japan's departing prime minister, will visit Seoul this week for a final summit with Mr Yoon. But officials in both countries also credit generational change for helping to transform the relationship.

Today's youth are on far better terms with their neighbours than their parents or grandparents were. While just over 20% of

South Koreans over 50 years old have a positive impression of Japan, over 45% of 18- to 29-year-olds do, according to Genron NPO, a Japanese think-tank, and the East Asia Institute, a South Korean one, which conduct annual studies of public opinion. Among Japanese, over 45% of 18- to 29-year-olds see South Korea positively, compared with 35% of those over 50.

In part, the passage of time has dulled the intensity of bitter memories. "History is very much alive for my generation, but not for the younger generation," sighs Oh Gun-suk, whose grandfather was held at the notorious Seodaemun prison for taking part in an anti-Japanese resistance movement in 1919.

As South Korea developed, the power dynamics also shifted. Young South Koreans, who came of age in a rich country, have no sense of inferiority and more pride in their own heritage. Mutual cultural affinities have bred legions of anime fans in South Korea and K-pop fans in Japan.

First-hand experience of each other's country is widespread, too. South Koreans made up the largest share of foreign visitors to Japan last year, and Japanese the largest group of visitors to South Korea. "Japan has a certain attractive quality to it," Gyoung-im says. "I'm not sure I should say such things today of all days, but it's the truth!" Similarly, on the same day in Japan, the streets of Shin-Okubo, Tokyo's "Korea town", were bustling. Young Japanese swooned over photographs of K-pop stars

and munched on Korean street food, from crunchy corn dogs to *tteok-bokki*, a sticky, spicy rice cake. "I've never been to Korea but I want to go," says Suzuki Dai, an 18-year-old who is trying to learn how to read *hangul*, the Korean alphabet.

Yet it would be a mistake to confuse fandom for fundamental shifts in the national narratives. Young Japanese may be more familiar with South Korean songs and shows but often lack knowledge of the darker chapters of their shared history. "I do see people talking about stuff on the news, but honestly I don't pay much attention. It's not something I'm conscious of," Mr Suzuki acknowledges. Tucked beside shops selling Korean cosmetics in Shin-Okubo in Tokyo, the Koryo Museum of Korean history receives relatively few visitors. Young people come mostly to rent *chima jeogori*, traditional Korean dresses, sighs Ogihara Midori, a curator at the museum. While walking past displays about comfort women, the euphemistic moniker for Japan's wartime sex slaves, "sometimes they go 'Huh? what is this?'" Ms Ogihara says. "Then I explain and they go 'Huh! I didn't know that!'"

Relations with Japan remain a politically charged issue in South Korea. Opposition parties spurned the government's official Liberation Day events this year, to protest at Mr Yoon's choice of a conservative historian to head the main independence history museum. "Things can look good on the surface", but if historical disputes remain unresolved, relations can sour again, says Hong Joo-hyun of the Independence Activists' Families Association, a South Korean outfit which supports the descendants of activists.

K-pop diplomacy

For many in South Korea, resistance to Japanese aggression remains central to the country's identity. Schools still take students to visit the museum at Seodaemun Prison; in Korean textbooks and in popular culture tales of the heroism of Korean nationalists and the brutality of Japanese imperialists are ubiquitous. On one of Seoul's central avenues stands a 17-metre statue of Admiral Yi Sun-sin, who helped defeat Japanese forces in the 16th century.

Plenty of young parents still consider it a duty to teach their children about the colonial era. At a ceremony at Seoul's Bosin-gak pavilion on August 15th, a choir of women and girls clad in white sang odes to independence fighters; the crowd chanted "Mansei", a traditional independence call. Kim Min-ji went there with her two primary-school-age children. "I won't accept an apology from Japan!" her youngest son exclaims. "Japan wants to get rid of Korea!" Ms Kim chuckles and corrects him: "That was a long time ago." But, even so, it is still hard to forget. ■

Horror films in Indonesia

Scary stuff sells

Old ghost stories are fuelling new films

JOKO ANWAR had a bleak childhood growing up in a slum in North Sumatra in Indonesia. "I was worried I might get kidnapped by Wewe Gombel," he says, referring to a female ghost in Javanese mythology known for abducting children. But Mr Anwar's childhood tribulations helped him cultivate a career as a director of horror films. His breakthrough came in 2017 with "Pengabdi Setan" ("Satan's Slaves"), about a family haunted by the death of their mother. His most recent blockbuster "Siksa Kubur" ("Grave Torture"), about two siblings whose parents are killed in a suicide-bombing, was released in April. And a recent Netflix series, "Joko Anwar's Nightmares and Daydreams", released in June, became the first Indonesian series to make the top ten shows in America.

Mr Anwar's work is part of a broader trend. The number of Indonesian horror movies produced in a year has surged from fewer than five in the 1990s to over 40 by 2018. After a brief decline during covid-19, the industry has picked up; 50 horror films were produced in 2023 (see chart). One of these, "KKN di Desa Penari"—based on a viral thread on X, about a purportedly real experience of students in a spooky village—became the highest-grossing film in the country, taking \$25m at the box office and selling 10m tickets since its release in 2022. That year, nine of the 15 best-selling Indonesian films were horror.

Why is Indonesia such a horror-movie powerhouse? It is partly down to the country's rich folklore. "We live very close to these things in our daily lives," says Ekky Imanjaya, a film specialist at Binus University in Jakarta, the capital. Parents often

use ghost stories to make children behave.

Meanwhile, the roots of the recent horror boom can be traced back to the 1970s and 1980s. During the so-called New Order regime of the dictator Suharto (who was in power from 1967 to 1998) film-makers churned out lurid exploitation films. Under the scrutiny of censors, horror films during this period usually had an "ideological dimension", says Thomas Barker of the Australian National University. A typical storyline involves a woman who turns into a vengeful spirit, until she is tamed by a pious Muslim man: a popular trope for the Muslim-majority country.

Film production almost died out in the 1990s during a recession, but it came back in the 2000s. A new generation of filmmakers emerged, partly inspired by Japanese and Thai horror. The rise of stream-

ing in the past decade or so has helped usher in the new era, too. Horror fans overly familiar with the usual tropes and Christian themes in Western films enjoy Indonesia's alternative motifs and Islam-based storylines, says David Gregory of Severin Films, an American distribution firm.

Some Indonesians reckon the local elements of its horror might be too impenetrable for foreigners. Satrya Wibawa, a cultural attaché at the Indonesian embassy in Singapore, cites the *pocong* undead who jump around because their bodies are tied up as part of local burial customs: will they really scare Western viewers? Mr Anwar is more hopeful. He points to the recent success of South Korean cinema as a "perfect example" of how films could be "accessible for a global audience" while retaining their country's identity. ■

Preparing for a potential invasion

Amateur radio and ammo

Taiwan is trying to learn from the wars in Gaza and Ukraine

EVERY WAR is a chance for other armies to learn. The fighting in Ukraine and Israel offers lessons aplenty. Among the most avid students is Taiwan, which fears it might be the next target of attack.

China claims the self-governing island as its own, and vows to retake it eventually, whether by peaceful means or by force. Taiwan's latest annual military assessment finds that China's forces are growing stronger, but are not yet "fully prepared to conduct a full-scale invasion on Taiwan", according to *Yomiuri Shimbun*, a Japanese newspaper. But for how much longer? America says Xi Jinping, China's leader, wants his armed forces to be ready by 2027.

Days after Hamas's massacre of Israelis on October 7th last year, Taiwan's defence ministry appointed a task force to study the conflict. One instant takeaway, said Taiwan's defence minister, Chiu Kuo-cheng, was the need to improve intelligence to avoid surprise. Others noted the danger that air defences risk being overwhelmed by "saturation" missile attacks.

"The Boiling Moat", a recent book of essays edited by Matt Pottinger, a former White House official, urges Taiwan to adopt other lessons from Israel—even to recruit Israeli experts to help reform Taiwan's conscription system and instil a "warrior ethos".

Taiwan has recently lengthened compulsory military service for men from four months to a year. But this is short of Israel's three years and excludes women. Israeli re-

serve units are used for frontline fighting; in Taiwan they are charged mainly with home-front tasks. Taiwan's military spending has almost doubled since 2016, and is set to reach 2.6% of GDP, but is still roughly half of Israel's military expenditure before the war in Gaza.

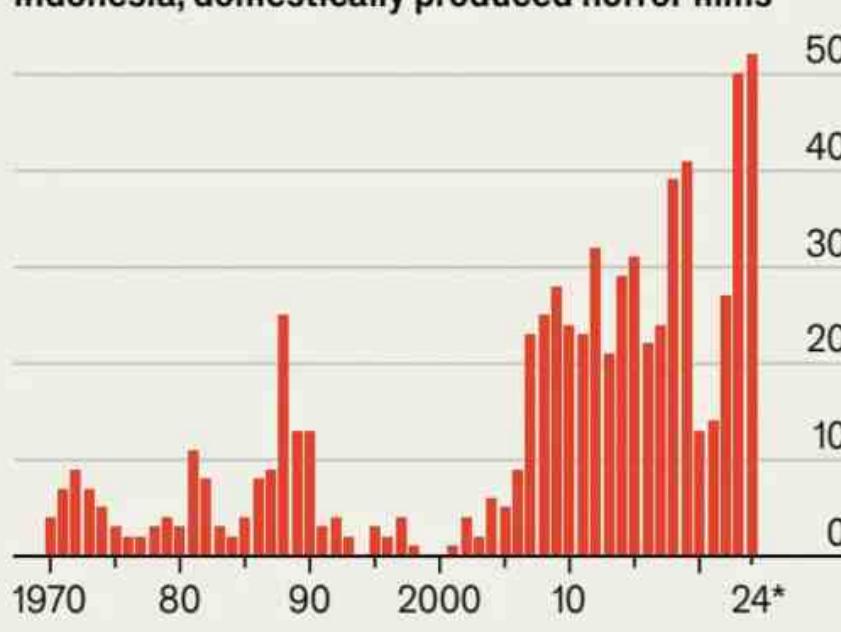
The war in Ukraine, meanwhile, highlights the importance of "asymmetric" weapons that are cheap, hard to detect and plentiful. It also teaches the fact that high-intensity fighting consumes vast amounts of munitions. China hawks want America ►



Battle ready?

Big bumps in the night

Indonesia, domestically produced horror films



*Releases to October 6th

Sources: "Deconstructing fear in Indonesian cinema", by J. Adiprasitio, Cogent Arts & Humanities, 2023; Film Indonesia

► to pre-position weapons in Taiwan, as it does in Israel and elsewhere, but that would be politically fraught.

Critical infrastructure, such as the country's power supply, must be resilient. Ditto communication links. Access to Starlink's internet satellites has proven essential to the Ukrainian army. In November 2023 Chuanghua Telecom, a Taiwanese firm, signed a deal with OneWeb, another provider of low-earth-orbit satellites.

Some think reforms must go much fur-

ther. Enoch Wu, the director of Forward Alliance, a Taiwanese NGO, calls for a "clean house" to remove obstructionists in the armed forces. Meanwhile, Taiwanese civil-society organisations are mobilising. One of them, Doublethink Lab, which combats Chinese disinformation, is sharing information with its Ukrainian counterparts. Amateur-radio enthusiasts are also learning how to communicate in the case of an emergency.

Perhaps the most crucial lesson from

Israel and Ukraine is the readiness to fight. Taiwan needs to hold out long enough for friends to come to its aid, but polls suggest the will to resist rests, in turn, on whether Taiwanese think America will defend them. Worryingly, Donald Trump, the Republican presidential candidate in November's presidential election, has said that Taiwan should pay America for protection. Taiwan can do much to strengthen its defences but, alas, it can do little to influence American politics. ■

BANYAN

Where the streets have four names

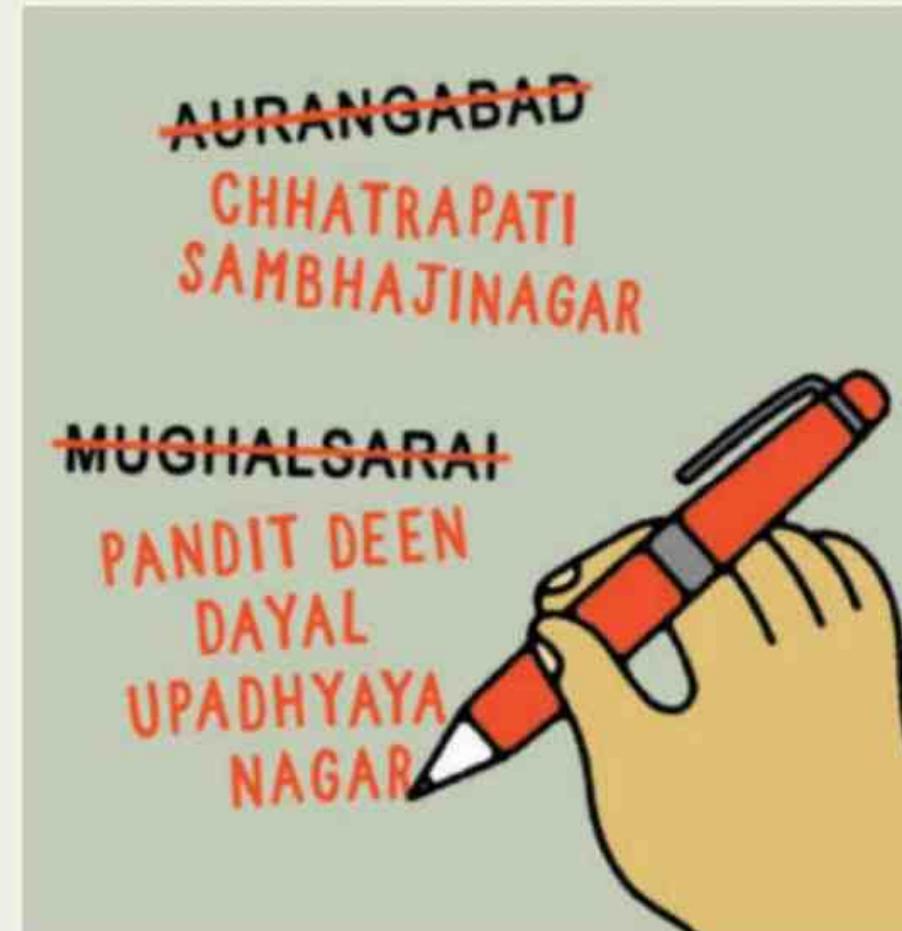
A new, Indian theory of nominal hyperinflation

AN UNDERAPPRECIATED PART of any government's job is to name things. Schools, bridges, cities, laws, programmes—anything a state creates requires a name. And old names can sometimes become outmoded or offensive, requiring renaming.

After India became independent in 1947, its leaders set about building the nation. This involved a lot of coming up with new names and changing colonial ones. Their approach prized clarity over creativity. New institutes of technology were named Indian Institutes of Technology. A big northern state was renamed Uttar Pradesh, or Northern State.

Much of the initial nomenclature was the work of the Congress party, which has run India for 54 of the past 77 years. Of those, 38 years were under a leader named Nehru or Gandhi. Any party in power for that long runs out of ideas. Which is why Delhi's airport is named after Indira Gandhi, a former prime minister, and Hyderabad's is named after Rajiv Gandhi, another one. A national park in Mumbai is named after Sanjay Gandhi, whose chief achievement was being Indira's son. When not naming things after its leaders, late-era Congress produced such appalling appellations as NABARD (an agricultural bank) and NREGA (a rural jobs scheme).

The arrival of Narendra Modi's Bharatiya Janata Party (BJP) in 2014 thus came as a breath of fresh air. Here was a party with a knack for names. A department for traditional medicine became AYUSH, Sanskrit for "well-being" but also an acronym for Ayurveda, Yoga, Unani, Siddha and Homeopathy. A subsidy scheme for regional flights was christened UDAN, an acronym and a Hindi word meaning "flight". It is, admittedly, sometimes a stretch. MAHARISHI



stands for "Millets And OtHer Ancient Grains International ReSearch Initiative". As an employee of *The Economist*, Banyan is contractually obliged to appreciate wordplay. But there are limits.

States run by the BJP also made good on its promise to Hindufy Persian names. This is a version of the decolonisation that, for example, years earlier turned Calcutta to Kolkata. Lately, however, the nomenclatura has lost perspective. Nominal hyperinflation has run rampant. Uttar Pradesh turned a town named Mughalsarai (11 characters) into Pandit Deen Dayal Upadhyaya Nagar (33). Maharashtra, a big state whose name means "big state", renamed Aurangabad (10) to Chhatrapati Sambhajinagar (25). In the north, politicians threaten to rename anything Muslim-sounding, including railway stations. Many new names are much longer.

A Congress-like lack of imagination is also creeping in. In the city of Lucknow "One can traverse Atal Bihari Vajpayee Road, navigate through Atal Chauraha, access the Atal Bihari Vajpayee Conference Centre, cross Atal Setu, and arrive at

Atal Bihari Kalyan Mandap," observes the *Hindustan Times*. In fairness, Vajpayee is the BJP's only previous prime minister. At least they are not naming things after Mr Modi. (Except a stadium. And a train.) Maharashtra, having sated its urge to rename things after Shivaji, a legendary warrior-king, has started honouring his son. A new main road in Mumbai is called—brace yourself—Dharmveer Swarajya Rakshak Chhatrapati Sambhaji Maharaj Coastal Road. That is: "Faith-defender, self-rule-protector, umbrella-lord Sambhaji king-of-kings Coastal Road". This is self-defeating. Nobody can remember the name, let alone use it.

Naming and renaming are part of the warp and weft of government, and of history. But for it to take precedence over practicality betrays a fundamental unseriousness at many levels of government. It is sometimes unclear whether there is any real demand for the changes and from whom such moves might win votes. Most people use the old names.

There is an economic cost, too. Three colonial-era laws that form the bedrock of the Indian criminal-justice system were recently repealed and re-enacted with some tweaks. To the majority of the country that does not speak Hindi, the laws' new names look similar and incomprehensible. Their sections have been renumbered, forcing lawyers and judges to spend weeks re-memorising hundreds of pages. India's judicial system, never known for its speed, will slow further. Out in the world, official street names are a fiction. No one is ever quite sure where they are. Navigation relies on landmarks. Every renaming brings fresh confusion. Hours of people's lives are wasted, with no material gains. It is an odd way to run a country—whether it's called India, Bharat or Hindustan.

China



Resilient liberals

Yearning to think freely

Despite a long, intense clampdown, liberalism is far from dead in China

WALK INTO the All Sages Bookstore in north-western Beijing, and you enter a different world. Not here the collections of speeches by China's leader, Xi Jinping, that greet visitors to state-owned bookshops—rows of covers with the same face, the same benevolent smile. The founder of All Sages, Liu Suli, served 20 months in prison for his role in the Tiananmen Square protests of 1989. His shelves are filled with the works of free thinkers: economists and political scientists, historians and legal scholars. The potential market could be bigger than it was during the build-up to Tiananmen. Mr Liu says China's liberals are becoming ever more numerous.

That view jars with the impression conveyed by another, far more conspicuous, trend: the rise of Chinese nationalism. In public forums online, it is usually hard to find liberal views. The internet is filled with the voices of West-hating cheerlead-

ers for the regime who pounce on the few who dare to challenge them. The nationalists enjoy a wide-open field thanks to Mr Xi's relentless efforts to silence liberals. In contrast with the 1980s, the intellectual landscape of China can seem drearily homogenous, sucked of vitality by a party re-energised and strengthened by Mr Xi.

Yet liberalism is surprisingly resilient. In subtle ways, as Mr Liu believes, it may even be drawing more adherents. This is not to say that active dissent is spreading. Far from it. Mr Xi's clampdown has made it all but impossible for anyone who persistently and openly criticises China's political system to remain free. With the help of high-tech surveillance and a massive do-

mestic-security apparatus, the party appears in firm control. It is hard to imagine another Tiananmen.

But liberals are not necessarily dissidents (nor are they necessarily left-leaning, as the label is often taken to mean). They may even support the party, seeing its collapse as a recipe for chaos. They are people who want more personal and economic freedom. They are supporters of individual rights, even when these clash with the government's wishes. They admire the values that Western democracies say they uphold, even if they see faults in the way the West works. Though not synonymous with dissent, liberalism can be a wellspring of it.

Its influence explains why Mr Xi focuses so much on fighting it. On August 31st, as a new academic year got under way, the Communist Party's main theoretical journal, *Qiushi*, republished a speech given by Mr Xi in 2018. In it he warned of persistent efforts by the West, targeting young people, to foment a "colour revolution" in China. "The fight over young people is a long and severe battle," said Mr Xi. "We cannot afford to lose, and we must not lose. We must stay vigilant!"

Studies by scholars abroad provide some insights. The opinions of Chinese citizens are "more diverse and liberal than one might expect", wrote Scott Kennedy ➤

→ ALSO IN THIS SECTION

37 The party targets slackers

► and Ilaria Mazzocco of the Washington-based Centre for Strategic and International Studies in 2022, citing data collected over several years by Jennifer Pan and Yiqing Xu of Stanford University. "There are plenty of nationalists, but there is also a silent majority in favour of economic reform and political liberalism." In a review last year of such research, Sungmin Cho, then at the Asia Pacific Centre of Security Studies in Hawaii, said that while the majority of Chinese citizens welcomed the stability provided by party rule, "their support of democratic norms and values has also increased over time".

Some researchers are less sure. In "China as Number One: The Emerging Values of a Rising Power", a multi-author work published this year, John James Kennedy of the University of Kansas wrote that a poll in 2018—the latest in a series by an international project called the World Values Survey—suggested a "more conservative trend" had emerged in Chinese views on issues such as gay rights, gender equality and respect for authority.

Much has changed, however, since 2018. In the first two years of the pandemic, the party clearly enjoyed a surge of support as China successfully contained the spread of covid-19, while Western countries floundered. China's propagandists made hay of this, heaping scorn on the weakness of Western democracy. Many Chinese appeared to agree with the government's spin. But in 2022 the mood appeared to shift. Mr Xi's determination to pursue his zero-covid strategy, despite the difficulty of containing the Omicron variant of the virus that swept the world that year, stirred anger among the millions of people who were forced to stay at home for days or weeks on end.

For the first time since Mr Xi came to power a decade earlier, multi-city protests erupted. The demonstrations that November were small, but brave. Participants demanded an end to the lockdowns and also aired political grievances. They criticised censorship, holding up blank sheets of paper to make their point. Some called for the overthrow of Mr Xi and the party. If only briefly, the liberal wellspring gushed.

The "white-paper movement", as the protests came to be dubbed, revealed that Mr Xi was not wrong to worry about dissent. In the following weeks, police swung into action, tracking down those involved, warning many and detaining dozens.

In this climate of fear, few liberals would dare to speak out. But conversations with young urban Chinese in several parts of China suggest that the white-paper movement was a big moment for liberals, and the country's sudden, chaotic exit from zero-covid—thought to have resulted in more than 1m deaths, mainly of elderly people—was a wake-up call for some sup-

porters of Mr Xi's brand of authoritarianism. Cynicism about the way China is run appears more widespread. That does not mean many now want an immediate end to one-party rule. But gloominess is palpable. It is being compounded by the economy's lacklustre performance.

In Beijing, Mr Liu's bookshop is a rarity. Perhaps the authorities reckon that to close it would anger many and achieve little. The works of Isaiah Berlin, Friedrich Hayek and Ludwig von Mises (among Mr Liu's bestsellers) can be found online and in libraries, after all. But look at the flow of young people to less oppressive cities in China, or abroad, and you can detect a liberal yearning. "I think the covid restrictions triggered a lot of Chinese people to have that kind of thought: to emigrate to other countries," says Zhang Jinping (a pseudonym), who recently completed a master's degree in Beijing. "We can see the leadership is not listening to its people."

Digging for the truth

For Ms Zhang the turning-point came in 2019, when pro-democracy protests engulfed Hong Kong. On the mainland, nationalist fury erupted against the demonstrators. The party portrayed them as CIA-backed separatists. Many young Chinese bought that line: internet censorship allowed no other to prevail. But Ms Zhang tunneled through the "great firewall" and found a different story. Her confidence in the government dropped from 100% to 80%, she says. The final months of zero-covid turned her into a far greater sceptic. "I would say Chinese people have learned the hard way how the Chinese leadership is." Her faith in the party is now "very low".

The south-western city of Chengdu is a popular destination for young, liberal-minded Chinese who want to get away from the capital's suffocating politics. It is

no nirvana for dissent. Outspoken critics of the party are still targeted by police. But there is a little more freedom—in its cafés and counterculture of underground music; and in a laid-back lifestyle nurtured by a mild, subtropical climate that is a welcome respite from Beijing's fierce extremes. Here there are several liberal-oriented bookshops. A shelf in one contains multiple copies of two translated works. The first is "The Plague" by Albert Camus, published in 1947. It describes a city ravaged by disease in a way that seemed prescient about the horrors of zero-covid. The other is George Orwell's "Nineteen Eighty-Four".

In Chengdu it is easy to join small gatherings known as *shalong* (derived from "salon"), at which people discuss books and current affairs—though not, as one *shalong* enthusiast points out, anything specifically related to *lao da*, or the big boss. (Even in Chengdu, few dare openly to criticise Mr Xi.) Organisers say such events are becoming more common.

At one, about three dozen people, most of them in their 20s or 30s and many unknown to each other, assembled in a brightly lit exhibition space. They had been drawn by an announcement, circulated on WeChat—China's closely monitored equivalent of WhatsApp—of a debate on the motion "Israel's war against Hamas has gone beyond the scope of self-defence". The discussion was calm—a far cry from the stampede in official media and online to portray the violence as a product of American meddling, ignoring Hamas's atrocities. Neither side was declared the winner. As one organiser stressed, it was a victory for orderly discussion. "Chinese don't have freedom of speech," says one participant. "It's great to have this opportunity to speak."

Beijing is more stifling, but liberal thinking is common in the capital, too. ►



► One striking sign of it is meetings of women, particularly the young and well-educated, to discuss problems related to their sex. Mr Xi has cracked down hard on feminist activism. Officials see it as a front for anti-party dissent. There has been barely any organised campaigning related to women's issues since 2015 when five high-profile activists were detained just before International Women's Day. In 2018, in response to the #MeToo movement, Chinese women took to the internet to air their own grievances. But the government has moved to silence them, too. In June a prominent #MeToo activist was sentenced to five years in prison for subversion.

Online and offline, however, women still gather to encourage each other in their struggle against discrimination and abuse. Demand for feminist books shows how interest in this subject is surging. The works of Ueno Chizuko, an honorary professor at the University of Tokyo, are among the most popular. In 2019 she spoke to new students about gender inequality in higher education. She attacked expectations in Japan that girls be *kawaii*, or cute, and that women hide their academic achievement to avoid being seen by men as a threat.

Amid a campaign by Mr Xi to promote conservative family values, emphasising the role of women as mothers, Ms Ueno's speech struck a chord among Chinese women. It went viral on social media. A video of it has garnered more than 1m hits. Chinese publishers rushed to bring out translations of Ms Ueno's books on feminism. More than 20 are now on sale. They have sold hundreds of thousands of copies. "In recent years, feminist ideas have spread rapidly in China and have influenced many young people," says Jiang Xue, a Chinese journalist who left China in 2022 after harassment by state-security police. "This inevitably includes thoughts about personal rights."

As for campuses, much research by Chinese academics suggests that free-thinking attitudes remain attractive, at least to some. Of more than 1,400 students who were surveyed in 2019 at four universities in Henan province, more than 40% said they believed that liberalism was influential among students. The researcher, Cao Chong, said such thinking had "undermined the mainstream values of college students and blurred the standards of morality and justice".

In the 1980s the spread of liberalism at universities was in part encouraged by politics. Reformers in the leadership wanted China to move further away from Maoist totalitarianism by easing the party's grip on the media and academia. No such reformers are visible today. Mr Xi has silenced them. A journal that had their backing, *Yanhuang Chunqiu*, was ended in 2016.

Amid soaring unemployment, proper-

ty-market wobbles and a slowing economy, the police will be on heightened alert for unrest. Two American scholars, Scott Rozelle and Martin Whyte, have analysed data concerning attitudes towards inequality. They found that most people once believed a lack of ability explained why some people were poorer. Now they are more likely to blame the system. But don't expect them to demonstrate.

Liberals see no end in sight to the clampdown. There is no sign that Mr Xi,

who is 71, plans to step down. And whoever emerges as his successor is likely to share his anxiety about the party's possible collapse, should it relax its ideological grip. In the 1980s it was partly thanks to paralysis in the party, as reformers and hardliners squabbled, that demonstrations were able to grow. It is possible that, post-Xi, the party may experience such rifts again. If so, there could be another gushing of liberal-hued dissent onto the streets. But it could be a long wait. ■

Communist Party membership

Not for slackers

BEIJING

How to get kicked out of China's ruling party

CHINA'S COMMUNIST PARTY has over 99m members. So it is no surprise that some are not up to scratch. The corrupt, criminal or disloyal are handled by the party's fearsome internal-investigation arm, the Central Commission for Discipline Inspection. It has punished thousands of officials in recent years. But that still leaves another kind of troublesome member: those who have not broken any laws, but just aren't very good communists.

In late August officials published regulations for dealing with them, too. The aim is to reform or expel people who show a "lack of revolutionary spirit". Some of the rules were already on the books, but enforcement had been lax. It will get tighter so the party can further its "self-revolution", an official explained to state media, using a buzzword for the purging of weaker members.

Those who do not pay their party fees are a target. Every month members are supposed to give up a small portion of their wages. The party does not need the money; it is simply an act of loyalty. Cadres are urged to take inspiration from Zhu De, a revolutionary hero who, on his deathbed, gave his life savings to the party rather than his daughter. Few members are so devout. Some fail to pay any fees at all. The regulations say that not doing so for six consecutive months is grounds for expulsion.

Religious members are seen as another problem. Newbies must swear that they are atheist. But many still harbour beliefs in the supernatural. In one notorious case, from 2018, a member in the province of Gansu hired a Taoist priest to bring luck to the construction of a nuclear power plant. According to the regulations, religious folk should be given a chance to renounce their beliefs—and kicked out if they do not.

The main goal of the regulations seems to be to root out slackers. "Passive and lazy" members should be shown the door, say the rules. Some members appear to be skipping the fun activities organised by local party cells, such as study sessions focused on Xi Jinping's speeches. Others are not completing tasks assigned to them by officials.

This is of great concern to Mr Xi. The party chief often complains about his subordinates' poor work ethic. But the root of the problem is not laziness, says Alfred Wu of the National University of Singapore. It is that under Mr Xi, members who mess up are punished harshly. Many therefore believe that it is better to keep their heads down than to show any initiative. Stricter enforcement of the rules is unlikely to encourage them.



Don't let the door hit you...

Middle East & Africa



China in Africa

Beyond Belt and Road

NAIROBI

China's relationship with Africa has become murkier

IT HAS BEEN the highlight of most African leaders' diplomatic calendar for nearly a quarter of a century. Ever since the inaugural Forum on China-Africa Co-operation (FOCAC) in Beijing in 2000, the triennial shindig has been treated as a barometer by analysts seeking clues about the evolving state of relations between Africa and its biggest trading partner.

At first glance this year's summit, the first to be held in-person since the pandemic, is no different. Chinese media are awash with coverage of an event that allows President Xi Jinping to pose as the undisputed leader of the global south. Billed by China's foreign ministry as a "grand reunion of the China-Africa big family", more than two dozen African leaders are in attendance.

Yet in many African countries the run-up to the summit had been muted. One reason is a perception that China has become less interested in Africa. At the previous FOCAC, held virtually between China

and Senegal, China made new financial pledges adding up to \$40bn—a third less than it had promised in both 2015 and 2018. About half of the reduction was due to a slump in infrastructure borrowing. In several African countries, notably Ethiopia, Zambia and Kenya, governments struggled to pay off debts they had accrued while building big-ticket infrastructure over the preceding decade. By 2021 the value of official new loans from China to African countries had fallen to about 0.15% as a share of African GDP, from a peak of 1.2% in 2016, according to Boston University.

Today, with China's economy slowing

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and African governments tightening their belts, few experts expected Beijing to offer anything on the scale of pre-pandemic FOCACs. On September 5th Xi Jinping pledged some \$50bn in financial support over the next three years, more than in 2021 but less than in previous years.

The relationship is less frenzied than in the 2000s and 2010s, when China's state-backed banks funnelled billions into Africa's roads, railways and ports as part of what became known as the Belt and Road Initiative (BRI), Mr Xi's signature foreign-policy endeavour. For much of that era, geopolitical competition on the continent could be summed up as "China and the West", notes Eric Olander, co-founder of the China Africa Project, a media initiative focused on the relationship. Since then, "Africa+1" events have gone global; the second Indonesia-Africa Forum began just three days before the opening of FOCAC on September 4th. "Now, it is China, the West and the rest," says Mr Olander.

Yet as Mr Xi's latest pledge shows, that does not mean that China is retreating from Africa, or that African countries are disengaging from China. "Whatever people say, China will remain the biggest economic partner for Africa," explains a senior official in Ethiopia, one of a few big countries—another is Angola—generally perceived to have pulled away from China in recent years. "You simply cannot afford

► not to have good relations."

China remains the continent's biggest bilateral trade partner. Even as lending has fallen, trade has ticked up. Thanks in part to surging demand for African minerals, especially those critical for the transition to green energy, the total trade volume in 2023 reached a record \$282bn, or 9.9% of Africa's GDP—up from less than \$200bn, or 7.8% of African GDP, just four years earlier. The volume in 2023 was more than double that with India, Africa's second-biggest individual trade partner.

In loans to sub-Saharan Africa, China is still second to none. New lending rose again in 2023 after six consecutive years of decline, according to new data from Boston University's Global Development Policy Centre. Some of the loans, such as \$50m for a solar farm in Burkina Faso, are in line with Mr Xi's recent directive that the BRI must shift focus towards "small but beautiful" (ie, cheap and green) projects. But others, for instance a loan of roughly \$1bn for a railway in Nigeria, are a sign that China "hasn't got out of the infrastructure game at all", argues Zainab Usman of the Carnegie Endowment for International Peace, a think-tank in Washington, DC.

The more commonly cited data may be underestimating the scale of China's lending. Bradley Parks, the executive director of AidData, a research lab at William & Mary University in America, agrees that there has been a measurable "bounceback" in lending in recent years (though volumes remain far off their peak). But he adds that "much of what we think is going on in the world of Chinese lending is based on where the light is shone". Datasets that focus only on the activity of a small group of Chinese state-backed lenders, such as the two biggest, Export-Import Bank of China (known as Exim) and China Development Bank, do not tell the full story.

Casting a wider light means considering an array of Chinese creditors—both public and private—as well as different types of loans. These include those denominated in yuan, rather than dollars, as well as packages involving multilateral or even Western banks. China also offers emergency-rescue lending to central banks, for example in the form of currency swaps. Chinese banks get involved in special-purpose vehicles established to fund individual projects while keeping debts off the government's books.

The picture that emerges is more complex than the traditional sovereign debt of decades past. "What we are seeing is a diversification of forms of financial support," says Robert Dussey, the foreign minister of Togo. Take all of it into account and the volume of lending is several times higher than alternative estimates (see chart).

Consider, for instance, a multi-billion-dollar loan for an iron-ore, rail and port de-

velopment project in Guinea, which was agreed this year. Unlike the old model of bilateral sovereign debt, the syndicated-loan agreement in question is expected to involve several Chinese banks and possibly Western commercial ones. It will be managed by a special-purpose vehicle in which the Guinean state has a 15% stake. This offers potentially lucrative rewards for the Guinean government, which will receive a share of the project company's future profits. However, it also raises questions about the extent to which Guinean taxpayers will be on the hook should it go bust (the exact terms of the deal are not public).

African negotiators in Beijing this week hope to bag big promises from Chinese firms and lenders. But in this new, murkier world of loans and investment, quality matters as much as quantity. Folashade Soulé of Oxford University's Blavatnik School of Government argues that African leaders should work together to ensure that resource and infrastructure deals are clean and transparent. Better co-ordination might also push China to make other concessions, such as increasing access to its own market and doing more to help African countries process and refine minerals before export. It has yet to meet its pledge, made at the summit in 2021, to buy \$300bn-worth of African goods.

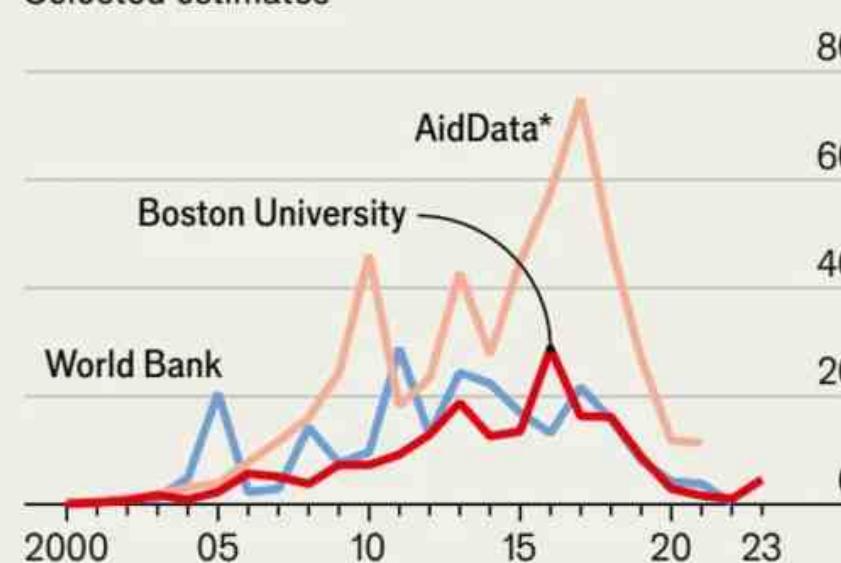
Too often, though, "internal rivalry and competition over the same resources" weakens the continent's bargaining power, notes Cliff Mboya, a Kenyan analyst. And, economically, Africa needs China more than China needs Africa. Despite recent growth, the continent still makes up less than 5% of China's global trade.

Nevertheless, Africa has leverage in the relationship. It has 54 votes at the UN, and a certain moral clout at the heart of the global south. In an increasingly multipolar world it also has competing suitors to play off each other. FOCAC—China's largest post-pandemic diplomatic event—is itself a reminder of how much Africa matters to China. It remains an opportunity the continent cannot afford to miss. ■

Tightening the belt (and road)

New Chinese loans to Africa, \$bn

Selected estimates



Adapting to the heat in Africa

Chilling prospects

LAGOS

How to stay cool in a warming climate

FEW PLACES on Earth are more familiar with the deadly consequences of extreme heat than countries in Africa. Heat kills crops, spoils food and medicines, and makes it impossible to work, study or sleep. As the planet warms, the number of days when people on the continent will be exposed to excessively high temperatures is set to rise. How will they keep themselves, their food and their medicines cool?

One answer is air-conditioning, which Lee Kwan Yew, Singapore's founding father, once credited with changing "the nature of civilisation by making development possible in the tropics." Yet air-conditioning, while cooling people, worsens global warming through power use and refrigerant leakage and by warming the area around air-conditioned buildings. It also remains inaccessible to most Africans. Only half the population has grid power. Even where it is stable, the cost of running an air-conditioner is forbiddingly high, partly because lax regulation means most are energy-intensive and inefficient. Only 5% of African homes have a unit, a percentage that has barely budged in two decades.

As temperatures and incomes rise, that number is likely to rise, and efforts are under way to make air-conditioning more sustainable (see Science and Technology section). Yet given the unstable grid, lack of money and the need to limit emissions of greenhouse gases, other ways of keeping cool will be needed, too.

For now, much climate-friendly innovation is concerned not with cooling people, but with ensuring that heat does not spoil their food and medicine. Cameroon and Sierra Leone use solar-powered fridges to keep vaccines and other temperature-sensitive medicines stable. Combined with battery storage, they stay cool even when there is no sun or alternative power supply. Some freeze water into an ice lining, meaning they do not even need batteries. Supplied to the Democratic Republic of Congo during the covid-19 pandemic, they can now be used for mpox vaccines.

Similar efforts are under way in agriculture, where up to 18% of harvests are currently lost to insufficient cold storage. Some startups are offering farmers space to rent in solar-powered cold rooms. Sure-Chill, a British-based maker of solar-powered fridges, offers a cheap pay-as-you-go plan for the use of its \$800 fridges, as long as farmers prove that they will gener-

▶ ate income from their use.

When it comes to keeping people cool with limited or no air-conditioning, building design is essential, particularly in dense cities. Nearly 60% of Africans will probably live in cities by the end of the decade. Around 70% of the buildings that are likely to exist on the continent by 2040 have yet to be built, according to the UN. That provides ample room for incorporating simple, cheap and sustainable building practices, such as building walls with mud brick or insulating them with charcoal, and making window shades from cheaper woods, such as eucalyptus. For existing houses, coating roofs in reflective white paint can reduce indoor temperatures and also cool the urban environment, as long as buildings are painted in clusters.

Governments will need to help scale up sustainable practices. They must abolish rules that prevent people from accessing cooling, such as high import tariffs on fridges. Designing regulation that favours greener appliances and improving labelling will help consumers choose more efficient options. Tighter building standards, heat-adaptation plans and more greenery for cities could cool the urban environment. The harder governments try, the more Africans will have access to some cool comfort as the planet warms. ■

Israel and Turkey

War of words

ISTANBUL AND JERUSALEM

Israel and Turkey's relationship is at breaking point

TURKISH FLAGS flew at half-mast on August 2nd, to the bemusement of many Turks. No Turkish grandee had died. The reason was the assassination, orchestrated by Israel, of Ismail Haniyeh, the political leader of Hamas, in next-door Iran. Turkey's president, Recep Tayyip Erdogan, had reacted to the killing by declaring a day of national mourning. The same day, Turkey blocked access to Instagram, accusing the social-media platform of taking down posts in memory of Haniyeh.

The war in Gaza, and Mr Erdogan's embrace of Hamas since its start in October, have poisoned the relationship between Turkey and Israel. Turkey has come out in support of South Africa's genocide case against Israel at the International Court of Justice. It has suspended trade with Israel and blocked co-operation between Israel and NATO, of which Turkey is a member. The Turkish president has even mused about an armed intervention in Gaza. Such threats are bluster. But they highlight just



Fighting talk

how badly relations have deteriorated.

Israel is no less incensed. The country blames Turkey for allowing Hamas to use its territory as a base for directing and financing military activities, and for money-laundering. Zaher Jabareen, a senior Hamas commander in charge of operations in the West Bank, lives in Istanbul. Other Hamas officials are spending more time there. In June Shin Bet, Israel's internal-security agency, said it had arrested a would-be suicide-bomber in the West Bank who had been recruited by Hamas in Turkey.

Israel argues that Hamas's operations are partly financed by a network of companies based in Istanbul, some of which have been placed under sanctions by America. Israeli intelligence officials say that until the attacks of October 7th, the Turkish government limited Hamas to "political and financial" activities in their territory. Since then, claims one Israeli official, it has "blatantly turned a blind eye also towards terror activities being planned and directed from Turkey".

The war has also derailed Turkey's detente with America, which began when Mr Erdogan lifted his veto of Sweden's membership of NATO. Earlier this year Mr Erdogan postponed a trip to the White House, presumably reasoning that a photo with Israel's closest ally would go down poorly with his base and Muslims elsewhere. Since he likened Binyamin Netanyahu, Israel's prime minister, to Hitler and said American lawmakers had blood on their hands, no one in Washington wants a picture with Mr Erdogan either.

Mr Erdogan appears to be more than willing to burn bridges with Israel. But a regional war, pitting Iran and its proxies against Israel and its allies, is the last thing he wants. Such an escalation could devastate Turkey's economy and engulf nearby Iraq and Syria, shutting down trade routes

and leading to a fresh influx of refugees into Turkey. A regional conflict would be "catastrophic" for Turkey, says Serhan Afacan of the Centre for Iranian Studies, a think-tank in Ankara.

Fears of a wider war also seem to have forced Mr Erdogan to rethink his insistence on America's withdrawal from north-east Syria, where its troops are embedded with a Kurdish militia that Turkey considers a terrorist group. "They certainly don't like who we partner with," Jeff Flake, the departing American ambassador to Turkey, said recently. "But I think they are concerned about Iran and its proxies, and concerned about what would happen if the US did not have a presence there."

Turkey's relations with Israel are not beyond repair. Trade between the two countries, though disrupted, is too lucrative for either side to sacrifice it entirely. Turkish exporters have continued to send goods to Israel, under the pretence that they are going to the Palestinian Authority, which uses Israeli ports. Oil from Azerbaijan, a key supplier for Israel, still comes through Turkey. And in future Israel may have no choice but to work with Turkey, an emerging energy hub, to pump its offshore gas to Europe.

Mr Erdogan has repeatedly shown that when Turkey's ailing economy is at stake, his pragmatism prevails. He has rebuilt ties with Saudi Arabia, the United Arab Emirates and Egypt, all of which chafed against his brand of political Islam. On September 4th Abdel-Fattah al-Sisi, the Egyptian strongman, landed in Turkey for the first presidential visit in 12 years. Once the smoke and stench of death over Gaza start to clear, Mr Erdogan may decide to reach out to Israel. Whether Israel will welcome such overtures is unclear. Relations, says one Israeli diplomat, can start to improve "only on the day after Erdogan". ■

Libya's central bank

Leaning eastward

The fall of the central banker may mark a shift of power away from the capital

AMID THE chaos of Libya's long-sputtering civil war, the central bank in Tripoli, the capital, has stood strong. Its red-and-white striped façade, crowned with two turquoise cupolas, a throwback to the days of Italian colonisation, were unscathed. Sadiq al-Kabir, the bank's governor appointed after Muammar Qaddafi was toppled in 2011, survived two civil wars and six prime ministers. Libya has had two governments, parliaments, judiciaries and security regimes, but Mr Kabir, a mild-mannered bureaucrat, kept a vestige of unity, overseeing and distributing a single currency from his charming seaside bank.

On August 26th Libya lost that linchpin. In a power grab, Tripoli's prime minister, Abdul Hamid Dbeibeh, sent his militiamen into the bank, took over Africa's largest foreign-exchange reserves and chased Mr Kabir, an erstwhile ally, into exile in Turkey. Libya's pliant presidential council sought to appoint a replacement and a new board. "The person filling the post has no legal basis," says Wolfram Lacher, a Libya-watcher in Berlin.

Mr Kabir had sown the seeds of his own demise. At first he bought off his chief challengers: the people who had risen against dictatorship. After Qaddafi the state payroll almost doubled to 2.4m in a country of 7m. It is claimed the bank funded the warlords, paying fighters who both besieged and defended Tripoli. When the fighting ended in 2020, Mr Kabir financed their ever-more grandiose schemes for hiving off Libya's vast oil revenue. He paid billions to import fuel at market prices, subsidised it to make it the world's cheapest, then let it be smuggled overland and increasingly by tanker to Europe. The more lucre and power the recipients amassed, the weaker he grew. When he tried to rein in the purse strings, it was too late.

On the advice of America's Treasury, corresponding banks abroad are refusing to deal with the central bank until it sorts out who runs it. If Libya drops out of the global financial system, it will struggle to buy basics, mostly imported goods, including food. Mr Dbeibeh's civil servants and allied militiamen got their salaries last month but are unsure of their next ones. Some banks have closed. The Libyan dinar has plummeted on the black market. Inflation officially stands at 2%, but the real figure exceeds 40%. Petrol queues snake for hours. Some Libyans speak of another

Arab spring. "The revolution is coming soon," says a former official. "Without money the leaders are nothing."

The two main ruling families financed by the central bank—the Dbeibehs in the west and General Khalifa Haftar and his sons in the east—are wrestling over who runs it next. After Mr Kabir's eviction, the Haftars turned off the oil taps that provide 95% of Libya's revenue. Usual production of 1.2m barrels a day has slumped by 60%. On September 3rd the UN body still supposed to oversee the post-Qaddafi transition said it had agreed on a way to pick a new governor. But both sides have asked for time to consider its proposals. General Haftar's forces are massing in the oil-rich south-west and have pushed north. They may yet march on Tripoli again.

Turkey and Russia will probably deter their protégés—Mr Dbeibeh and General Haftar, respectively—from all-out conflict. But the general looks better placed. From his redoubt in the east he controls 80% of Libya's oil wells. He now looks set to take control of expenditure as well as revenue. Marai al-Barassi, the bank's deputy governor, who is a Haftar ally, may succeed Mr Kabir. The Haftars have bolstered their war chest by turning their Mediterranean ports into smugglers' creeks.

So Libya's centre of power may be shifting from Tripoli to Benghazi, the eastern capital. Warlords in the west now tend to bypass Mr Dbeibeh and deal with the Haftars. Last year's floods in the east have spurred a reconstruction boom. Russia is looking to the Haftars to award it a naval port on the Mediterranean. The Haftars already let Wagner, a Russian mercenary firm, have access to the Sahel. Western diplomats and Turkish companies who once spurned General Haftar are heading to Benghazi to chat him up. Even the Americans are said to be softening towards him. Last month he had a meeting with America's commander of Africom, its Africa-wide force—in Benghazi. ■



Israel's hostages

Freedom for the captives

JERUSALEM

Israelis can agree on only one thing

THE NEWS on September 1st that the bodies of six hostages had been repatriated from Gaza prompted the largest protests across Israel since the war began on October 7th. The fate of 250 hostages whom Hamas captured that day has remained throughout the conflict the issue most likely to bring Israelis out onto the streets in protest against their government. Even the country's trade-union federation, which usually stays out of politics, called for a general strike.

Bodies of hostages have been located in Gaza before, but this time was different. Forensic evidence points to the six having survived over 300 days in captivity until being executed by their captors shortly before they were found. The possibility that some might have been freed alive as part of a ceasefire agreement with Hamas stoked anger towards Israel's prime minister, Benjamin Netanyahu. He has been blocking such a deal, despite Israel's security chiefs broadly favouring one.

Over 40,000 Gazans have been killed in the war, according to Hamas authorities. In Israel the death toll is over 1,600. But the anger most Israelis feel towards their government is driven by its failure to rescue the hostages. Some 101 remain in Gaza, though Israel believes a third of them are already dead. A majority of Israelis keenly support a ceasefire because it might bring the rest of the hostages home.

On a political plane, the issue of the hostages has rallied a divided opposition which shares a loathing for Mr Netanyahu's government but has conflicting positions over the war in Gaza. "Every Israeli feels the hostages are part of their family, even a limb in their body," says Dahlia Scheindlin, a pollster. In the current discourse, she continues, "ending the war for its own sake is barely mentioned".

For the beleaguered Israeli left, the prevalence of such attitudes means they have to temper calls for an end to the war and efforts to draw Israelis' attention to the carnage among Palestinians. For now, says Noam Davidov, a student and left-wing activist, the priority is a ceasefire, and so "the focus has to be on the hostages".

Europe



German politics

Of firewalls and fragmentation

The results of east Germany's state elections are putting the party system under unprecedented strain

IT COULD HAVE been even worse. That was the only consolation for opponents of the hard-right Alternative for Germany (AfD), which on September 1st secured its first-ever state-election win, in Thuringia, and in neighbouring Saxony ran the centre-right Christian Democrats (CDU) a close second. At least many anti-AfD voters lent their support to the CDU to bolster opposition to the radicals. The *Brandmauer* (firewall) against the AfD remains intact, ensuring it cannot take office. But few could avoid the conclusion expressed by Olaf Scholz, Germany's chancellor, that the results were "bitter". Nor the anxiety that attends the start of a lengthy period of coalition talks in the two eastern states.

It was not supposed to be like this. West Germany's post-war institutions, extended to the east after reunification in 1990, were designed to see off the chaos of the pre-Nazi Weimar years. Strong "people's parties" like the CDU and the Social

Democrats (SPD) were encouraged to weaken fringe outfits. Parties' role in politics was even anchored in the constitution. Other safeguards included a rule that parties had to win 5% of the vote to enter parliaments. Courts were permitted to ban parties that violated democratic principles, although none has done so since 1956.

For decades the system yielded strong parties and coherent coalitions. Two factors have eroded it. The first, familiar to many democracies with proportional vot-

ing, is a fragmentation of the party system. Seven party groups now sit in the Bundestag. At the last election, in 2021, the CDU (along with its Bavarian sister party, the Christian Social Union) and the SPD between them got less than half the vote for the first time. Germany's 16 states are run by a rum array of coalitions. Independents without a party affiliation are growing in local politics, especially in the east.

Fragmentation alone did not undermine coalition politics. The addition of the Greens to parliament in the 1980s, for example, in time simply expanded the coalition options available to the SPD. But then came the growth of parties that sit beyond the firewalls. In other European countries these have eroded as, usually, centre-right parties have given up resisting the success of national populists: recent examples include Sweden and the Netherlands. In Germany, by contrast, the *Brandmauer* holds at national and state level.

This applies chiefly to the AfD, an outfit radical even by the standards of European right-wing populism. But its strength makes the mathematics of coalition formation that much harder. In Thuringia, for example, the AfD now commands 32 of the 88 Landtag seats. That leaves four parties, occupying a spectrum of hard left to centre-right, to assemble a 45-seat majority from 56 seats (see chart). And the CDU's re-

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fusal to work with the Left party, owing to its communist heritage, in effect makes the formation of a stable governing majority impossible. Tricky negotiations, and perhaps the sacrifice of sacred cows, lie ahead.

No wonder the *Brandmauer* risks crumbling. At the two states' last elections, in 2019, the strength of the AfD forced the CDU to ally with the SPD and the Greens in Saxony, and to prop up a minority government in Thuringia. Now the only viable options in both states yoke the CDU to the Sahra Wagenknecht Alliance (BSW)—a “left-conservative” party set up by Ms Wagenknecht, an ex-communist, in January—and the SPD in so-called blackberry coalitions (the parties’ colours supposedly resemble the fruit’s stages of ripeness).

In simpler times the BSW’s stance on Ukraine (it wants Germany to cut aid) and other foreign-policy matters would also have rendered it untouchable for the CDU. This week several CDU grandes have urged their eastern colleagues not to work with Ms Wagenknecht. But when Friedrich Merz, the CDU’s national leader, suggested an anti-BSW firewall earlier this year his state branches forced him to backtrack.

“It’s a huge dilemma for the CDU,” says Christian Stecker, a political scientist at the Technical University in Darmstadt. Should Ms Wagenknecht, who has her eye on next year’s federal election, prove an intractable negotiator—she has made security policies that lie beyond the remit of state governments a condition of coalition talks—the CDU could split, or government formation prove impossible. Even if coalitions can be formed, their conflicts could play out at national level in the Bundesrat, the upper house, which comprises representatives from state governments.

All this risks fulfilling the prophecies of figures in the AfD such as Björn Höcke, head of the Thuringian branch (pictured on previous page), who expect the CDU to implode under the contradictions of the eccentric coalitions it is condemned to lead, enabling the radicals to ride to victory next time. The AfD is entrenching itself at local level, and post-election surveys found that a growing number of voters were persuaded by its populist anti-immigrant message, rather than plumping for it out of protest. Meanwhile, many CDU foot-soldiers in the east long to cosy up to the AfD. At municipal level across much of east Germany the firewall has long expired.

These problems are magnified in the east, where voters are volatile and more open to extremists or charismatic individuals. But comparable forces are at work in the west, where 85% of Germans live. Since 2021 the federal government has been an awkward three-party coalition, Germany’s first for nearly 70 years. Its early promise soon gave way to endless in-fighting. The dismal results of all three parties on Sep-



tember 1st do not appear to have inspired a renewed attempt to find common ground.

What to do? Mr Stecker thinks parts of Germany should consider less formal modes of governance, including minority or shifting coalitions. But the country does not appear ready for that. Depressingly, one likely outcome after next year’s election is yet another grand coalition of the CDU and the SPD—precisely the sort of contraption that the AfD has previously found it so profitable to oppose. ■

Russian gas and Ukraine

That awkward pipeline

Austria, Hungary and Slovakia still depend too much on Russian energy

WHEN UKRAINIAN forces stormed into Russia early in August, Europe’s energy markets took fright. Russia’s gas exports to the EU are a fraction of what they once were. Still, news that Ukraine had captured Sudzha—a town in Russia that hosts its last major terminal for exporting the fuel to Europe via Ukraine—was enough to send the continent’s benchmark gas price to its highest level this year.

Ukraine and Russia have agreed—for now—to keep gas moving through Sudzha. But whether it will continue next year is less certain. The deal whereby Russian gas is delivered westward via Ukraine was signed by the two countries alongside the EU in 2019. It is due to expire at the end of this year. The EU, which aims to phase out Russian gas by 2027, does not want to renew it. Nor does Ukraine. “We don’t want to extend the gas contract,” said Volodymyr Zelensky, Ukraine’s president, in July. “We don’t want them making money here.”

Europe’s transition away from Russian energy has been fairly smooth. In 2023 just 8% of the bloc’s pipeline imports were from Russia, compared with 40% before the war. New supplies, especially of liquefied natural gas (LNG) from America, now make up the difference. But some countries still depend heavily on Russian gas and would be hurt by a sudden end to supplies via Ukraine. EU officials are worried.

Three countries are most at risk. Russian supplies made up around 47% of Hungary’s gas imports in 2023. For Slovakia they made up 89%. Austria depended even more: in January 97% of its gas imports were from Russia. Some of this gas, particularly Hungary’s, comes by TurkStream, a pipeline to the Balkans, and will continue next year. But the lion’s share still passes through Ukraine. “They’re really not in a great position,” says a European diplomat.

This trio of countries are hooked on Russian gas thanks to geography. Whereas Germany and Italy have offshore terminals for shipments of LNG, Hungary, Slovakia and Austria are landlocked and rely on pipelines designed to carry gas from east to west. For Austria, where a number of pipelines meet, bottlenecks are less menacing. But it would be costly for Hungary and Slovakia to reverse the flow of gas to get it from the west. An expensive gas-transit levy charged by Germany was dropped this summer after complaints from the EU but deterred countries from booking orders from new suppliers.

Local firms in the three affected countries are bound to Russia by a thicket of long-term agreements. In 2008 Slovakia’s state-owned gas company signed an import agreement with Gazprom, a Russian energy giant, which is not due to expire until 2028. In 2021 Hungary made a similar 15-year deal with Gazprom. Austria’s biggest gas firm, OMV, is tied up in a contract due to last until 2040. The cost of renegeing on such deals has discouraged the trio from switching to other suppliers. Termination fees in Austria could be €1bn (\$1.1bn).

Politics are another problem. Since ►



Russia's invasion, Hungary's Kremlin-friendly government has doubled down on its deal with Gazprom. Last year it even proposed to buy more Russian gas. Robert Fico, Slovakia's prime minister, says Russian deliveries via Ukraine will continue in 2025—a claim Ukraine's government has contradicted. Austria's coalition government's energy minister, who is a Green, wants OMV to break its contract with Gazprom, but so far the company won't budge.

European officials are frustrated. "If they had done more to get off Russian gas two years ago, we wouldn't even be having this conversation," sighs the diplomat. Ukraine is exploring the option of getting Russian gas delivered from Azerbaijan to keep supplies flowing, though this scheme's feasibility is unclear. Two winters on from the invasion, Russian gas is still rattling Europe. ■

Ukraine

Hands tied

American restrictions on hitting Russia are hurting Ukraine

UKRAINE'S FRUSTRATION is growing by the day over restrictions that the Biden administration has imposed on the use of American-supplied weapons against targets inside Russia. As Russia launched massive missile and drone attacks on cities and energy infrastructure over two days last week (August 26th and 27th), Ukraine's defence minister, Rustem Umerov, and President Volodymyr Zelensky's chief of staff, Andriy Yermak, were in Washington as part of a fresh bid to get the policy changed. According to reports, the Ukrainian team was seeking permission to go after a specific number of high-value targets with American missiles.

Their mission is a direct response to the shifting excuses coming from the Pentagon and from national-security officials about why the restrictions should hold while other supposed red lines have become blurred to the point of invisibility. A blanket ban on hitting targets in Russia, for instance, was lifted in May, when Ukraine was told it could strike Russian troop concentrations on the other side of the border preparing to attack the city of Kharkiv. When, a month ago, the Ukrainians crossed into Kursk, they took with them HIMARS missile batteries that were deployed against Russian forces called in to repel the invasion. No objections were raised in Washington.

The reason given in the past for forbidding Ukraine to use American weapons

against targets in Russia was that this could trigger an escalatory response from the Kremlin that would end up doing more harm to Ukraine and might even result in Russia resorting to nuclear weapons. However, that justification has become increasingly strained.

Vladimir Putin's nuclear sabre-rattling has been exposed as just that, while Russia has hardly held back in other ways. As Sir Lawrence Freedman, a military historian, says, the missile and drone attacks last week are part of a systematic campaign to make life as miserable as possible for ordinary Ukrainians this winter. "Russia", he says, "wants hundreds of thousands to leave their homes, perhaps creating yet another refugee crisis in neighbouring European countries."

In recent months various new reasons for constraining Ukraine have been trotted out. Unnamed officials have suggested that the administration does not want to jeopardise a "reset" of relations with Moscow in the future. Other officials argue that letting Ukraine use ATACMS, a longer-range system than HIMARS, against targets in Russia would not change the strategic picture because there are not enough targets in range. Russia has moved most of its aircraft used to launch powerful glide bombs to airfields beyond the 300km range of the ATACMS missile. It is anyway a scarce resource that is better employed against targets in Crimea.

It has also recently emerged that the administration has stopped Britain and France from allowing Ukraine to use the Storm Shadow/SCALP weapons they have provided outside Ukrainian territory. It has been able to do this because the cruise missile contains some American components. Ben Hodges, a former commander of American forces in Europe, describes this as "constant excuse-making, which is both misleading and inaccurate". It is not clear, for example, why inadequate numbers of ATACMS should be a restraint. A detailed report by Defence Express, a Ukrainian consulting firm, suggests that America probably holds stocks of at least 2,500 of the missiles, which first entered service more than 30 years ago.

The claim that there are not enough worthwhile targets is equally questionable. The Institute for the Study of War, a Washington think-tank, argues that "Ukrainian long-range strikes against Russian military targets within Russia's rear are crucial for degrading Russian military capabilities throughout the theatre, and the lifting of restrictions on Ukraine's use of Western-provided weapons would allow Ukrainian forces to strike a wide range of significant targets undergirding Russia's war effort."

The institute assesses that some 250 military "objects" are within range of ATACMS, of which only 17 are airfields from



Mission controlled

which Russian aircraft may have departed. Many are large military bases, communications stations, logistics centres, fuel depots and ammunition warehouses that would be hard to move without serious consequences for Russia's war effort.

General Hodges, who remains an adviser to NATO on logistics, says there is "no moral or legal reason for not going after these targets". He argues that President Joe Biden gets much of his advice from Obama-era officials who repeatedly got Russia wrong. Unless Mr Biden changes his mind, "his legacy will be tainted." Mr Zelensky will soon have a last chance to convince Mr Biden to adopt a new approach before he leaves office, when the two meet next week in New York, on the fringes of the annual UN General Assembly. ■

Clerical abuse in Italy

No more blind eyes

ROME

Pope Francis is being urged to crack down harder than in the past

THE ACCUSATIONS that led to the arrest of Father Andrea Melis on August 2nd were that he befriended a 12-year-old altar boy and abused him sexually for more than three years. Father Melis, headmaster of a nursery and primary school, was alleged to have given the boy gifts and more than €5,000 (\$5,530). When police searched the 60-year-old priest's home in Genoa, they reportedly found sex toys and pharmaceutical stimulants.

Italy has so far avoided the kind of reckoning with clerical sex abuse that has shattered the loyalty to their church of millions of Catholics elsewhere. In neighbouring

► France a commission set up by the bishops reported three years ago that it had identified 216,000 cases involving minors over the 70 years to 2020. But the circumstances surrounding the case of Father Melis, who is yet to be tried, suggest that attitudes in the police, the media and the Italian public are changing, albeit slowly.

The standard practice in Italy is for an accused priest to be put under house arrest, having been moved by his bishop to a religious community where he can await trial. By the time Father Melis came before a judge on August 10th, he was in just such a place. But after the priest is said to have told investigators he was HIV-positive, she ordered him to be held in jail.

By then, his arrest had been aired in the national media. That too was unusual until recently. Several cases involving the abuse of minors by priests came to light much later only because of digging by investigative freelancers whose findings normally surfaced in low-circulation dailies.

Digital technology has created new ways to air such information more widely; in Italy people seem as keen as anywhere to hear about clerical wrongdoing. "La Confessione", a podcast that deals with the case of a priest in Sicily, Father Giuseppe Rugolo, has been downloaded more than half a million times. In March he was convicted of sexual violence and attempted sexual violence against three minors and sentenced to four and a half years in prison. The podcast includes wiretaps used in evidence. In one, the local bishop admits to having covered up for Father Rugolo and for another priest who did much worse. The court held his diocese liable for legal fees and civil damages.

The case, which is subject to appeal, also raised—not for the first time—the contrast between Pope Francis's avowed determination to clamp down on paedophile clerics and his apparent belief that it is his duty to defend prelates accused of covering up priestly crimes. The day before prosecutors were due to make their final submissions in Father Rugolo's case, the pope publicly lauded the bishop and described him as a victim of slander.

A meeting between the pope and Italy's bishops in May highlighted another issue. Using an offensive term for gay men, he reportedly said there were already too many homosexuals studying for the priesthood. Yet a survey published by the bishops in 2023 found most of the victims of sex abuse notified to the church authorities the previous year were female.

That report was a sequel to the Italian church's most substantial response so far: a study in 2022 that disclosed that only 45 members of the clergy had been reported for alleged sexual misconduct in the preceding two years. Not all the victims were minors; almost a fifth were vulnerable

Succulent and sometimes sour grapes

The travails of Turkey's winemakers

ISTANBUL

Turkish wine is at the mercy of climate and politicians

IN HIS TIME off, Umay Ceviker, an architect, goes hunting for ancient vines around his native Turkey. He has found them on mountaintops, forgotten among fruit trees, and tended in fields in every nook of the country. Each year he produces 10,000 bottles made from the indigenous varieties he has discovered, selling them to wine bars and boutique stores under seven different labels of his Yaban Kolektif brand.

Mr Ceviker is helping revive Turkey's viticulture. Though wine has been produced in Anatolia for millennia, the country's modern vineyards and wineries produce mostly French varieties imported in the past century. But Mr Ceviker works with old vines that have survived for far longer, many abandoned when the Greeks and Armenians, vint-

ners of the Ottoman empire, were forced out. Many of the Muslim farmers who took over now sell their produce for dried fruit or *pekmez*, an unfermented grape syrup, rather than alcohol. Mr Ceviker has persuaded some to sell their grapes to him at higher prices and has bought several vineyards outright. He takes his crop to different micro-wineries using traditional methods. "With each vintage, we experiment," he says.

Increasingly fickle weather is forcing farmers to guess when to harvest or how to deal with pests. Scientists are developing new irrigation systems. Farmers are adjusting their pruning techniques to make the most of scarcer water. Many of Mr Ceviker's vines grow at high altitudes and are better able to withstand higher temperatures, although floods, erosion and cold snaps can also blight harvests.

But the bigger threats are the constantly changing laws and policies over Turkish alcohol production and sales. President Recep Tayyip Erdogan, a devout Muslim, has vowed to raise a "pious generation" of Turks. Hence a string of tax rises and sales restrictions have hit smaller producers hard. The most recent change, in January, compels all alcohol producers to put up to \$1.5m into the treasury as insurance against any future fines or tax bills. While bigger producers can cover such a cost, smaller ones are struggling to do so. "The entire sector is on edge," says Mr Ceviker.

He is preparing to launch his 2022 vintages amid a searing heatwave. Last year's crop was clobbered by mildew. This year's harvest is at the mercy of climate—and politics.



Difficult terrain

adults. Rete l'Abuso, an NGO, later published a counter-report arguing the problem was more widespread: it said it knew of 332 cases since 2010. That number implies an annual average less than 1% of the annual average over the (much longer) period covered by the French bishops' dossier. It suggests either a much bigger difference between the two societies than was hitherto recognised, or a drastic reduction in the prevalence of clerical sex abuse in Italy as the number of priests has fallen along with the number of observant Catholics.

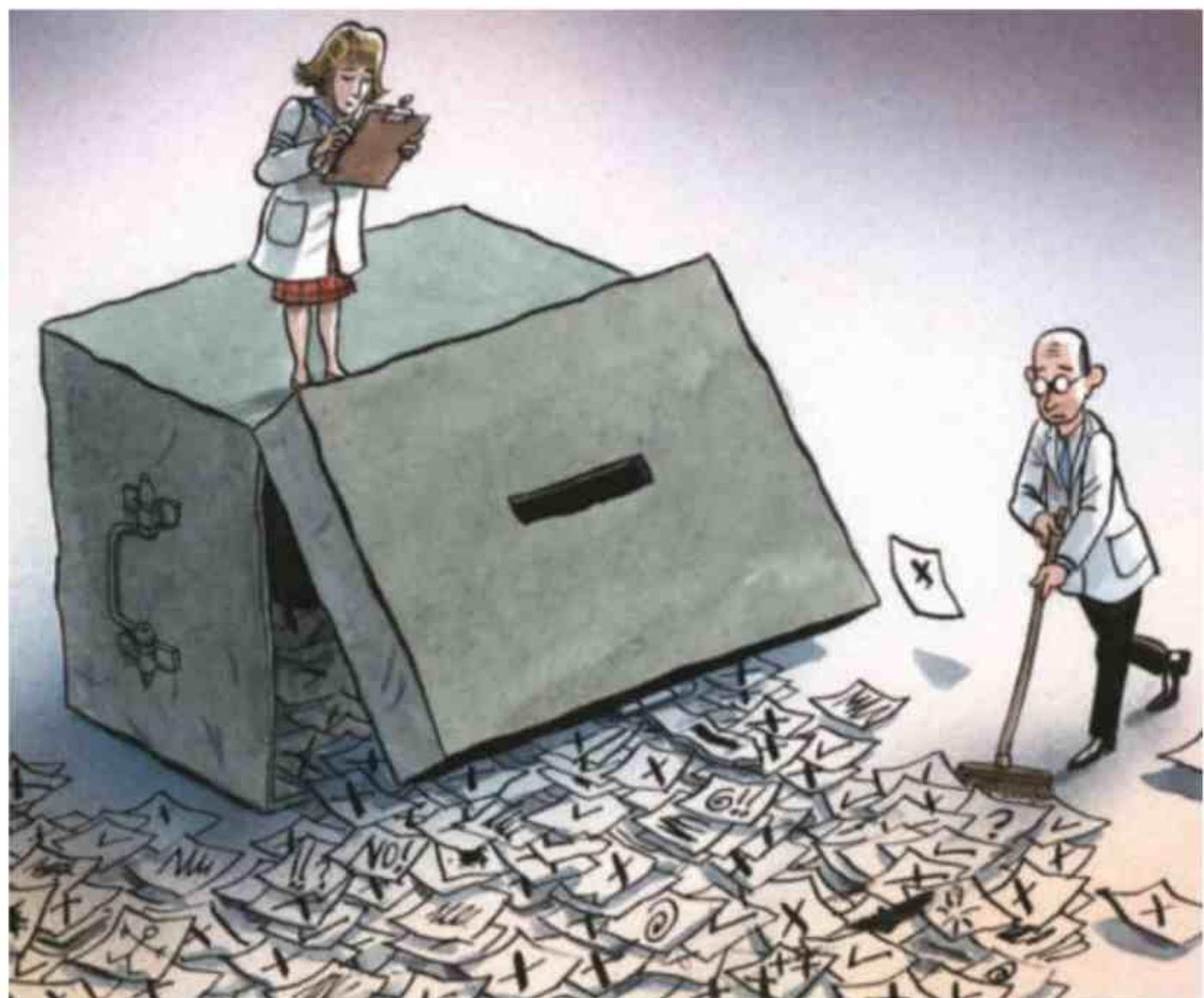
But a third factor helps explain the low prosecution rate and may have discour-

aged the notification of cases to the ecclesiastical authorities: Italian clerics are under no obligation to report crimes to the civil authorities, provided the information arises from the conduct of their ministry. The exemption is contained in the 1984 concordat that governs relations between church and state. The church is unlikely to lobby for a revision of the concordat, which grants clerics other privileges that seemed more appropriate 40 years ago than they do today. Nor is Giorgia Meloni's conservative governing coalition, in which Catholics, especially traditionalist ones, occupy influential positions. ■

CHARLEMAGNE

The technocratic deficit

Europe must beware the temptations of technocracy



LOOK AT THE state of European politics today and a collage of pandemonium emerges. France has been stuck with a caretaker government for two months following legislative elections which no party won decisively. In Germany the hard right came top in one set of state elections on September 1st; its federal chancellor, Olaf Scholz, seems destined for defeat in a nationwide ballot this time next year. The less said about Hungary and its strongman prime minister, Viktor Orbán, the better. Coalitions formed by parties with little in common keep governments with tenuous majorities in power, from Spain to the Netherlands. And then there is Belgium, a country where politicians ritually haggle for a year or more before forming a government (current count: 88 days). Part of the charm of democracy is that it is messy, but Europe has elevated the chaos to high art.

Even amid the voter-induced tumult, in a rainy corner of northern Europe a bit of the continent's government machine keeps churning. A new roster of 27 European commissioners is currently being assembled in Brussels, with new assignments expected to be doled out in coming days. From migration policy to trade, regulating big tech, bolstering European defence, monitoring national finances, devising green rules and much more besides, few facets of life in the bloc are beyond the scope of the European Union's executive behemoth. The technocratic approach it favours skirts questions around democratic accountability. But it has been so effective that the leave-it-to-the-experts method to governing has caught on beyond Brussels. When politicians fail to form national governments, outside "experts" are sometimes called upon instead. The temptations of technocracy are like a siren call for those who just want to get things done, voters be damned.

The march of the European technocrats is in large part down to the drift of "competences"—to use a bit of Brussels *patois*—from its 27 member states towards the EU. Once a coal-and-steel trading club, it has morphed into a government in all but name. Often that is no bad thing: it would be absurd for two dozen mid-sized neighbouring countries to each have their own decarbonisation targets, for example. As Europe has battled a slew of crises, from covid-19 to the war in Ukraine, the mandarins of Brussels

have amassed more influence. A growing swathe of the EU budget is doled out to countries that meet conditions set out by Eurocrats, whether it be reforming courts or labour laws. In theory, if not in practice, the bloc's rules constrain national governments' natural desire to run bottomless budget deficits, for example.

Another hefty dose of nagging is in the works. On September 9th Mario Draghi, a former boss of the European Central Bank, is expected to unveil a report on how to revive the bloc's sclerotic economy. Rumoured to come in at 400 pages, it is already being treated as an oracular blueprint for what governments must do to remain in the EU's good graces. No doubt Mr Draghi's report—whose edicts will be inserted into the working briefs of incoming commissioners—will be full of good sense. But who decides if that is so? Politicians need to worry about how their policies will play at the ballot box. As the EU's latest technocrat-in-chief, that is of no concern to Mr Draghi. Tough luck for any voters who think he is misguided on the future of industrial policy, say.

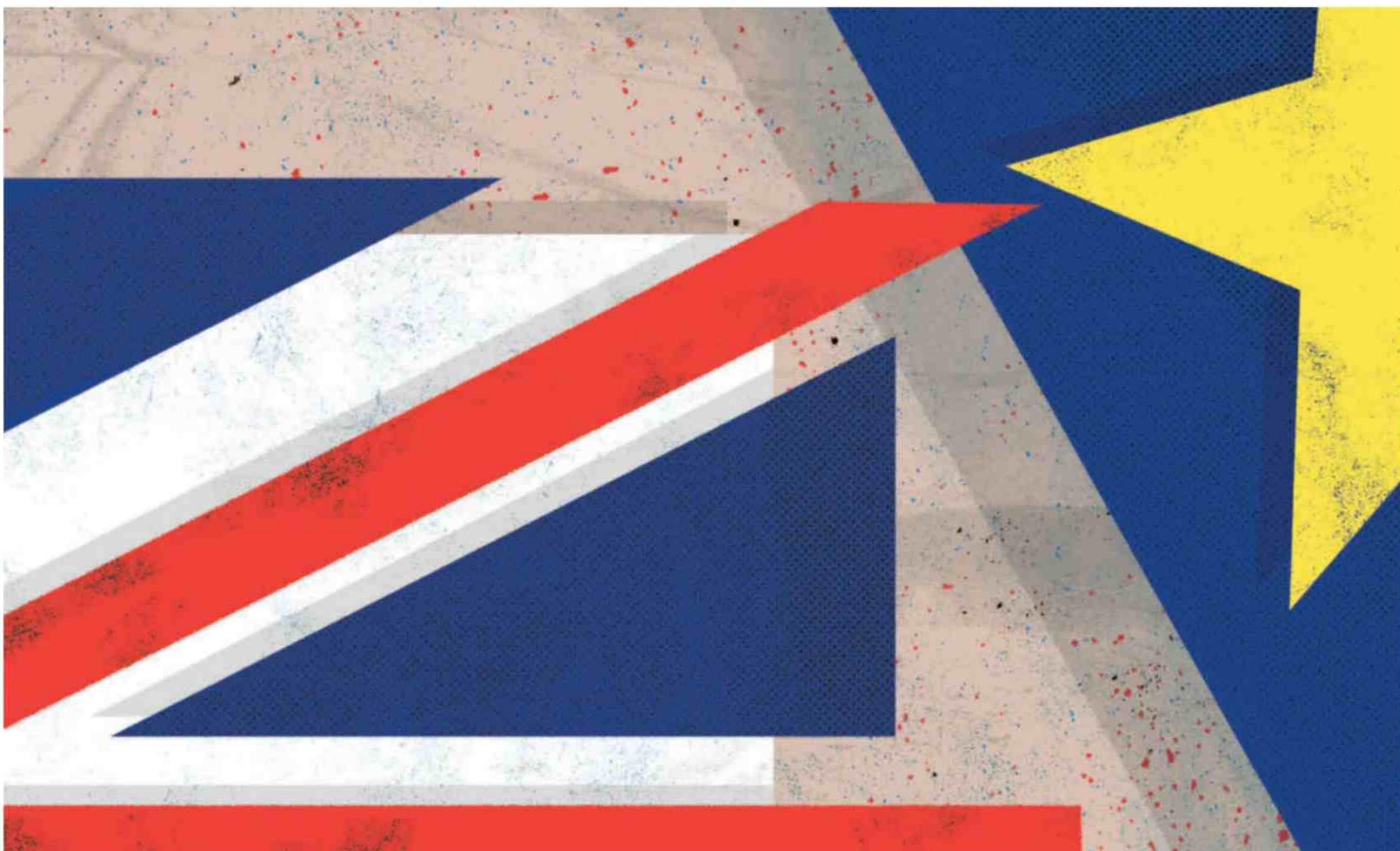
The timing of the report, prepared largely before but released just after European elections in which its recommendations did not feature, is unfortunate. It will lend credence to claims that the EU is unaccountable to voters. This point is often exaggerated. A 720-strong European Parliament keeps tabs on commissioners, and will audition each aspirant to the post in coming weeks (Ursula von der Leyen, who has headed the commission since 2019, was approved by the parliament for a second term in July). National governments have plenty of say in how the EU institutions use their powers, not least deciding who leads them. But those who claim Brussels is a fountain of red tape beyond scrutiny also have a point. Often the regulations affecting Europeans are the work of a 32,000-strong bureaucracy that need not fret over what public opinion makes of their latest initiative.

And technocracy has gained a foothold at national level, too. European politics has become messier. Gone are the days of two big parties duking out elections with one clear winner. Now there are up to a dozen including greens, liberals and nationalists as well. The compromise required to form alliances is all the more elusive, even more so if parties of the hard right are seen as beyond the pale when it comes to forming coalitions, as they often are. In the ensuing deadlock, settling for an uncontroversial expert is often the only obvious solution after months of stasis. Mr Draghi was roped in as Italian prime minister in 2021, the fourth technocrat in the job since the 1990s. The newish Dutch prime minister was until recently a civil servant in its justice ministry, elevated to the top job when squabbling politicians failed to find a figurehead leader acceptable to all. Emmanuel Macron, France's president, was in recent days said to be considering an unknown mutual-insurance administrator to serve as prime minister. *Qui?*

The expert will see you now

A little technocratic interlude while politicians get their act together may be no bad thing. But the point of politics is to make decisions. In practice that means someone balancing the advice of experts with electoral realities. As Jean-Claude Juncker, a former commission boss, memorably put it, politicians the world over know what needs to be done, just not how to get re-elected having done it. Democracies stay vibrant by kicking out the current lot, leaving space for new blood who might listen to a different type of expert. Technocrats will always have their place in well-functioning polities, but it should be in the background. ■

Britain



Britain and Europe (1)

Time to get closer

Brexit's economic toll is clear. But the path forward is murky

FEW TOPICS in British politics cause quite such a shudder as Brexit. The subject of Britain's relationship with the European Union is polarising, jargon-ridden and, after years of upheaval, rather repetitive. No wonder it barely featured in the recent general-election campaign. But Brexit also matters greatly. The Labour Party won power in July pledging to cure the country's economic malady. Any diagnosis of lagging growth that omits Brexit is bound to be incomplete.

Slapping a number on the cost of Brexit is tough: there is no easy counterfactual. Worse, Britain formally left the EU in January 2021, while covid-19 lockdowns were still warping economic data. Economists' best stab uses a "Doppelgänger" model to approximate no-Brexit Britain to a weighted average of countries that performed similarly before 2016. That usually lands on a one-off hit to GDP from Brexit of 5%, which is also near the rough 4% assumption

of the Office for Budget Responsibility, Britain's fiscal watchdog.

That figure may well be a little high. Compared with its closest peers, Britain's growth since 2016 has been shabby but not uniquely disastrous: better than Germany but worse than France and much worse than the Netherlands or Switzerland (see chart on next page). Many countries with similar pre-2016 records to Britain outperformed it afterwards for unrelated reasons:

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— The report into Grenfell Tower

— The use of facial recognition

America was supercharged by fiscal expansion; Canada and Australia rode a post-covid commodity boom. But even a more cautious estimate, of around 2-3% of GDP, would make Brexit one of the rich world's worst economic blunders.

Where is the pain concentrated? The earliest symptoms were in business investment, which flatlined in the aftermath of the Brexit referendum in 2016. Investment didn't start picking back up until 2023, and is still running well below its historical trend. Trade took a hit once Britain formally left the EU, choked by customs checks and regulatory hurdles. Trade intensity—exports plus imports as a share of GDP—has lagged other rich countries, mainly because goods trade fell. In the short term, weak trade stifles exporters and lowers choice for consumers. Over a longer timescale, productivity flags as domestic firms are shielded from foreign rivals and cut out of the European market.

The Brexit camp hoped to offset lost EU trade with gains elsewhere. That was always a stretch: the EU covers nearly half of Britain's trade. So far, the takings are meagre. Talks with America have stalled. The few new deals Britain has struck are on the other side of the world: with Australia, New Zealand and the CPTPP, a Pacific trade bloc. Dulling the impact of Brexit is a much easier way of boosting growth.

► Sir Keir Starmer, shaken by Labour's drubbing in the 2019 election, when Boris Johnson won a big victory on the promise of getting Brexit done, has ruled out the most dramatic sorts of rapprochement: entering a customs union or rejoining the single market. In fairness, so quick a reversal might leave the EU a little perplexed, too.

Something that Sir Keir has committed to is smoothing out border checks on food with a sanitary and phytosanitary (SPS) deal. Farming doesn't make up much of the British economy but has been hit especially hard by Brexit. On the import side, pulling down supermarket prices would be a welcome boost for households. And an SPS deal would usefully force the government to confront the broader trade-offs that it faces in approaching the EU.

The Conservatives mistakenly chose to maximise Britain's theoretical ability to diverge from European regulation, despite the economic cost. But in reality Britain has barely diverged at all on food, aside from loosening rules on genetically modified crops. For a fully seamless food border, Britain will need to insert European rules into domestic law and accept oversight from the European Court of Justice. An alternative might look like the EU's arrangement with New Zealand, where a lower degree of regulatory alignment translates to less free-flowing trade. For Britain, that is a worse deal and probably an unattainable one anyway. New Zealand is a far-off market whose shipments arrive in easy-to-monitor batches; Britain is not.

SPS is one instance of "dynamic alignment": reducing trade barriers by opting in to select EU rules. Aslak Berg of the Centre for European Reform, a think-tank, notes that even under the Tories Britain aligned with the EU in a handful of areas where fully independent regulation wasn't practical, like conformity assessments (CE markings). One path forward could be to broaden that approach out to other industries like chemicals or pharmaceuticals.

The trouble is that the EU dislikes the idea of Britain "cherry-picking" bits of the

single market. Another EU worry is about future governments backtracking. The Conservatives are stuck in a messy leadership race but are already gaining in the polls. Why grant a deal that a new government might trash? One helpful model may be Deep and Comprehensive Free Trade Areas (DCFTAs), which the EU uses to deal with countries with shakier political institutions like Georgia, Moldova and Ukraine. These are more flexible than a static deal: the EU monitors regulatory alignment and dials up or down the intensity of border checks accordingly.

Plenty of other more minor deals with the EU could also help a little: visas for touring musicians, linking emissions-trading schemes, data roaming and so on. An agreement on youth mobility—letting Europeans in their 20s move to Britain, and vice versa—would be more useful still. Incomers would either work or pay fees to study, would almost certainly lack dependents and would head back home again well before any risk of becoming a drain on the exchequer. Young Britons would benefit in turn from opportunities to live and work in Europe. Britain already has similar deals with Australia, Canada, South Korea and others. Sir Keir has so far rejected this option; that may be a negotiating ploy.

Where things might go after that is unclear. Sir Keir has not articulated a vision for where he wants the relationship to settle. Taking time to watch the EU's trajectory is no bad thing: enlargement deals with Ukraine and others may widen the range of integration models. But a more serious conversation about deeper alignment, including single-market and customs-union membership, cannot be skirted forever. Public opinion on Brexit has soured: a clear majority of Britons consider it a mistake. Few are keen to reopen the issue of EU membership but that may shift as post-referendum trauma fades (see Bagehot). One lesson of the Brexit vote is that elites cannot ignore public discontent indefinitely. Give it enough time and Brexiteers may find the shoe on the other foot. ■

Britain and Europe (2)

Defensive positions

Britain and the EU would both gain from closer ties in foreign and security policy

EVEN HARD Brexiteers find it difficult to object to working with Britain's European partners on diplomacy. It is a largely inter-governmental affair, not one involving EU institutions or the European Court of Justice (ECJ). And the case for it has become stronger given wars in Ukraine and the Middle East, a more assertive China and the risk that Donald Trump may return to the White House. EU countries also see obvious benefits from closer co-operation with a country with military clout and a tradition of foreign-policy activism.

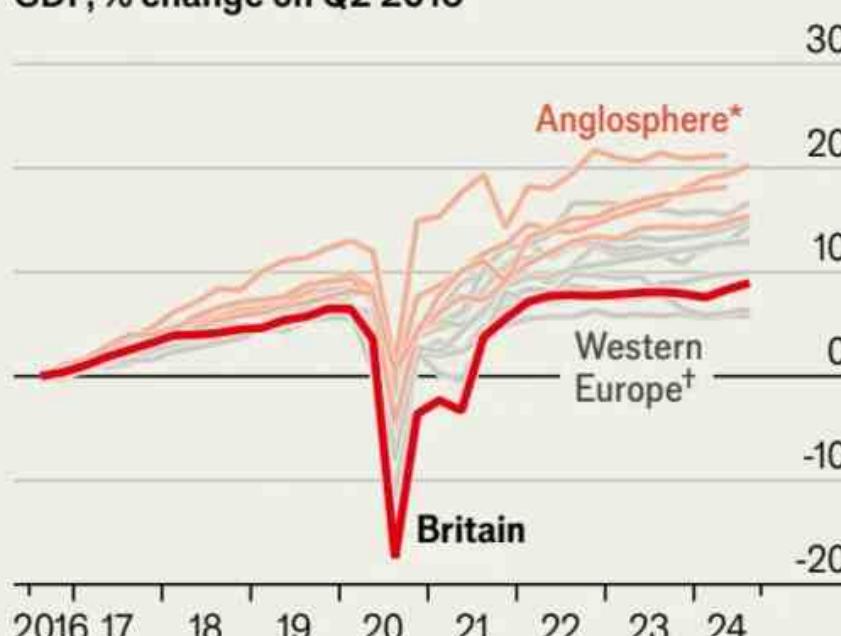
As the new Labour government seeks to build a closer relationship with Europe, it is no surprise, therefore, that foreign policy is to the fore. David Lammy, the foreign secretary, defines co-operation broadly, to take in defence, energy and even the fight against climate change. He plans to attend the EU's council of foreign ministers in Luxembourg in October, a possible prelude to further joint meetings. It is a notable omission that Britain is almost the only substantial non-member of the club with which the EU does not hold regular, scheduled summit meetings. Sir Simon Fraser, a former head of the Foreign Office, also suggests that there should be regular staff exchanges with the European External Action Service, the EU's diplomatic service, as there are for Norway.

Yet even in foreign policy, where national governments jealously guard their autonomy, the EU differentiates between members and non-members. That is truer still when it comes to defence. As a member state Britain was cautious about a greater defence role for the EU, fearing that talk of building up European strategic autonomy would undermine NATO. Yet in recent years the case for Europe to do more has steadily strengthened. An institutional structure is emerging in Brussels: the European Defence Agency to facilitate joint projects, a European Defence Fund for research, permanent structured co-operation (PESCO) to co-ordinate military deployments and a nascent European defence industrial programme.

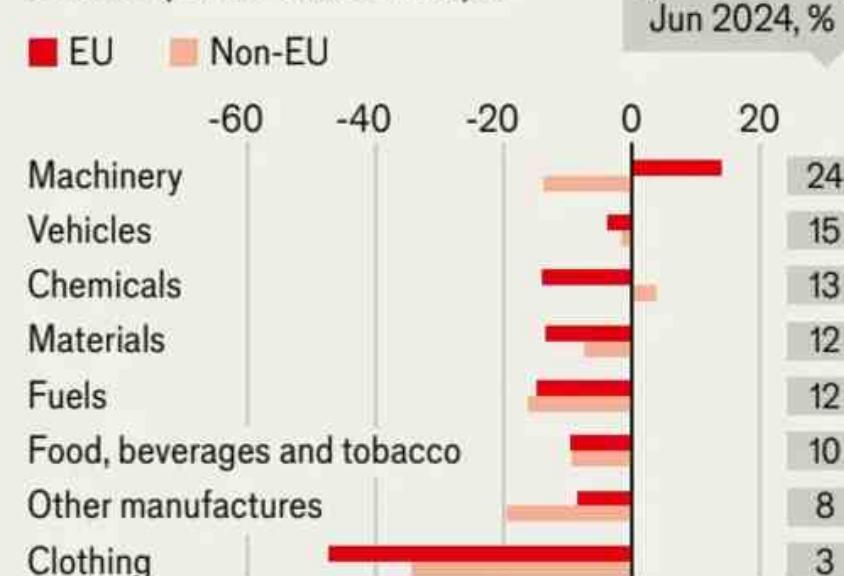
So far British attempts to associate formally with any of these have proved largely fruitless. Even joining PESCO has been held up by a squabble with Spain over Gibraltar. Luigi Scazzieri of the Centre for European Reform, a think-tank, suggests that Britain should sign an administrative arrangement with the European Defence

Continental drift

GDP, % change on Q2 2016



Britain, change in goods trade volume‡, 2019-June 2024, %



Sources: Haver Analytics; ONS; national statistical offices

*Australia, Canada, NZ and US †Excluding Denmark

‡12-month moving average

▶ Agency and pursue more informal links through joint declarations rather than trying to agree to a cumbersome treaty. It should be relatively easy for British troops to operate alongside EU military missions in places like Bosnia, for instance.

Co-operation on procurement is more problematic. Non-members such as Britain are excluded from the European Defence Fund. Even within the EU, the protection of national champions constitutes a big obstacle to joint projects. Lord Ricketts, a former British national-security adviser, points to the absurdity of two separate European planned next-generation fighter aircraft, one that includes France and Germany, the other Britain and Italy. The dogmatic decision in 2017 to exclude post-Brexit Britain from military aspects of Europe's Galileo satellite-navigation system is a precedent worth avoiding for other expensive defence projects.

It should be easier to work together on policing and domestic-security matters. As an EU member Britain was one of the most active participants in a range of EU bodies—including Europol, Eurojust, the Prüm fingerprint exchange and the Schengen Information System database. Since Brexit, informal links have continued but often less effectively. The number of European Arrest Warrants issued by Britain has fallen sharply, partly because almost half of EU members ban extradition of their nationals to non-EU countries. Access to European databases has become slower and more cumbersome. Data-privacy concerns and a continuing debate in Britain about membership of the European Convention on Human Rights (ECHR) also make co-operation harder.

Senior diplomats are hopeful of a change of mood under Sir Keir Starmer, the prime minister, whose career as a prosecutor has helped him appreciate the benefits of Europe-wide collaboration in fighting crime. There is no risk of Labour pulling out of the ECHR, and the previous government's worries about associating with EU bodies under the ultimate jurisdiction of the ECJ have dissipated. Given that all sides see much to gain, and little to lose, from greater British involvement in EU crime-fighting bodies, it should be possible to make that easier to manage.

When Theresa May was prime minister, she briefly flirted with the idea of using the desire across the EU for continued co-operation over security and defence to secure broader concessions for Britain on trade. That idea fell on stony ground. The EU remains strongly opposed to any such linkage. Even in the relatively uncontroversial field of foreign policy, there are hurdles to deeper ties. But if they can be cleared, trust between the two sides should improve. That can only help to foster a closer relationship elsewhere. ■



Labour's Israel policy

Muddling through

Britain's ban on arms sales to Israel combines politics and legalism

TWO CRITICISMS of Labour's decision to ban the sale of some arms to Israel can be quickly discarded. The first is that it will seriously undermine Israel or "embolden Hamas", as Binyamin Netanyahu, Israel's prime minister, claimed on September 3rd. In reality Britain accounted for just 0.02% of Israel's defence imports in 2022, and last year sales more than halved to just £18m (\$24m). The bans, which cover only 30 out of 350 export licences, were designed not to have a material impact on Israel's security. Israel can, in any case, just get the kit from elsewhere.

The second unconvincing (and somewhat contradictory) line of attack, made by Robert Jenrick, a Tory leadership hopeful, is that it is just "gesture politics". True, the Labour government is under pressure from its MPs and party members to toughen Britain's stance towards Israel—even if some allies, including America and Germany, would rather it didn't. But British ministers also have to weigh a thicket of domestic and international laws relating to arms exports.

In 2019, for example, the Conservative government was forced to stop selling arms to Saudi Arabia after a court found it had not properly assessed the Gulf state's conduct in a war in Yemen. Officials fret about being caught out by a similar case regarding Israel, which is currently being heard in the High Court.

A more powerful criticism of the decision is that the way the government has balanced political and legal considerations is opaque. Under British law ministers have to apply a "clear risk" test to assess whether kit could be used to breach international humanitarian law. In practice, this process is murky. "It's very rarely a simple 'yes' or 'no,'" explains Matthew Savill of the Royal United Services Institute, a think-tank. Ministers have to decide what level of risk they are comfortable with; data are often poor. David Lammy, the foreign secretary, said he had no choice but to revoke the licences. Lord Cameron, his predecessor, appears to have reached a different judgment using similar intelligence.

Mr Lammy's decision may well be justified but he has not offered a compelling rationale for it. The government has not said what the 30 revoked licences are for, only that they include parts for fighter jets, drones and helicopters. The decision appears to rest most heavily on two concerns—about Israel blocking aid convoys into Gaza and treating detainees badly—but there is no explanation of how the bans would mitigate these. On the critical issue of Israel's conduct of the war, the Foreign Office fudged its assessment, saying there are too little data. This may be the real cause of British concern, notes Mr Savill. It is hard to know.

Britain is not the first country to restrict arms sales to Israel. Belgium, Canada, Italy and Spain have already halted all sales, points out Sanam Vakil of Chatham House, another think-tank. But other countries tend to have simpler rules. Italian law prevents exports to any country that is waging war, for example; other countries pause licences while information remains patchy. Britain's shift is also eye-catching because in two months under Labour it has gone from being one of Israel's most steadfast allies to one of its more critical ones.

Even so, the change can be overstated. Even if Britain's move has symbolic significance, it will not change much. Israel imports 99% of its military goods from America and Germany, which are unlikely to be swayed by Mr Lammy's judgment. And Britain and Israel will continue to have very close ties, including in intelligence-sharing. The British army is, ironically, much more reliant on Israeli kit than vice versa.

Labour may have been keen to act before its party conference later this month; it is unlikely to want to make further moves before the American election in November. That may not be entirely within its power, however. Campaigners have said they will redirect their legal challenge towards British companies selling parts for F-35 jets, which they say have enabled the bombing of Gaza. Labour has begun to grope its way toward a policy on Israel. It is likely to have to muddle on. ■

BAGEHOT

Explaining Remainers' weakness

Support for European integration is highly popular and strangely ineffective



IT FIRST BECAME obvious that Sir Keir Starmer wanted to be prime minister on September 25th 2018. The Labour Party was holding its annual conference in Liverpool. Theresa May's government was slowly disintegrating over Brexit. Under Jeremy Corbyn, Sir Keir's predecessor as party leader, Labour was keeping its position on holding a second referendum purposely opaque. From the stage Sir Keir shattered that ambiguity, departing from his approved script with the words: "And nobody is ruling out Remain as an option!" Pro-EU delegates gave him a long, defiant ovation. A year and a half later, they would elect him as their leader on a promise to "defend free movement". Unreconciled Remainers did not stop Brexit; they did shape the Labour Party.

These days Sir Keir is ruling out quite a lot: not just rejoining the EU in his lifetime but the single market and customs union, too. His "reset" with European leaders this summer has been energetic and sincere. But on a visit to Berlin in August, a suggestion from Olaf Scholz, the German chancellor, for a youth-mobility scheme was frostily rebuffed. The opportunity to spend a fortnight awkwardly hosting your teenager's German penfriend ("Wie heißt das Meerschweinchen deiner Schwester?") is not much compensation for Brexit. But it is not one Sir Keir is yet ready to grant.

Therein lies one of the stranger puzzles of British politics. The pro-European cause is popular; its advocates are ineffective. It has millions of supporters but little hard influence in Westminster. Its power is latent, not manifest. Why?

A mass movement in favour of EU membership was mostly absent for Britain's 47 years in the club; it didn't materialise in the referendum of 2016. But the chaos that followed the vote radicalised a class of diffident, comfortable voters, who turned out for huge marches in odd berets. At its peak, People's Vote, which ran the campaign for a second referendum, raised £100,000 (\$130,000) a week, a fortune in British politics, from email donations alone.

Rather than melt away, hostility to Brexit has since risen: voters think it was the wrong decision by a wide margin. For some it has hardened into a resilient new form of political identity. More than a quarter of Remain supporters still say that criticism of their cause "feels like a personal insult", according to the 2023 British

Election Study, a survey. At 13% of British adults, this tribe of hardcore Remainers is much larger than its equivalent among Leavers or Labour and Conservative voters.

Such folk are concentrated in Sir Keir's electoral coalition. Some 78% of Labour voters say they would rejoin the EU, and 69% of them would favour a referendum within five years. Only a third say the matter is definitely settled. It is true the issue has fallen as a priority for Labour voters since the Brexit years, but they still rank Europe alongside immigration and education, and ahead of crime and tax, as a national priority. Sir Keir contends that Britain is tired of hearing about Brexit. For many of his supporters, that is just not the case.

To see how a passionate tribe, sitting deep in the base of the governing party, can jolt government policy in their favour, consider how Nigel Farage mobilised the once-fringe cause of conservative Euroscepticism. What would it take for Remainers to do the same? Clear objectives would be a start. Britain's constellation of pro-EU groups disagree on whether to support a gradual softening of Brexit, or go for the panacea of seeking to rejoin. They differ too on whether Sir Keir is their best ally or about to sell them out.

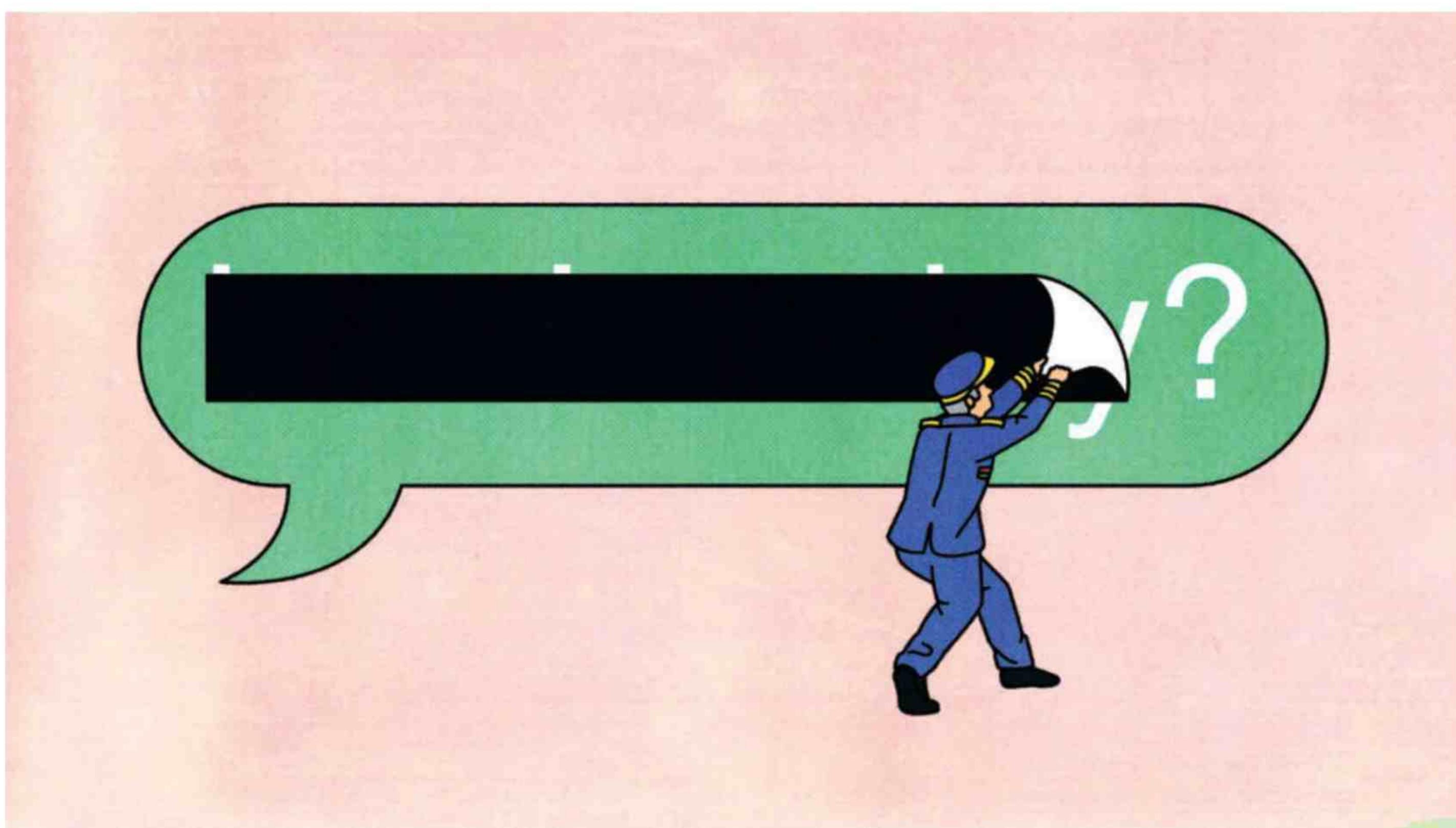
Some of Mr Farage's ruthlessness would help. Before it even had a chance to defeat Brexit, People's Vote defeated itself in a feud between followers of Peter Mandelson, a smooth former Eu-rocrat, and Roland Rudd, an even smoother lobbyist. The British chapter of European Movement, a pressure group founded in 1949, is more disposed to "lurking in the corridors of power and persuading people to go a bit further" than "being a Faragist street movement", says Sir Nick Harvey, its head. The Remainer brigade is good at churning out PDFs on the future of chemicals regulation but rather less effective at getting politicians to read them. That ought to be a soluble problem in Westminster, a place awash with professional lobbyists employed by everyone from cat shelters to the sun-cream industry.

Don't mourn. Organise!

What they lack most is a toehold in Parliament. The Liberal Democrats dialled back their support for Europe as they pursued Tory voters in the election in July (though that may shift again during this Parliament). Labour has lined up behind Sir Keir thus far. Many MPs found the Brexit schism traumatic; the Labour Movement for Europe, a caucus, has been marginalised. But that can change. It took 18 months before David Cameron experienced the first big EU rebellion of his premiership. Imagine that Sir Keir's reset flops, his polling further decays and his grip on the party weakens; then the pro-European banner may be a tempting one for a disgruntled rival to pick up. If Labour's left were as cunning as Sir Keir, says one wag, they would develop an interest in Brussels.

The mere fact of Sir Keir's visit to Berlin prompted headlines including "Fury erupts at Keir Starmer's EU capitulation" (the *Express*) and "Labour's Brexit betrayal will lose them the next election" (the *Telegraph*). The emotions of Eurosceptics were vital to understanding the Tory government. But for the Labour government, whose supersize majority rests on a fragile 34% share of the vote, the thing that matters is not the fury of tribal Leavers but the disappointment of tribal Remainers. For them, snubbing Mr Scholz over youth mobility speaks not of caution but of recklessness. A movement that helped make Sir Keir's career can also unmake it. Were they more organised and more ruthless, Remainers would be dangerous. ■

International



Privacy in the digital age

The new crypto wars?

Encrypted messaging apps have conquered the world. Now governments are fighting back to pierce the veil of secrecy

IT IS ILLEGAL for Americans to export weapons without a licence. You may not FedEx a ballistic missile to Europe or post a frigate to Asia. But in the 1990s the country's labyrinthine arms-export controls covered something more unusual: cryptographic software that could make messages unreadable to anyone other than the intended recipients. When American programmers built tools that could encode a newfangled message, the email, their government investigated them as illegal arms dealers. The result was Kafkaesque. In 1996 a court ruled that "Applied Cryptography", a popular textbook, could be exported—but deemed an accompanying disk to be an export-controlled munition.

All that would later change. These "crypto wars" were won by the proponents of privacy and civil rights. End-to-end encryption has conquered the world, despite dogged efforts to ban or limit its use. Today civilians enjoy access to powerful encryption tools that would rival military cipher machines of the cold war. Secure mes-

saging apps are used by soldiers in Ukraine—on both sides—and by teenagers swapping photos. Law-enforcement agencies argue that ubiquitous encryption has made it more difficult to detect and counter criminal activity, and that privacy should be weighed against public harm. Pro-encryption advocates retort that people have a fundamental right to private communication, and that secret backdoors in their apps and devices could be exploited by malefactors. The result is an intensifying battle involving governments, tech giants and civil-rights groups.

Although these tussles are not new—they began in earnest when a new form of cryptography appeared in the 1970s—they have entered a new stage. A decade ago more than half of email traffic and web browsing was unencrypted, which meant that anyone hoovering up that data—intelligence agencies or criminals—could read it. Many phone messages were sent via SMS, an insecure protocol. Now the vast majority of traffic is encrypted. In 2012 the

number of daily messages sent on WhatsApp, an app now owned by Meta, overtook those sent by SMS. Today about 2.5bn people, nearly a third of the world's population, use the service (see chart). Apple's secure iMessage system has more than 1bn active users. A milestone was passed in December 2023 when Facebook Messenger, also run by Meta, with another 1bn users, introduced encryption by default.

The question is whether this is an unsustainable trend or the high-water mark of encryption. On August 24th France arrested Pavel Durov, the CEO of Telegram, a Russian messaging app, on charges that included failing to provide intercepted messages on demand and supplying "cryptographic services" without approval. But Telegram, which denies wrongdoing, is more a social network than a secure communication app—messages are not encrypted by default and experts are scornful of its standard of security. Mr Durov would have been able to hand over plenty of data to the authorities if he had been so inclined. In most cases WhatsApp, iMessage and Signal, widely regarded as the gold standard among cryptographers, cannot hand over content even if ordered to do so.

Governments have been particularly exercised by Facebook's move. The site was the last major repository of unencrypted and readable messages. As such it was long responsible for a large proportion of the child-sex-abuse images referred to au-

authorities by tech companies. Once messages containing those images were encrypted, they became largely invisible to both Facebook and the authorities. In April a coalition of 15 law-enforcement agencies including America's FBI and Interpol, an inter-governmental organisation, said that tech firms like Meta were "blindsighting themselves" to child-sex-abuse images. "Where the child-user base and risk is high," they argued, "a proportionate investment and implementation of technically feasible safety solutions is paramount."

The debate is largely over whether such solutions exist. Many authoritarian countries either ban or heavily restrict encryption. In most democracies the question is whether it can be tempered. In 2018 and again in 2022, Ian Levy and Crispin Robinson, both then senior members of GCHQ, Britain's signals-intelligence service, published a pair of articles making the case for two approaches. The first was a "ghost protocol" in which, they suggested, messenger apps could insert government wiretappers as a secret participant in particular chats or calls, while suppressing a notification to the user that someone had joined the call. This would be "no more intrusive than the virtual crocodile clips" long used in traditional wiretaps, they argued.

The second proposal was a form of "client-side scanning", whose purpose is to skirt around encryption rather than attack it directly. If a user is to view their data, it has to be decrypted at some point. In this window it can be automatically checked against a stored library of illegal material while still on the device. Both the content and the library would be compared as "hashes", or unique digital fingerprints, rather than comparing image with image. "We've found no reason as to why client-side scanning techniques cannot be implemented safely in many of the situations society will encounter," argued Mr Levy and Mr Robinson. In 2021 Apple said it would implement such a system on iPhones, but then quietly backtracked.

Many governments want technology companies to do more to explore such options. "A lot of these companies have dug themselves into a black and white, binary position," says Rick Jones of Britain's National Crime Agency. He acknowledges that privacy is important and that people need to communicate securely, but insists that solutions could be developed that would both preserve trust and protect children. "I'm not certain that we need to go all the way to having every platform that children use in their homes and bedrooms having a similar level of weapons-grade encryption. Why does a 13-year-old need that level of encryption?"

The Online Safety Act passed in Britain last year requires messaging platforms to use "accredited technology" to identify il-

legal content if it is deemed "necessary and proportionate" by Ofcom, a regulator. But this is largely symbolic: no such technology has been accredited. Others have gone much further. The European Union has proposed Chat Control 2.0, a client-side scheme that would compel email and messaging platforms to not only scan against a library of known child-sex-abuse material but to use artificial intelligence to flag other potentially illegal content for human review. And in August Sweden's justice minister mooted blocking encrypted messaging apps to curb a surge in violent crime by gangs that use them to organise.

In India the government has demanded that messaging apps implement "traceability" through identifying the "originator" of messages—for instance, someone who starts a rumour—by including a "hash" of the message and author that can be tracked over time. The result has been a stand-off with WhatsApp, which says that the scheme would put encryption at risk by forcing the service to maintain large databases of personal messages, the content of which would be easier to decipher later. In April WhatsApp said that it would leave India if the courts insisted on traceability.

Mr Jones argues that tech companies, with a few exceptions he declines to name, have shied away from even considering the trade-offs. "What we've got is companies refusing to come to the table and even discuss it...I don't think that is an acceptable position for them to adopt."

The most prominent experts in the field, however, maintain that any tinkering with end-to-end encryption is unworkable at best and dangerous at worst. In "Bugs in Our Pockets", a paper published in 2021, a group of 14 experts, including Whitfield Diffie and Ronald Rivest, a pair of cryptographers who in the 1970s laid the ground for the methods of encryption in widespread use today, set out a detailed case against client-side scanning.

One issue is how the algorithm used would tell apart an innocuous family bath photo from an illegal one. If the result was

a flood of false positives, then moderators would end up having to view vast amounts of private data. Another objection is that such surveillance could become a slippery slope: a government that begins by scanning for child-sex-abuse images could repurpose the same software for a wider range of content. If the system relies on a central database of illegal content, perhaps one held by an international organisation, hackers or spies could covertly expand that list to search for other secrets.

The digital panopticon

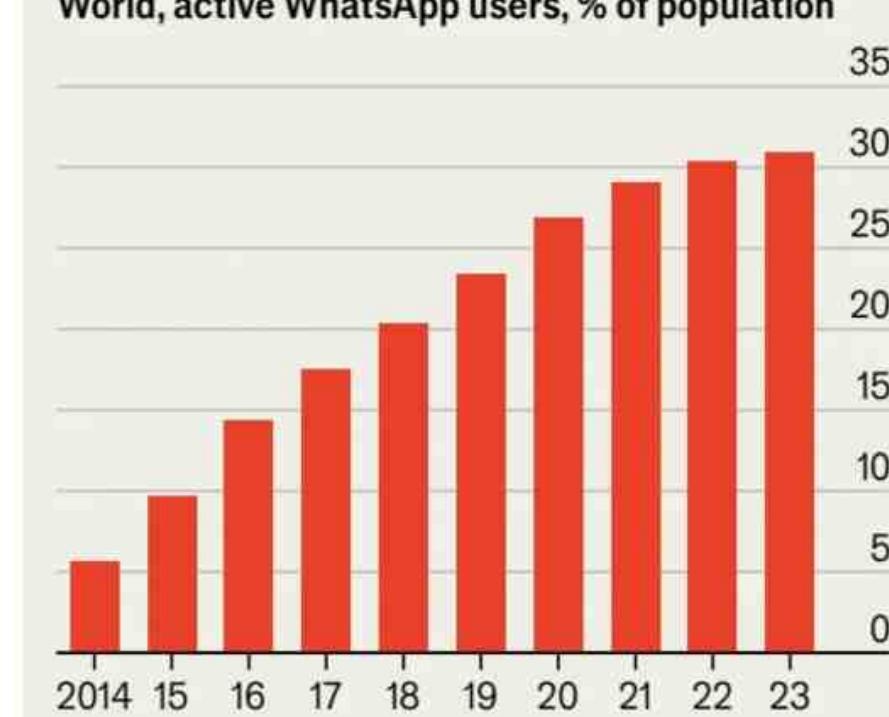
Above all, the principle of an onboard surveillance tool inside every device carried by every person is at odds with the traditional principle that surveillance ought to be difficult—the cost of a single wiretap in America in 2020 was around \$119,000, the paper's authors pointed out. The "bulk scanning of everyone's private data, all the time", they warned, would undermine citizens' trust in their devices, with a chilling effect on free speech and democracy.

Some critics argue that instead of scanning messages at scale, governments should take a more selective approach. Why not just hack devices of suspected criminals rather than sift through everything? The answer, say security officials, is three-fold. The first is that hacking phones and computers is difficult and resource-intensive—and becoming more so over time as an increasing proportion of data is encrypted not just while it is being sent but also when it is "at rest" (on the device) and "in use". The second is that it is hard to know which devices and which content to target in the first place if everything is encrypted. The third, say insiders, is that hacking is ultimately more intrusive than passive scanning. "The irony", says a former official, "is that what privacy campaigners are doing is driving more intrusive means...We'll have to go back to bugging people's laptops."

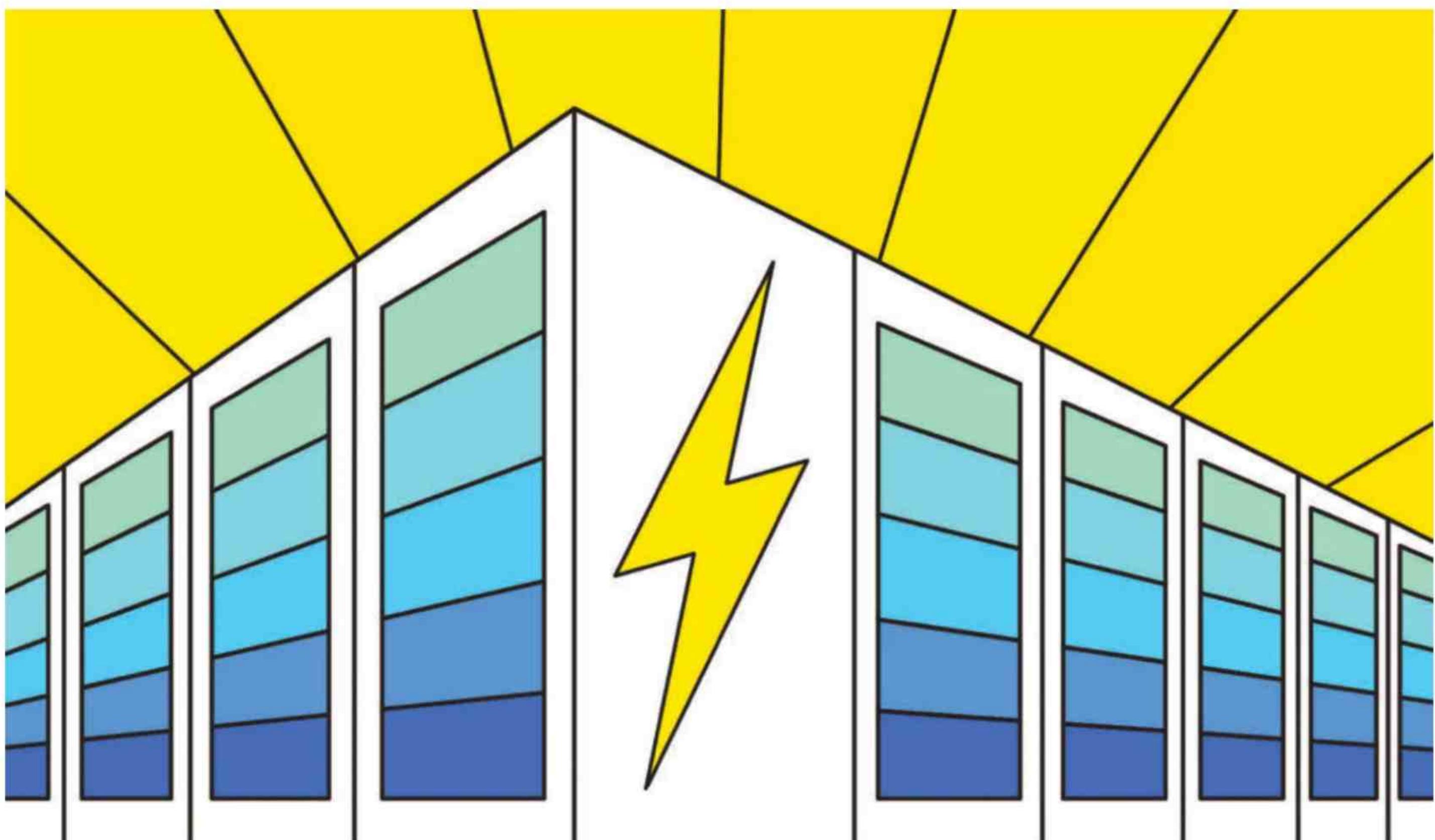
In a speech in 2021, Ciaran Martin, a former GCHQ official, acknowledged the chasm separating two groups of people. On one side were officials, like his former colleagues, who wanted to balance governments' right of lawful intercept with the wider benefits of end-to-end encryption—whether through developing ghost protocols, client-side scanning or other schemes, many of which have their roots in the first crypto wars. On the other were legions of cryptographers who argued that such tools could introduce fatal vulnerabilities to the security of encryption. Hoping they would not was "the digital-age equivalent of alchemy". Mr Martin himself concluded that if no technical compromise could be found, "Then security must win and end-to-end encryption must continue and expand, legally unfettered, for the betterment of our digital homeland." ■

Secret society

World, active WhatsApp users, % of population



Business



Grid-scale batteries

Charging forward

Clean energy's next trillion-dollar business

DECARBONISING THE world's electricity supply will take more than solar panels and wind turbines, which rely on sunshine and a steady breeze to generate power. Grid-scale storage offers a solution to this intermittency problem, but there is too little of it about. The International Energy Agency (IEA), an official forecaster, reckons that the global installed capacity of battery storage will need to rise from less than 200 gigawatts (GW) last year to more than a terawatt (TW) by the end of the decade, and nearly 5TW by 2050, if the world is to reach net-zero emissions (see chart 1 on next page). Fortunately, though, the business of storing energy on the grid is at last being turbocharged.

Grid-scale storage traditionally relied on hydroelectric systems that moved water between reservoirs at the top and bottom of a slope. These days giant batteries stacked in rows of sheds are increasingly the method of choice. According to the IEA, 90GW of battery storage was installed

globally last year, double the amount in 2022, of which roughly two-thirds was for the grid and the remainder for other applications such as residential solar. Prices are falling and new chemistries are being developed. Bain, a consultancy, estimates that the market for grid-scale storage could expand from around \$15bn in 2023 to between \$200bn and \$700bn by 2030, and \$1tn-\$3tn by 2040.

A plunge in the price of lithium batteries is fuelling their adoption on the grid.

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According to BloombergNEF, a research group, the average price of stationary lithium batteries per kilowatt-hour of storage fell by around 40% between 2019 and 2023. A global deceleration in the adoption of electric vehicles (EVs), which run on similar technology, has led battery manufacturers to take a keener interest in grid storage. In 2019 stationary lithium batteries were almost 50% more expensive than those used in EVs; that difference has fallen to less than 20% as producers have piled in (see chart 2). The IEA reckons that solar power combined with batteries is now competitive with coal-fired electricity in India, and is on track to be cheaper than gas-fired power in America in a few years.

The centre of global battery production is China. It is home to four of the world's five biggest manufacturers, including CATL and BYD. The share of China's battery production destined for stationary storage has risen from almost nothing in 2020 to around a fifth last year, overtaking the share used in consumer electronics. Growth has been helped by policies at home mandating that big solar and wind projects also install storage.

China's battery firms are intensely innovative. CATL, for example, has increased its investment in research and development eight-fold since 2018, to \$2.5bn last year. BYD, which has invested heavily in robotics and artificial intelligence, has built a

▶ battery facility in the Chinese city of Hefei that is almost entirely automated. But the industry is also swimming in overcapacity. According to BloombergNEF, China already produces enough lithium batteries to satisfy global demand of all types. Its industry has announced plans for a further 5.8 terawatt-hours (TWh) of capacity by 2025, more than double the current global capacity of 2.6TWh.

That will be catastrophic for many firms in the battery industry, including those producing for the grid. According to Benchmark Mineral Intelligence, another research outfit, construction on 19 battery gigafactories in China was cancelled or postponed in the first seven months of 2024. The collapse in prices has also pummeled many Western battery startups. One example is Sweden's Northvolt, seen by some as Europe's answer to China's champions. Last year it reported a loss of \$1.2bn, up from \$285m in 2022. The consequence of all this is likely to be a wave of consolidation, as Robin Zeng, the boss of CATL, predicted earlier this year.

Even so, a bloodbath among battery-makers could help, rather than hurt, the adoption of battery storage. Prices could fall further as the most productive companies take a greater share of the market. Fierce competition is already spurring innovation, as companies seek out new technologies to help them compete. Sodium-ion batteries are one promising alternative. They do not require pricey lithium, and although they offer lower energy density, that is less of a problem for stationary batteries than for those powering EVs.

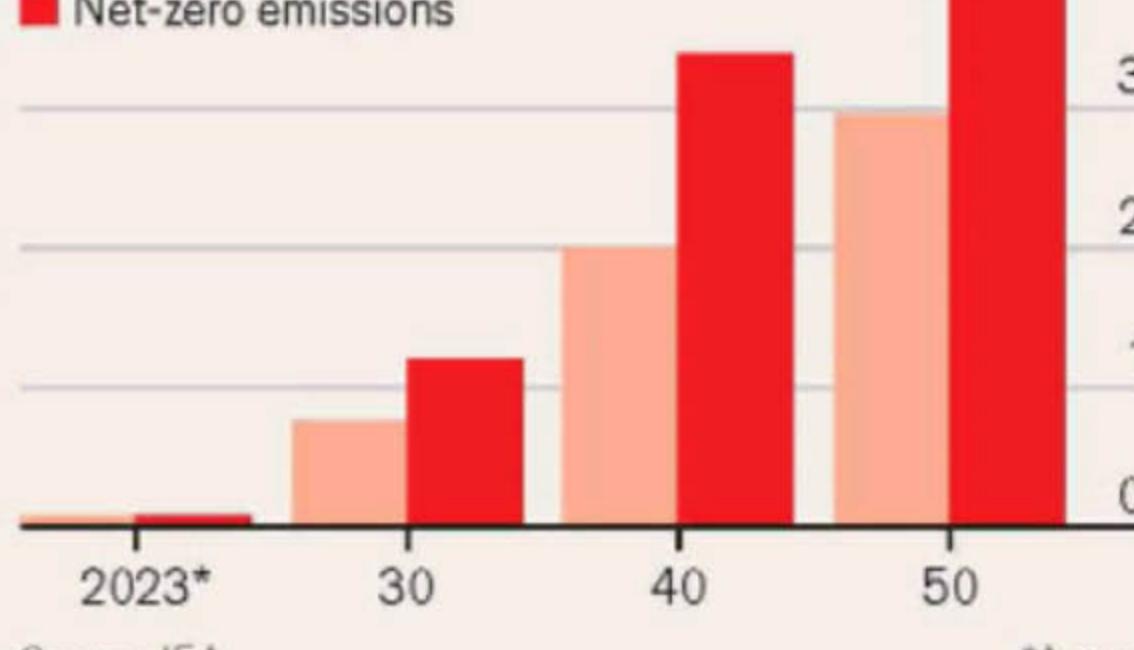
Incumbents are rushing to develop the technology for the grid. Several startups are betting big on it, too. Natron, an American firm backed by Chevron, an oil giant, is investing \$1.4bn to build a sodium-ion battery factory in North Carolina, which is scheduled to open in 2027. Landon Mossburg, the chief executive of Peak Energy, a sodium-ion startup, says he wants his firm to be "the CATL of America".

Tom Jensen, the boss of Freyr Battery,

Turbocharged

Global installed battery-storage capacity by scenario, TW

Current policies
Net-zero emissions



another startup, thinks the only way that Western battery companies will be able to compete is with new technologies. The list of innovative approaches is growing. EnerVenue, one more startup, is commercialising a nickel-hydrogen battery. The firm has raised over \$400m and will build a plant in Kentucky that it hopes will crank out cheap batteries that can store power for long periods.

Power up

It helps that these new technologies are well-suited to meeting the growing demand for energy from data centres, which tech giants are eager to run on renewable power. The fact that sodium-ion batteries are less prone to catching fire than lithium-based ones makes them particularly attractive for tech companies, not least because it lowers the cost of insurance, notes Jeff Chamberlain, the boss of Volta Energy Technologies, an investment firm focused on the energy-storage business. Colin Wessels, the co-chief of Natron, notes that his startup plans to supply batteries largely to data centres.

The rapid rollout of data centres is also leading to gaps in the grid infrastructure needed to produce and transmit power, which longer-duration batteries like EnerVenue's could help plug. Aaron Zubaty, the boss of Eolian, a renewable-energy developer, predicts a boom in storage solutions of four to eight hours to cope with the growing demand on power grids over the coming decade.

Grid-scale storage, then, is advancing quickly. "Batteries have done in five years what took solar 15 years," notes a veteran analyst of the solar boom, who now covers the industry. As Fatih Birol, the head of the IEA, sums up, "Batteries are changing the game before our eyes." ■

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Chipmaking

Broadly successful

How Broadcom quietly became a \$700bn powerhouse

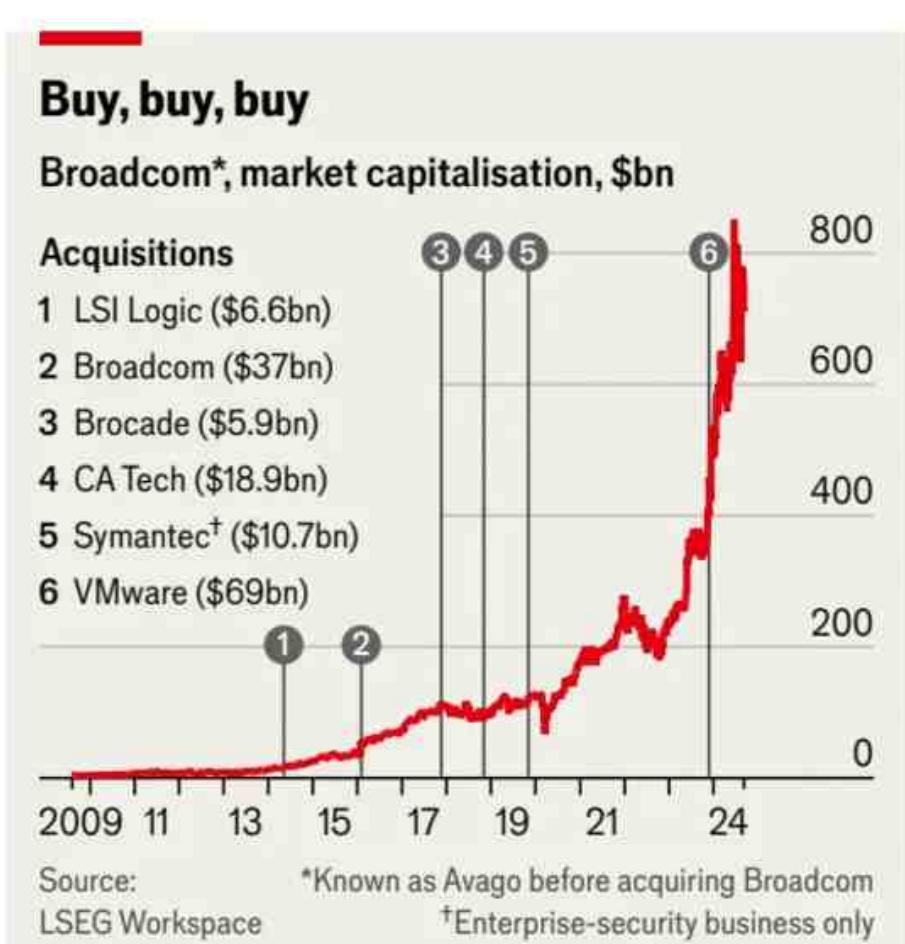
FEW COMPANIES have gained as much value with as little fanfare as Broadcom has in recent years. Since the end of 2022 the American chipmaker's market capitalisation has rocketed from around \$230bn to more than \$700bn. It is now the world's 11th-most valuable company and its third-most valuable chipmaker, behind only Nvidia, the leader in artificial-intelligence (AI) semiconductors, and TSMC, the biggest manufacturer of them.

Like Nvidia and TSMC, Broadcom has profited richly from the AI frenzy. Tech giants such as Google, Amazon and Microsoft rely heavily on Nvidia's processors to run their AI models, but they have also been developing their own custom chips, and have turned to Broadcom for help. A recently released version of Google's AI chip was developed by Broadcom. OpenAI, the maker of ChatGPT, is reportedly exploring designing a custom chip with the company's assistance. Broadcom has also benefited from its position as one of the leading suppliers of networking chips for data centres and its ownership of VMware, which makes software for in-house "private clouds". Demand for both has rocketed amid the AI mania.

The upshot has been a surge in sales and profits. Analysts reckon that in the quarter ending in August Broadcom's revenue grew by 47% and its operating profit by 39%, year on year; the company will report its results on September 5th, after *The Economist* goes to press.

As jittery investors begin to wonder how long the AI boom can last, they would do well to remember that Broadcom's rise began well before the coming of ChatGPT. In the decade preceding the chatbot's release Broadcom's value increased 20-fold (see chart on next page). More than whizzy technologies, it is dealmaking that has fuelled the company's growth; since its founding in 2005 the firm has spent more than \$140bn on acquisitions. More than a tech firm, Broadcom is a buy-out shop.

Broadcom began life in 2005 as Avago, a spin-off from Agilent Technologies, a manufacturer of electrical components, that itself was carved out of Hewlett-Packard in 1999. In 2015, after acquiring a string of smaller semiconductor firms, Avago struck a deal to devour Broadcom, a chip designer with revenues that were nearly double its own, for \$37bn—and then took the bigger company's name. ►



▶ Soon Broadcom ran out of big chipmakers that it could buy without ruffling trust-busters' feathers. Its attempted takeover of Qualcomm, a maker of smartphone chips, for \$130bn was quashed by Donald Trump, then America's president, in 2018 on national-security grounds. (At the time Broadcom was based in Singapore.) The company thus turned to software instead, which now accounts for about a fifth of its revenue. After gobbling up a maker of software for mainframe computers and a cyber-security business, it made its largest-ever acquisition last year, when it forked over \$69bn for VMware.

The result today is a sprawling portfolio of loosely related businesses (Broadcom's motto, fittingly, is "Connecting Everything"). Yet there is a logic to the company's dealmaking. In choosing its targets, Broadcom looks for firms that have good products and a dominant market share but are poorly run. Its private-equity-style playbook involves slashing costs by eliminating layers of management and focusing on a reduced number of products. In No-

vember, shortly after it completed its acquisition of VMware, Broadcom fired 2,800 employees. Price hikes and bundling are common, too, as many of VMware's customers are now discovering.

That is not to say Broadcom focuses entirely on short-term gains. Sales and marketing departments may be cut down after an acquisition, but investment in research and development is often increased, notes Dan Nishball of SemiAnalysis, a consultancy. Engineers make up almost three-quarters of Broadcom's workforce. Hock Tan, the company's long-time boss, has argued that fewer non-engineers at a tech firm helps "keep it simple".

Plenty could yet go wrong for Broadcom. Although it is less dependent on AI than Nvidia, a slowdown in spending on the technology would be painful. Its customers, including Apple and Google, are also ramping up their own chip design efforts, which could undermine its lucrative business for custom silicon. Designing AI chips is tricky, notes Mark Lipacis of Evercore, an investment bank; it will take time for Broadcom's customers to develop the necessary know-how. But other challengers could still crop up. It is rumoured that Nvidia may soon start designing chips for some of its larger customers.

An even bigger worry may be succession. Mr Tan, who is in his 70s, has run the company since 2006. Broadcom's boss has been rewarded handsomely for his efforts; he was the highest-paid chief executive of any company in America's S&P 500 index last year, with a package worth \$162m. Finding a successor with both technical expertise and Mr Tan's knack for dealmaking will be tough. For now he has said he plans to be at the helm for at least the next four years. Mr Tan may have a few more deals left in him yet. ■

Furniture

Flat-packing a punch

IKEA thinks it's time to resell your Billy bookcase

THERE ARE worse ways to spend a lazy Saturday than to take a trip to one of IKEA's giant furniture stores. Young children can be swiftly deposited at *Småland*, the supervised play area, leaving you to navigate the maze of flat-pack furniture and bric-a-brac at your leisure; you might even stop at the restaurant for a plate of Swedish meatballs.

IKEA's cheap products—and its knack for getting shoppers to walk away with bagfuls of adornments they never knew they needed—have made it into the world's biggest furniture company, with €48bn (\$53bn) in annual sales last year. The company, which is held privately through a bewildering network of foundations, controls around 9% of the fragmented global furniture market. In an effort to keep growing, it has been investing in its e-commerce offering and adding new store formats. Its latest experiment, in second-hand furniture, could help it get both bigger and greener.

In the past few years IKEA has been busily trying to make buying its wares more convenient, particularly for customers without a car. As much as they might enjoy wandering around one of its giant stores, many shoppers do not have a day to spare to buy two folding chairs, says Jesper Brodin, the boss of INGKA, which owns most of IKEA's shops (though not its intellectual property). Online sales, which the company was initially slow to adopt, have been a priority since the covid-19 pandemic, when nearly all IKEA shops were closed. They now account for 23% of the total.

IKEA has also been moving its stores closer to customers. It now has "planning centres" in central locations where customers can put together their ideal kitchen, bedroom or bathroom. Smaller stores in busy shopping districts have cropped up in numerous cities, too. In July IKEA invested in a tower being built on Manhattan's Fifth Avenue; a new shop will open on Oxford Street in central London in the spring. The company has also been buying malls where it intends to make IKEA the anchor tenant. In November INGKA bought Churchill Square, the main shopping centre in Brighton, in southern England. It will set up shop on a site once occupied by Debenhams, a failed department store.

Both developments are new for IKEA, but hardly for the industry. More novel is its recent announcement of a platform for



Master of the deal



Will they still do meatballs?

▶ people to sell their secondhand IKEA furniture online, beginning with trials in Oslo and Madrid that will run until December, ahead of a worldwide rollout next year. IKEA customers can already sell their furniture back to the firm at its shops, a service more than 200,000 customers made use of last year, twice as many as in 2022. The company's secondhand platform will allow people to palm their old furniture off to new buyers directly. IKEA will provide recommended prices, generic photos and product details (including, importantly, assembly instructions); sellers can then add their own pictures and choose their price. The buyer collects the furniture.

IKEA products already account for around a third of secondhand-furniture sales by volume, according to Mr Brodin. Although the platform will be free to use, at least at first, it will provide IKEA a way to encourage sellers back to its stores. If they opt for an IKEA voucher as payment, they receive a 15% bonus on the sale price.

It has legs

Besides boosting sales, the platform should help IKEA towards another of its ambitions: to be greener. Mr Brodin reckons sustainability and profitability can go together. Since 2016 the company has expanded its sales by a third but reduced carbon emissions from its operations by half, and from its supply chain by a fifth. Four-fifths of the energy consumed by its stores and factories is now from renewable sources. In Germany, its largest market outside its home country of Sweden, it operates 23 solar plants and five wind farms (it sells its excess power to the grid). By making it easier for people to sell their old furniture, fewer Billy bookcases will end up in the bin—and more flat-pack furniture will end up in living rooms. ■

Volkswagen

No quick fix

Repairing VW will take more than closing some factories

“COSTS, COSTS, COSTS” are what Oliver Blume, the boss of Volkswagen (VW), recently said the car giant must address most urgently. His diagnosis of VW’s longstanding problem is nothing new, but his approach to dealing with it undoubtedly is. On September 3rd Mr Blume announced that, for the first time, VW was considering closing factories in Germany to tackle the “demanding and serious situation” confronting Europe’s carmakers. Even if he succeeds in doing so, however, shutting factories will not be sufficient to reverse VW’s dwindling sales and stay ahead of the looming onslaught of cheap Chinese electric vehicles (EVs).

The difficulty Mr Blume will face closing factories in Germany became apparent soon after his announcement. The firm’s governance structure hands significant power to workers and the state of Lower Saxony, which has a 20% stake in the business and is home to around a third of its 300,000 employees in Germany. Daniela Cavallo, the main official representing VW’s workers, promised “fierce resistance”. Stephan Weil, premier of Lower Saxony, says he supports cutting costs but favours alternatives to factory closures.

Wish Mr Blume luck taking on VW’s entrenched interests, which ensure that it relies heavily on expensive German workers even as rival carmakers have shifted production to lower-cost countries. Herbert

Diess, his abrasive predecessor, departed in 2022 after several clashes with the unions. It is unlikely that Mr Blume’s more consensual style will have better results.

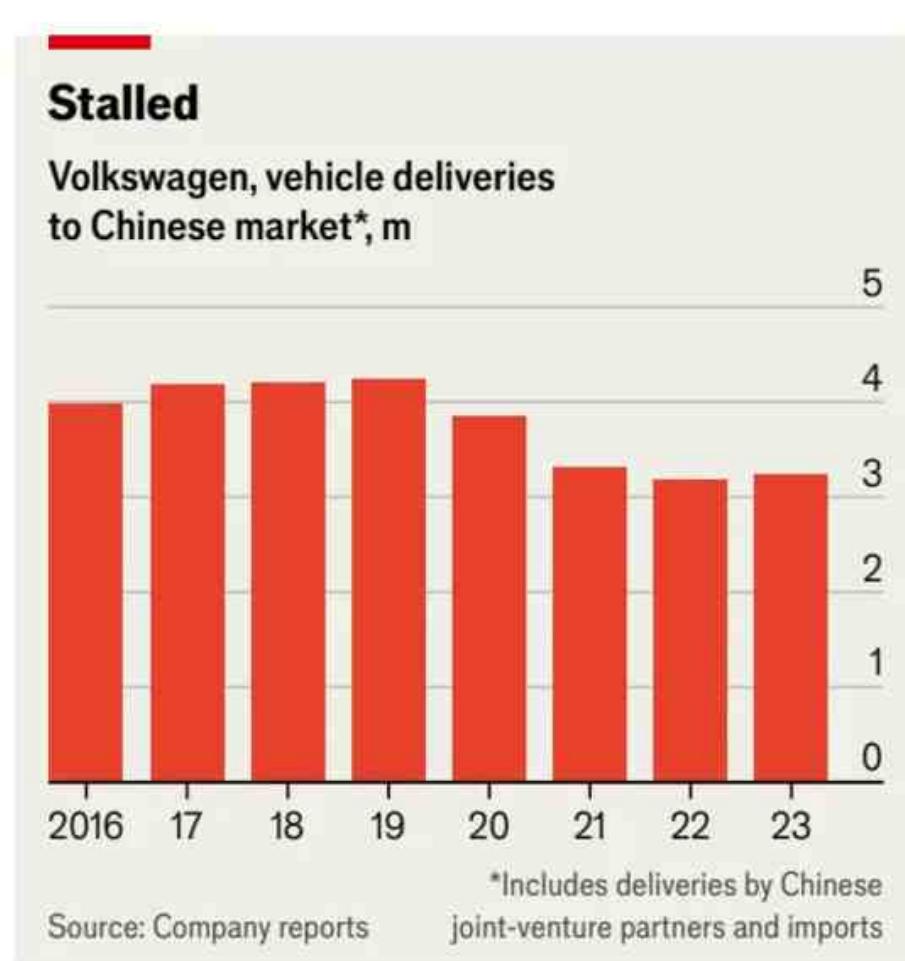
Even if it does, cutting labour costs will not be sufficient to rescue VW from its parlous state. The carmaker has spent heavily but unwisely in its effort to transform itself into an EV powerhouse capable of making vehicles that run on clever software. The company’s shares have continued to slide since Mr Diess’s departure, even though Mr Blume has cancelled plans for a new EV factory in Germany and has pushed back EV launches. Investors are wary of the carmaker’s plans to invest €165bn (\$183bn) between 2025 and 2029, even after Mr Blume trimmed the amount by €5bn, given its reputation for profligacy and underwhelming sales for its ID range of EVs.

Developing software in particular has flummoxed VW. Cariad, its in-house division, has been a disaster, delivering clunky programs well behind schedule. Reversing a decision to develop most of its own software, it invested \$5bn in Rivian, an American EV startup, in June to gain access to its programming expertise. Earlier this year it struck a similar deal with Xpeng, a Chinese EV startup, to up its game on the mainland. Stephan Reitman of Bernstein, a broker, calls the move merely a “band-aid” that adds costs and complexity.

VW’s business in China, the carmaker’s ➤



Driven into the ground



from around 15% last year. He plans to achieve this by building new industries from carmaking and mining to tourism. The United Arab Emirates and other Gulf countries have similarly lofty goals.

For support, the Gulf is turning east. Asian companies are flooding into the region to build infrastructure and set up factories. Meanwhile, the Gulf is investing heavily in Asia to secure access to technologies and profit from the growth of its fast-developing economies. The upshot is a deepening of commercial relationships between the two regions, at the expense of the Gulf's ties to Western business.

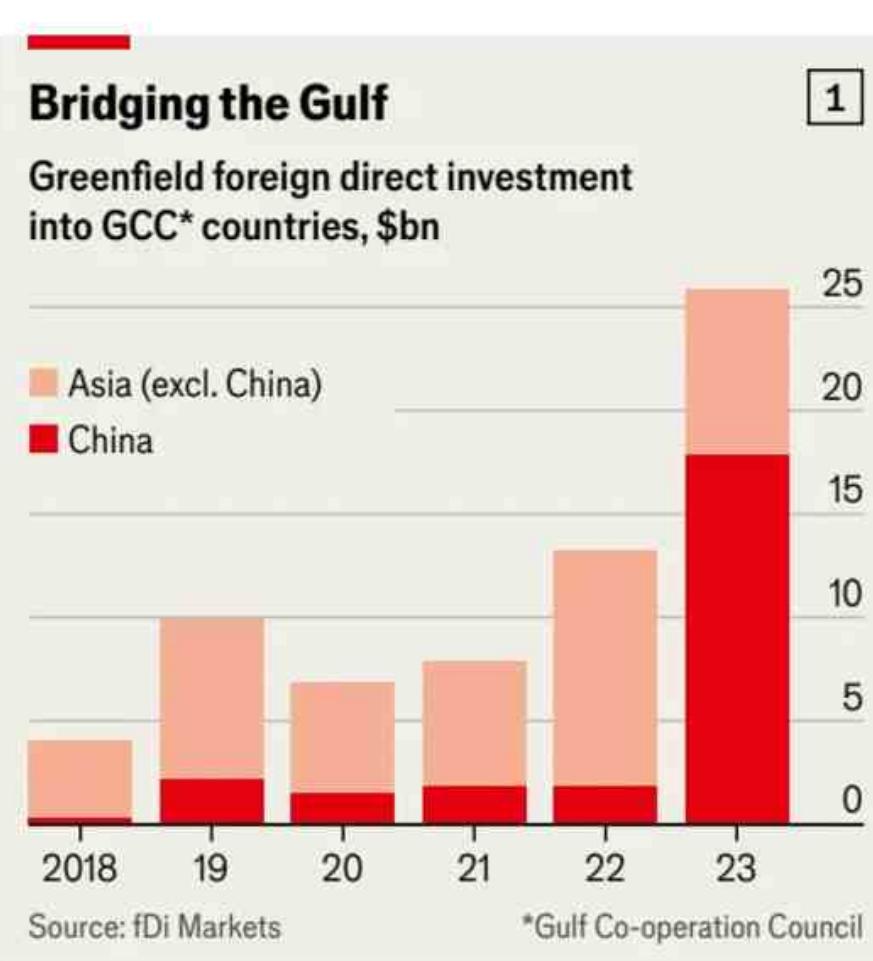
To help transform their economies, the Gulf's rulers are building vast amounts of infrastructure, from bridges and power plants to desalination systems. Roughly half a trillion dollars' worth of it is currently under construction across the region, with almost three times as much in planning, according to Emirates NBD, a bank.

That has led to big deals for Asia's construction giants. Last month China Energy Engineering, a construction firm, won a contract worth \$1bn to build a solar plant in Saudi Arabia. In April Samsung E&A and GS Engineering & Construction, two South Korean firms, won deals worth \$7bn to build gas plants in the country. Larsen & Toubro, an Indian construction firm, has taken on more than \$16bn-worth of work across the Gulf, including for a green-hydrogen plant at NEOM, a futuristic city that Saudi Arabia is erecting in a desert.

A growing number of Asian companies are putting down roots in the Gulf, signaling long-term commitments. Greenfield foreign direct investment from Asia to the Gulf rocketed from \$4bn in 2018 to \$26bn last year, according to fDi Markets, a data provider (see chart 1). By contrast, investment from America went from around \$4bn to just under \$7bn in 2023.

Analysts at UNCTAD, an international agency, calculate that over three-quarters of Asia's greenfield investment in the Gulf last year was for manufacturing facilities, which will produce goods ranging from basic metals to electronics and cars. In July a subsidiary of China Baowu Steel, the world's largest steelmaker, announced it would double its investment in a new facility in Saudi Arabia, to \$1bn. In June Mitsui & Co, a Japanese firm, and GS Energy, a South Korean one, announced they were building an ammonia facility alongside ADNOC, the UAE's state-owned oil giant. Various Chinese carmakers are building factories in the region. More than money, which the Gulf already has bucketfuls of, Asian companies are offering the region their technical know-how.

Investment is flowing in the other direction, too. The Gulf's deep-pocketed funds are diversifying away from Western stockmarkets. Last year the Qatar Invest-

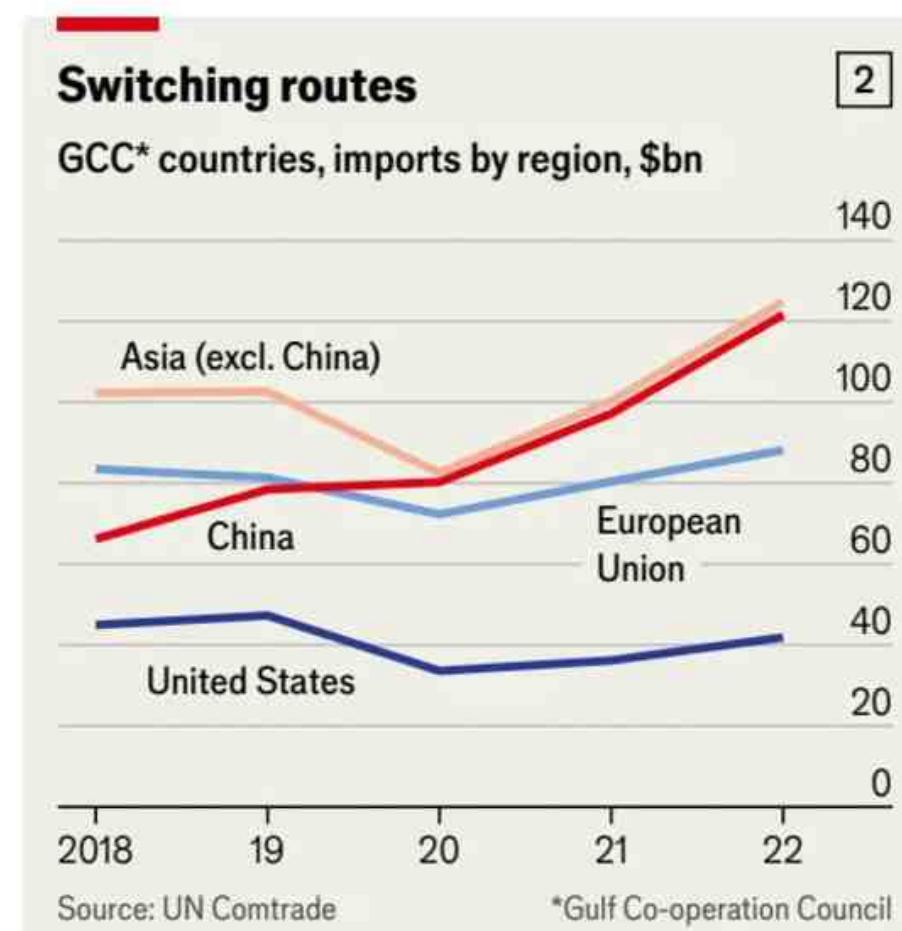


ment Authority, the country's sovereign-wealth fund, invested \$1bn in Reliance Retail, India's largest retail chain. The Abu Dhabi Investment Authority is setting up a \$4bn fund dedicated to India. Mubadala, another Emirati sovereign-wealth fund, plans to have a quarter of its assets invested in Asia by the end of the decade, double its current share.

Gulf companies are also investing directly in Asia. Baladna, a Qatari agribusiness, intends to set up a \$500m dairy facility in the Philippines. ACWA, a Saudi Arabian utility, is building wind and solar projects in Uzbekistan and Indonesia.

Governments on both sides are helping foster deeper commercial ties. The UAE has signed several agreements with Asian countries, including one with South Korea in May, that have lowered trade barriers. Bilateral meetings such as the Dubai Business Forum that took place in Beijing last month have become a way to seal commercial deals with the support of government officials. Some policymakers now speak of expanding Asia's regional trade agreements to include the six-member Gulf Co-operation Council.

At the same time, the Gulf's economic relationship with the West is shifting. Trade ties are loosening: America and the six largest economies in the EU last year



biggest market, is suffering. It sold 3.2m vehicles in the country last year, down from a peak of 4.2m in 2019 (see chart). As local competitors such as BYD have surged, its market share there has fallen by five percentage points since 2020, to 14.5% last year. VW is still the biggest seller of petrol-powered cars but is in seventh place for EVs, which now account for nearly half of all sales in the country.

VW hopes to use Xpeng's know-how to get up to "China speed", cutting by 30% the time it takes to get new models to market, and to slash production costs by 40%. Even if it can do so by 2026, when the first new cars from the partnership hit the road, nimble Chinese competitors will be even farther ahead.

On September 4th 16,000 German workers gathered to hear from management about the cuts. "We still have a year, maybe two years, to turn things around," said Arno Antlitz, VW's chief financial officer. If the carmaker is to truly get back in the race, Mr Blume will need to move at China speed. ■

Global business

New Silk Roads

DUBAI

Commercial ties between the Gulf and Asia are deepening

ONCE HAS long lubricated the Gulf's relationships abroad. That is especially so in Asia, which takes in almost three-quarters of its exports of oil and gas. Cheap energy from the Gulf has helped fuel Asia's rise as the global centre of manufacturing, and filled the sheikhs' coffers in return.

Now, though, the Gulf's rulers are eager to diversify their economies away from oil. Muhammad bin Salman, Saudi Arabia's de-facto ruler, wants 50% of his country's non-oil GDP to come from exports by 2030, up

from around 15% last year. He plans to achieve this by building new industries from carmaking and mining to tourism. The United Arab Emirates and other Gulf countries have similarly lofty goals.

For support, the Gulf is turning east. Asian companies are flooding into the region to build infrastructure and set up factories. Meanwhile, the Gulf is investing heavily in Asia to secure access to technologies and profit from the growth of its fast-developing economies. The upshot is a deepening of commercial relationships between the two regions, at the expense of the Gulf's ties to Western business.

► consumed only 8% of its exports, down from 27% in 1990, according to Efstathios Polyzos of Zayed University and Emilie Rutledge of the Open University. Between 2018 and 2022 Gulf imports from America and the EU rose from \$128bn to \$130bn; imports from Asia soared from \$169bn to \$247bn (see chart 2 on previous page).

Although recent flows have moderated, Western companies still retain a sizeable stock of investment in the Gulf. (Exxon, an American oil giant, began drilling in Abu

Dhabi in 1950, two decades before the UAE was established.) Much of that investment is skewed towards hydrocarbons, although some spending from non-energy firms is trickling in. Earlier this year AWS, Amazon's cloud business, said it would invest \$5bn in Saudi Arabia.

America is therefore keeping a keen eye on China's rapidly growing commercial presence in the region. Treasury officials have been monitoring business dealings there, particularly those in high-tech in-

dustries. An investment by Microsoft in G42, an artificial-intelligence startup, earlier this year came with the stipulation that the Emirati firm sever its ties with Huawei, a Chinese tech giant. The American government was reported to be closely involved in the negotiations.

Officials in the Gulf lament that, with American investment volatile, they have little choice but to look elsewhere. As the Gulf keeps diversifying, expect to see more geopolitical machinations playing out. ■

BARTLEBY

The mystery of the cover letter

Why do recruiters still ask for them?

DEAR SIR/MADAM—You asked for a short cover letter to accompany my application to work in your sales department. I could spend time telling you that your company is the one place I have always wanted to work. My mother tells me that my very first words were Dassault Systèmes/Sequoia Capital/change as needed. I have a tattoo of your logo/founder's face on my lower back. I have named all of my pets after your various product lines. I am grateful just to be given the opportunity to be rejected by you. But if you do hire me, you won't just be getting an employee, you'll be getting a brand evangelist.

Or I could use up precious words exaggerating my experiences and skills. To pick out just a few, in a previous role I inherited a team with annual revenues of \$10m and quadrupled them in less than three minutes. I have lived in all of the world's most important emerging markets, and speak fluent Mandarin, Hindi, Spanish and Portuguese. I can sign in all these languages, too. I once negotiated a multilateral trade treaty on my own. In my spare time I like to meditate, kickbox and teach underprivileged children how to read. If I am extremely busy, I do all three of these things at once.

Or I could devote paragraphs to describing my problem-solving credentials. To do so, I would use the STAR (situation, task, action and result) method that your own website says is a crucial part of your interview process. To take just one example, I previously worked for a chickpea distributor in Alaska. A colleague was underperforming badly and I was asked to mentor him. I worked intensively with him, accompanying him on all his client calls until I transformed his numbers and he became the best-performing salesperson in the entire

chickpea industry. As a result, the bastard was promoted to run the department and I find myself looking for work.

Or I could tell you more about my character and values. I am passionate about everything, which some might say shows a complete lack of discrimination. I have a growth mindset: growth means more to me than anything! (That's a joke, code for showing that I understand that work should be fun, too.) I am extremely resilient: this is the 435th cover letter that I have sent out in the past month, even though your company is the only place I truly want to work. I am led by the data and have a strong sense of purpose. I am focused on results and believe in the power of kindness. And so on and so forth.

Or I could just use this letter as an excuse to repeat keywords from the job advertisement for this position. In fact, that's basically all I have been doing so far, with the exception of "chickpea" and "bastard". Passionate, problem-solving, purpose? Tick. Tick. Tick. I smuggled "code" in there, too, as a subliminal signal that I might be able to program. But I

could always spend more of my word count on things that you have told me you want. Dynamic. Goal-oriented. Persuasive. Confident. Proven.

Or I could ask what the hell is the point of me writing a cover letter at all? If the idea is to prove that I am willing to put in extra time, then ChatGPT has reduced the effort of writing a generic cover letter to almost nothing. You would be better off insisting that all applicants submit a handwritten note and train their own pigeon to deliver it directly to your offices.

Nor are you likely to get a lot of new information out of this letter. I know you have to filter people out somehow. But wouldn't getting us to do some kind of aptitude or personality test tell you more about my candidacy?

I can make all of the same boasts in the CV you also asked for, and on LinkedIn (where I may be less likely to make things up). I have followed all of the usual advice on cover letters, as has almost every other applicant. I am playing your own words back to you, as I have already admitted. I have been careful to use lots of action verbs, like "transformed" and "quadrupled", to reinforce the impression that I am an entrepreneurial go-getter with a hunter mentality. (Tick. Tick. Tick.)

In other words, this is almost certainly a waste of your time and mine. The only defensible argument that I can think of for requesting a cover letter is that you might stumble across something a bit different. You might even come across a candidate honest enough to tell you what they think and memorable enough to warrant an interview.

I look forward to meeting you in person soon.

Yours sincerely, Frank Lee



SCHUMPETER

Berkshire blues

Has Warren Buffett lost his touch?



WARREN BUFFETT's birthday present arrived early this year. On August 28th, two days before America Inc's favourite great-grandpa turned 94, his bricks-to-motor-insurance conglomerate, Berkshire Hathaway, reached a market value of \$1trn. It became only the eighth American company to claim that title and, as a child of the Nebraskan heartland, the first not to emerge from the west-coast tech scene. Its class-A shares now change hands for \$715,000, 55,000 times what they were worth when Mr Buffett took control of a struggling textile mill in 1965. In that period the total return, including dividends, of the S&P 500 index of America's biggest firms has risen just 400-fold. When Berkshire's long-time shareholders wish Mr Buffett many happy returns, his customarily folksy response might be: right back at ya.

Amid all the celebrating, though, spare a thought for those who poured their savings into Berkshire shares more recently. If you blew \$200,000 on one ten years ago, you would have more than tripled your money. That would have been a better investment than buying a house in America, whose average value has doubled in that time. But it is roughly what you would have got if you had put the cash in the S&P 500. If you invested instead in Apple, as Berkshire did in 2016, you would be a millionaire nearly twice over.

Look at most individual years since the financial crisis of 2007-09 and the picture is similar. Between 2009 and 2023 Berkshire's annual return averaged 13%, compared with 15% for the S&P 500. As Mr Buffett himself admitted in his latest letter to shareholders, "We have no possibility of eye-popping performance." Investors would be forgiven for asking: why not? And if not, some may wonder, then what is the point of Berkshire?

Mr Buffett has a simple response to the first question: "Size did us in." He is not wrong. Among Berkshire's operating units are America's second-biggest freight railway (BNSF), its third-biggest auto insurer (GEICO), one of its largest electric utilities (BHE) and a plethora of manufacturing and retail brands (from Duracell batteries to Pilot lorry stops). Together these employ nearly 400,000 people (though Berkshire's head office in Omaha has just 26). In 2023 the group brought in sales of \$360bn and a profit of \$37bn (on its preferred operating measure). When the sums get this

huge, it gets hard to make them huger. And earnings this rich are tricky to reinvest profitably.

Mr Buffett's knack for doing so, time and time again, explains his mythical status among American capitalists. Yet now his method—find a good business run by capable managers, let them get on with it, pocket the cashflows, repeat—is showing its age. Good businesses big enough to move the needle at Berkshire are scarce. Worse, Mr Buffett appears to be losing his touch. A \$32bn takeover in 2016 of Precision Castparts, a maker of aircraft components, was a flop. When it comes to Berkshire's sizeable portfolio of publicly traded shares, a deal to take control of Kraft-Heinz, a pedlar of ketchup, has left a red stain. Exclude its investment in Apple and the value of its stock holdings rose by just 50% between the start of 2019 and June this year, compared with an increase of around 120% for the S&P 500.

But size isn't the only problem. Just look at those west-coast tech firms. Apple and Microsoft generate roughly triple the profits of Berkshire. Nor is it just a question of age—both giants are just a decade younger than Mr Buffett's Berkshire. The problem is that he and his company are stuck in the past.

Berkshire's operating units and its equity portfolio are (with the exception of the Apple stake, which Mr Buffett has been selling down) proudly old-economy. Berkshire, in Mr Buffett's own words, is "not big on newcomers". Yet what counts as entrenched and reliable—the sort of old that Berkshire is big on—changes constantly. The conglomerate's reluctance to digitise things like rail scheduling or deploy software that lets safer drivers pay lower premiums has dented its margins relative to nimbler rivals. Microsoft's business software, Amazon's e-emporium, Google's search and the trio's data centres are no less integral to 21st-century infrastructure than a railway or a power plant, and far more lucrative.

The world around Berkshire has changed in other ways. The information advantage Mr Buffett once enjoyed by doing the leg-work to identify takeover targets is gone when you can Google any firm's 10-K filing, says Gregg Warren of Morningstar, a research firm. Berkshire's cash is no longer the only source of succour for big companies in a spot of bother now that \$2.2trn in dry powder is burning a hole in private-equity barons' pockets.

More candlelight, please

Berkshire's corporate governance looks even more out of date—and not because the average age of board members is 68. Mr Buffett's straight-talking shareholder letters conceal an opaque organisation that discloses no more than the regulatory minimum and rarely engages with investors (besides an annual love-in when the boss takes questions from a fawning audience). Its bare-bones corporate website offers no email or phone number; any questions or comments can be posted to an address in Omaha.

Mr Buffett is likely to leave any big moves to his anointed successor, Greg Abel, who currently oversees Berkshire's non-insurance businesses. But the nonagenarian looks spry and rejects unforced retirement. If he believes Berkshire's shares look too pricey to buy back (as a slowing pace of repurchases hints he does) then he should drop his refusal to pay a dividend (which Berkshire did once, in 1967). Now that his firm is sitting on nearly \$280bn in cash, has no idea how to spend it and no debt to speak of, insistence that he is a better steward of shareholders' money than they are seems questionable. As birthday-party favours go, a fat payout would work a treat. ■

Finance & economics



Glum China

Reds flag

HONG KONG

The world's second-biggest economy is suffering from a crisis of confidence

CHINA'S LEADERS have ambitious plans for the country's economy, spanning one, five and even 15 years. In order to fulfil their goals, they know they will have to drum up prodigious amounts of manpower, materials and technology. But there is one vital input China's leaders have recently struggled to procure: confidence.

According to the National Bureau of Statistics, consumer confidence collapsed in April 2022 when Shanghai and other big cities were locked down to fight the covid-19 pandemic (see chart 1 on next page). It has yet to recover. Indeed, confidence declined again in July, according to the latest survey. The figure is so bad it is a wonder the government still releases it.

Gloom is not confined to consumers. Foreign companies have long complained about unfair or unpredictable policymaking. Some have declared China "uninvestible" as a consequence. Now their money is running along with their mouths. Foreign direct investment (FDI) in the country

slumped to minus \$14.8bn in the second quarter of this year, the worst figure on record. Any dollars ploughed in were comfortably outweighed by foreign investors selling stakes, collecting loan repayments or repatriating earnings. A separate figure that is calculated by the Ministry of Commerce dropped by almost 30% in yuan terms in the first seven months of this year, compared with the same period last year. Only during the global financial crisis of 2007-09 has FDI fallen as steeply.

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Some of the blame lies elsewhere. Firms are reacting to trends outside the country as well as in it. America has, for example, discouraged investment in China's semiconductor industry. And high American interest rates have lured money that might otherwise have stayed in the country.

But Chinese firms themselves are not much sunnier in their outlook. Each month government statisticians survey thousands of "purchasing managers" about their output, order books, hiring and outlook. According to the latest survey, business expectations fell in August to their lowest levels outside of the pandemic.

Although China's leaders have resolved to "stabilise market expectations" and "enhance social confidence", their proposed solutions are not terribly convincing. At a meeting of the Politburo in July, they urged cadres to "sing the bright future of China's economy". Expect FDI to fall further.

To lift the mood, officials must put their finger on its cause. Are people glum because the economy is bad? Or is the economy bad because people are glum?

A year ago it was possible to argue that corporate sentiment was merely a passive reflection of a weakening economy. Expectations were below their long-term average but so were new orders, according to the purchasing-managers' indices. "Corporate confidence is still just a function of their order books," as Christopher Beddor and

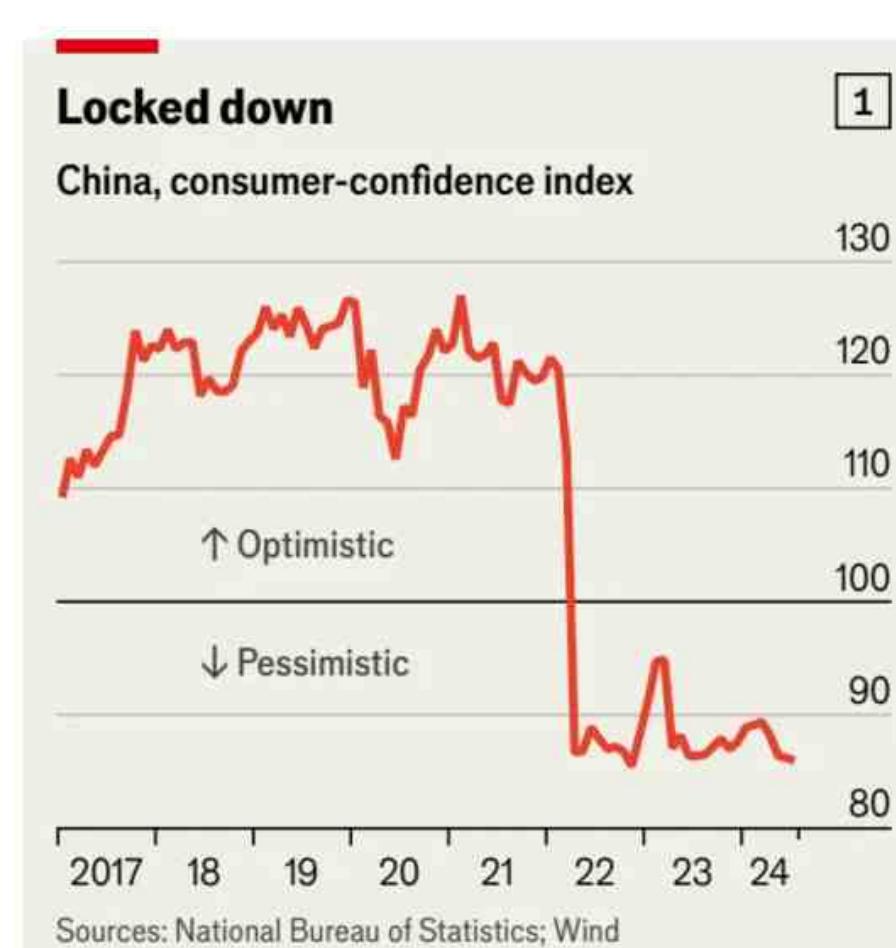
▶ Thomas Gately of Gavekal Dragonomics, a consultancy, put it in August 2023. “The best way to improve expectations and investment behaviour is simply to improve current economic conditions through more stimulus,” they concluded. That argument is now harder to make. Sentiment has deteriorated over the past year even faster than new orders (see chart 2). Expectations are now worse than you would expect given other indicators of activity.

Exports have, for example, held up surprisingly well so far this year. It is nevertheless telling that Chinese firms have been slow to convert their foreign earnings into China’s currency. Over the past two years they have clung on to about \$400bn they would typically have converted into yuan, according to estimates by Goldman Sachs, a bank. Now that American interest rates are likely to fall, the incentive to hold dollars should diminish. But unless the future of China’s economy brightens, exporters may not rush to acquire yuan instead.

Some analysts think that China’s gloom reflects deeper problems, beyond current economic circumstances. Adam Posen of the Peterson Institute for International Economics, a think-tank, has argued that faith in China’s policymaking was shattered by the pandemic lockdowns, as well as by abrupt regulatory crackdowns on some of China’s most celebrated companies. In both cases, officials cast private prosperity aside in pursuit of other goals.

China’s leaders have tried to regain the trust of entrepreneurs. Policymakers are drafting a private-sector promotion law. But if the party’s mood were to turn hostile again, new laws would offer little protection. China’s ruling party cannot convincingly restrain itself: it lacks the power to limit its own power. As such, private insecurity may blunt the impact of government stimulus, Mr Posen believes. Low interest rates will not tempt people to borrow and spend. Increased government expenditure will not crowd in private spending.

The two rival explanations for China’s confidence problem thus have quite differ-



ent implications for policy. If gloom is simply a function of a weak economy, stronger stimulus should dispel it. Conversely, if Mr Posen is right, stimulus will revive neither the economy nor confidence.

At various points over the past year China’s government has seemed poised to settle the argument. In order to stimulate the economy, it has signalled an easing of fiscal policy. It has authorised repeated sales of long-term government bonds and approved a sizeable quota of “special bonds” that local governments could sell themselves. China’s central bank has also offered cheap financing to help stabilise the property market.

But the country’s budget deficit, broadly defined, actually shrank in the first half of the year, according to Goldman Sachs. Little of the central bank’s financing has been tapped. And local governments were surprisingly slow to issue bonds, even as other sources of revenue, such as land sales, dried up faster than assumed in budget documents. “Local governments are becoming more and more passive,” complained Zhao Jian of Xijing Research Institute, in a report that was quickly censored by the authorities.

Why this sluggishness? Local officials may have been slow to tackle weak morale because they are suffering something of a

confidence crisis of their own. In order to curb corruption and ensure Beijing’s priorities are faithfully implemented, Xi Jinping, China’s leader, has curtailed local discretion and subjected cadres to closer scrutiny. Lower-level officials now have less authority but more accountability, points out Jessica Teets of Middlebury College. Their power has declined. Their risk of punishment has increased.

The number of cases filed by the Central Commission for Discipline Inspection, China’s graft-buster, rose by 28% in the first half of this year, compared with a year earlier. Officials are working longer hours and spending more time filling out forms. In this context, local policymakers are reluctant to make any bold displays of initiative. They reason that “the more you do, the more mistakes you will make”, according to Ms Teets, who surveyed officials about such matters in 2022. Beijing might urge stimulus spending today. But it is also possible it will criticise the resulting debts or choice of projects in the future.

Ms Teets found that a third of local officials would quit if they had the chance, so miserable were they in their jobs. To restore the private sector’s faith in policymaking, China must first restore the morale of its policymakers. Perhaps the Politburo can lead them in song. ■

Capital markets

Seasons change

As stock prices once again begin to fall, investors prepare for an autumn chill

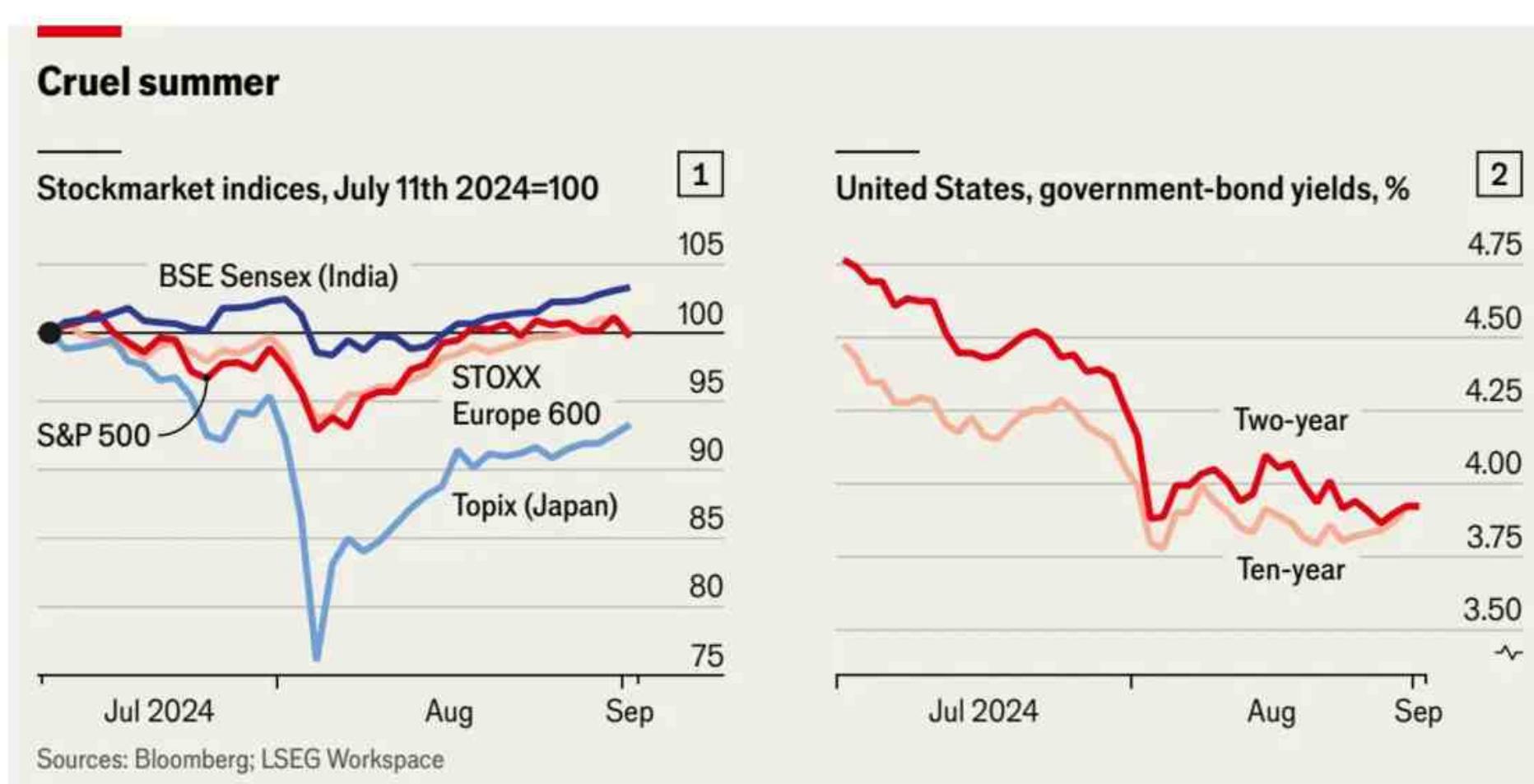
INVESTORS RETURNING from summer holidays might feel dispirited upon checking their portfolios. Stocks have had a poor start to September. America’s S&P 500 index dropped by 2% on its first day of trading. European shares followed suit on September 4th and those in Japan have fallen by even more. It is a striking change from the calm that had settled over markets before Labour Day. American share prices ended August less than a hundredth of a percentage point below an all-time high reached in July, European ones fared similarly and Japanese stocks were just a few percentage points below their peak. Adding to the good vibes, rich-world inflation had continued to cool, setting the scene for the Federal Reserve to begin cutting interest rates when its policymakers next meet on September 17th and 18th.

In short, the ructions of early August—when Japan’s Topix index plunged by 20% in three trading days and tech stocks were in a tailspin after a lacklustre earnings sea-

Out of order

China, purchasing managers’ index, standard deviation from the long-term average





son—were an increasingly distant memory. Was it all just a passing squall? The rapid recoveries subsequently staged by most of the major share-price indices would certainly suggest so (see chart 1). But they do not quite tell the whole story. Look beneath them and a fundamental shift has taken place in the make-up of the market. Prior to the turbulence that began to emerge in mid-July, stocks had been on an astonishing run. America's had risen during 28 out of the previous 37 weeks, their best streak in more than three decades, and plenty of others were also setting records with regularity. Now, and not merely because prices once again started sliding in recent days, the optimism that powered the boom seems to have ebbed away.

First consider the role of America's big tech firms. The stockmarket's earlier bull run was led by the strong performance of these giants, which are supposed to benefit from breakthroughs in artificial intelligence. Yet the share prices of the largest such companies have failed to recover as well as the broader market, and those of several have fared far worse. Investors in Alphabet, Amazon, Microsoft and Nvidia are all still nursing double-digit losses following peaks in July. Since these firms make up a large portion of the market, a continued slump would be a significant drag on its overall performance.

In Nvidia's case this is despite its report, on August 28th, that its second-quarter revenue had more than doubled compared with the previous year's, to \$30bn. Since this announcement, the company's market value has dropped by 15%. If even such blockbuster performance is no longer sufficient to mollify investors, further gains fuelled by techno-optimism seem unlikely. A report that America's Department of Justice has sent subpoenas to the firm in preparation for an antitrust probe, which Nvidia denies, does not help.

Meanwhile, government-bond markets are still flashing warning signals. Investors clamoured to buy American Treasuries during the August panic. Yields, which fall

as prices rise, duly tumbled (see chart 2). But even as share prices have bounced back, yields have not. For short-term bonds, which track expectations of the Fed's policy rate, this indicates investors still expect many rate cuts. These would usually be prompted by a weakening economy, suggesting a poor outlook for riskier investments such as shares. Lower yields on long-term Treasuries, meanwhile, show that there is still a clamour to buy some of the world's safest assets. In other words, plenty of investors fear further storms ahead. And it is not just Treasuries that are being snapped up: yields on British, German and Canadian sovereign debt have fallen. Gold prices are at a record high and are rising fast (see next story).

The slightly jarring conclusion is that, even as share prices have returned close to their all-time highs, the extreme exuberance that drove them to such levels in the first place has faded. Investors are no longer in the euphoric mood that characterised the first half of the year. ■



At least he's wearing a coat

Food, metals and oil

Golden moment

Will the Federal Reserve's interest-rate cuts send commodity prices soaring?

WHEN COMMODITY prices move in tandem, it is usually because real-world events jolt markets. China is the world's biggest consumer of raw materials, so its economic leaps and stumbles matter. Russia's invasion of Ukraine hindered the trade of fuels and grains, causing prices to surge. But every once in a while it is news in the financial sphere that prompts traders to act. And the most common source of such news is America's Federal Reserve.

On August 23rd Jerome Powell, the central bank's chair, said that the time had probably come to lower interest rates. A first cut is expected on September 18th, when its rate-setting committee meets. The shift would call an end to a cycle of rises that has taken the Fed policy rate from close to zero in 2022 to between 5.25% and 5.5% today. Rate cuts lower the opportunity cost of owning commodities, which, unlike assets such as bonds and property, do not provide a yield. Will the Fed factor deliver the boost to prices that investors hope for and incumbent politicians (not least Kamala Harris) dread?

History provides something of a guide. Since 2000 the Fed has managed three rate-cut cycles: in 2001 (when the dotcom bubble burst), 2007 (as America's subprime blow-up went global) and 2019-20 (during trade wars with China and the covid-19 slump). The drivers for each cycle were different, helping explain why the cuts varied in their speed, magnitude and, ultimately, impact on commodity markets.

The first lesson is that interest-rate cuts affect some markets more than others. Lower policy rates enhance the relative appeal of commodities for investors who are seeking protection against inflation—namely, banks, insurers and pension funds. That has been most apparent in prices for gold, as well as those for crude oil and industrial metals, such as aluminium and zinc. The commodities least sensitive to rates include "bulk" materials, such as coal and grains, says Tom Price of Panmure Liberum, a bank. Markets for these are dominated by actual producers and consumers, and mostly obey local factors.

The second lesson is that the Fed factor varies in length. During a "good" cutting cycle inflation comes under control and economic growth remains decent, meaning that the initial boost to commodity prices tends to last longer as demand for the underlying materials endures, rath-



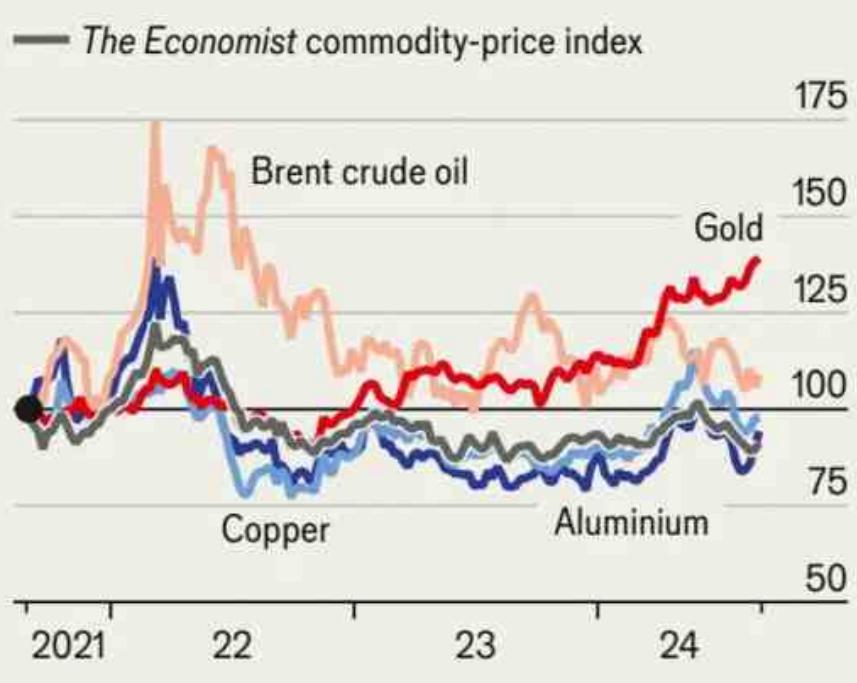
Setting the standard

er than fading as the economy suffers. "Bad" cutting cycles, when central bankers cannot prevent recession, provide a fleeting fillip to commodity markets, with the exception of gold, which does better when things turn truly pear-shaped. Oil and metals both did terribly after the global financial crisis of 2007-09 and covid-19, despite the Fed's rush to slash rates.

So what should be expected this time round? Commodity traders are certainly hoping for a boost. In the week during which Mr Powell made his remarks, net investor positions across all commodity markets rose to a four-week high of \$97bn, up by 13% against the previous week, according to JPMorgan Chase, a bank. Prices for a broad group of industrial metals had already risen by 4-10% in the run-up to Mr Powell's speech. They will probably rise again when cuts actually materialise, and may stay high for a while, because indicators suggest that the economic landing under way seems to be of the soft variety, with growth holding up reasonably well.

Ready for take-off

Commodity prices, August 31st 2021=100



Yet the most politically sensitive commodity—oil—may be less affected. Members of the Organisation of the Petroleum Exporting Countries and its allies are keen to unwind production cuts, which have deprived the world of 3% of the cartel's potential crude supply since late last year. Compliance with these cuts is weakening anyway, given the costs they impose, and oil production is rising outside the cartel. Extra supply will weigh on prices. So will weak demand: even if America's economy is slowing only gently, it is doing so when China is beset by worsening problems.

Powell's promise

At the same time, commodities that benefit from lower rates will probably benefit more than in previous cycles. Gold is going ballistic (see chart), boosted by a range of factors including geopolitical tensions, retail demand and central-bank appetite for bullion. MUFG, a bank, predicts that the metal will reach \$3,000 an ounce by 2025, up from \$2,500 today, which is already a record. Copper could also see a bigger boost than usual. In recent years the metal has become ever more popular among institutional investors owing to its important role in the green transition.

Ehsan Khoman of MUFG reckons that this state of affairs could be enough for commodities as a whole to outperform every other big asset class in the year following the Fed's first cut. Rather than 2001, he believes the world is back to 1995, when the Fed cut three times mid-cycle in order to ease the economy over a modest bump, causing commodities to soar. The prospect of low oil prices is a pleasing one for Ms Harris as she approaches November's election. Investors, for their part, will be happy with a bump to prices elsewhere. ■

Property in America

Long time coming

WASHINGTON, DC

Office delinquencies are shooting up

AMERICAN OFFICES often break records. Tech firms mark their progress with ever more outlandish designs. Manhattan blocks vie to be the tallest. This year, though, a worse kind of record has been broken. Offices have hit a 20.1% vacancy rate, according to Moody's, which is the highest since 1979, when the rating agency began to keep track.

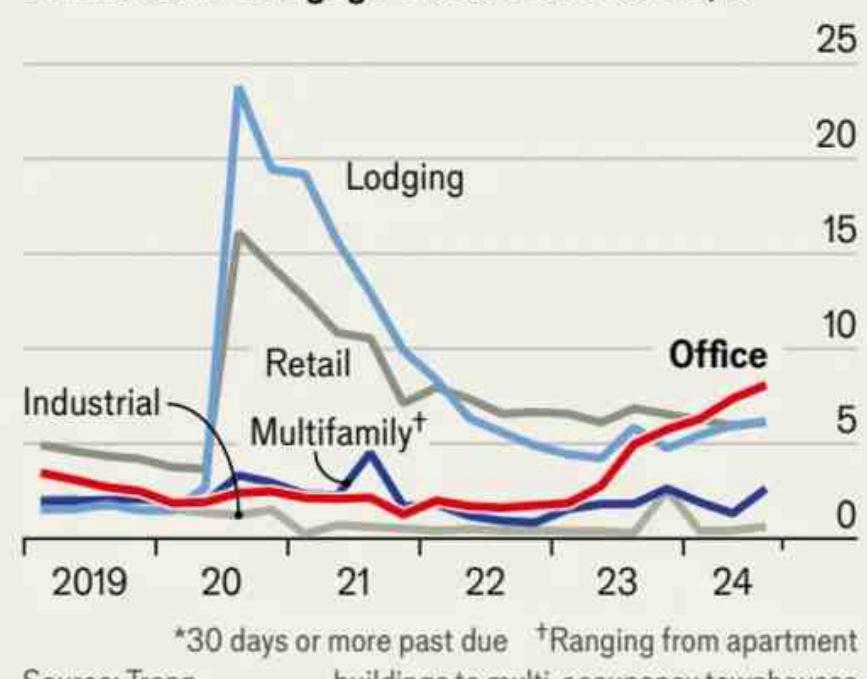
Problems are now starting to spread. In July lending worth 8% of the value of mortgage securities backed by offices were delinquent, the highest since 2013 and exceeding those on even long-troubled retail-property securities (see chart). Loans taken out by property firms in the low-interest heyday of the pre-pandemic years, bundled into such securities, are now coming up for refinancing. This will pose tough questions for financial institutions.

Amid a property downturn in the 1990s, Sam Zell, an investor, famously repeated the mantra of "stay alive until '95". Now the goal is to stay alive until '25, in the hope that the Federal Reserve will cut rates enough to make refinancing viable. But is there anything for property managers to live for? Remote working is here to stay. Last year a third of workers carried out some or all of their job from home. Downtown districts are worst affected: some 32% of office space in San Francisco and 23% in Austin now sits empty.

Assume that holding on and hoping does not work out for office owners, and that foreclosures become common. There are three groups that may be left holding the bag. The first is investors. About half of all commercial-property loans have been made by institutions such as insurance

Cold desks

United States, delinquency rate* of commercial mortgage-backed securities, %



► companies and private-equity firms, as well as via the debt markets. These players may well take a bath, which is the risk they bore when they bought securities or issued loans. No major creditor is likely to take losses significant enough to imperil itself.

The second is the big banks. They are the lenders most likely to be on the hook for the sourest of loans, because they are the only institutions sufficiently large to lend for shiny downtown skyscrapers in top-tier cities. Four times as many of their

commercial-property loans have been delinquent for more than 30 days, compared with those of banks with assets under \$100bn. But they lend enough that any hit may not be noticeable.

That leaves smaller and regional lenders, where commercial-property loans make up a bigger share of total lending. As of May there were more than 250 banks in America that had made enough loans secured by commercial real estate that regulators considered their portfolios risky, ac-

cording to S&P Global, another rating agency. With the exception of New York Community Bank, which flirted with bankruptcy earlier this year, their loans mostly tend to be smaller and less focused in city centres: think a suburban dental office, not a Park Avenue tower. Although banks will be scarred, unless things go pear-shaped not too many will go under. By logging in from home, workers have inflicted economic pain on others, but not so much that they will sink the financial system. ■

BUTTONWOOD *The mob and the machine*

How social media might have broken the stockmarket

SOMETIMES EFFICIENCY is obvious. On a production line for, say, chocolatey treats, it is a series of whirring, specialised machines busy enrobing a biscuit in caramel, covering it in chocolate, and drying, packing and stacking the product. For an office worker communicating with colleagues it probably involves email. In both cases, the process has been made more efficient by technology. Across almost all industries the story, since the industrial revolution, has been one of tech boosting efficiency.

A new paper by Cliff Asness, an illustrious quantitative investor, suggests the stockmarket is an exception—a case that holds appeal today, given the market madness of August and the recent rollercoaster ride in the stock of Nvidia, a tech giant. The reason for the stockmarket's exceptional status is, in part, because market efficiency differs from production-line efficiency. An efficient market is one where "prices reflect all information", according to Eugene Fama, a Nobel-prizewinning economist (and Mr Asness's PhD adviser).

In the 1990s electronic trading was the norm, but it was a far cry from the nanosecond version that today dominates. There is also now more information about any stock, which is disseminated more quickly. Speed, competition and greater information have clearly enhanced efficiency in one way: they have brought down the cost of trading.

The trouble is that speed is not precision. "It's hard to imagine new information doesn't impact stock prices faster than in the past, and that is a kind of 'efficiency,'" writes Mr Asness. "But speed doesn't imply the level of prices before or after the new information was particularly accurate." Indeed, he points to evidence that accuracy has fallen.

One source of evidence is so-called value spreads, which compare what investors pay for the priciest stocks to what they pay for the cheapest. The simplest version just looks at the price of a firm compared with its book value (what it would be worth if it were sold for parts). Using this measure, value spreads were stable between the 1950s and the 1990s, before spiking ahead of the dotcom crash. They have since climbed steadily over the past 20 or so years to near all-time highs. The flaw with this measure is that it can be skewed by a changing market make-up (tech firms tend to have higher price-to-book ratios than banks, for instance).

Another, more sophisticated measure devised by Mr Asness includes all kinds of definitions of value by comparing prices with earnings, forecast future earnings, cashflows and so on, and only compares firms within an industry. This shows a similar trend. However things are cut, it is much harder to find a reason why investors are willing to pay today's prices.

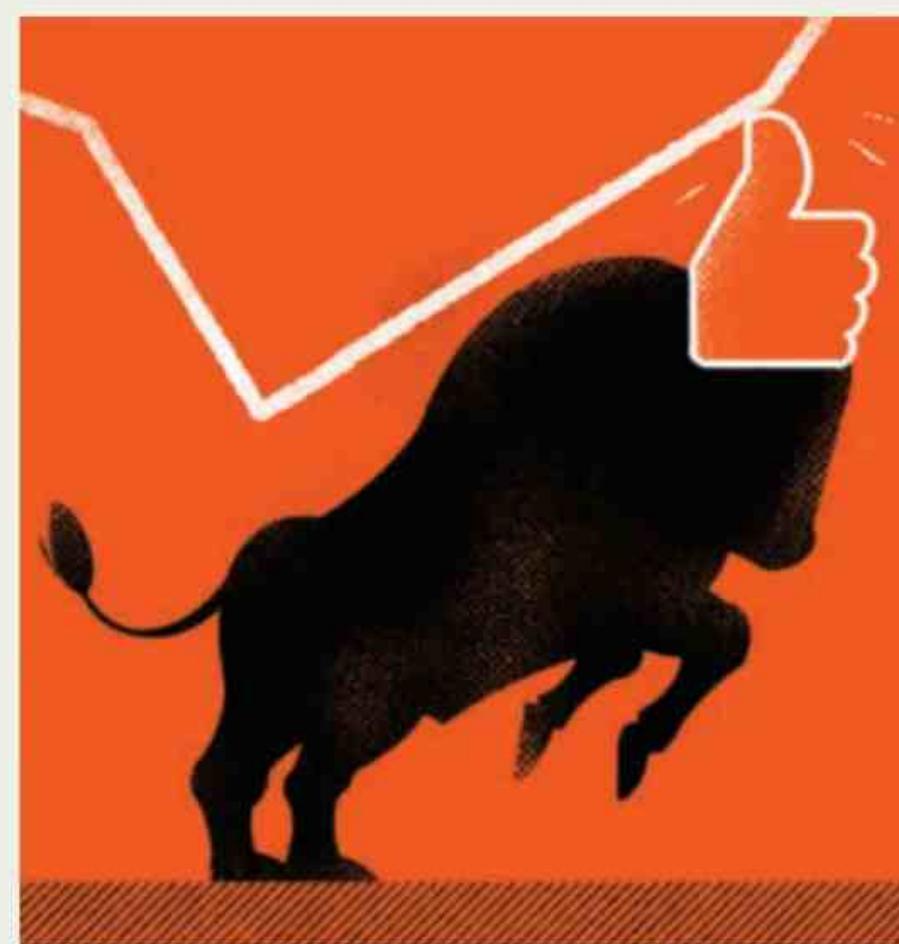
Mr Asness suggests three explanations for the puzzle. One is that two decades of

low interest rates messed with measures of value in a way that has been hard to capture. This argument is easier to dismiss now, with rates back at positive real levels, than it was in the 2010s.

A second is that index funds, which buy and hold the whole market, have crowded out smart investment. Imagine the market before such funds was made up of "sharks" (informed investors) and "minnows" (dumb money). If sharks had given up and opted for index funds, indexing might have made it harder for pros to push prices in wise directions.

The third argument is the most compelling: social media produces mobs. Or, as Mr Asness puts it, "instantaneous, gamified, cheap, 24-hour trading...on your smartphone after getting all your biases reinforced by exhortations on social media from randos and grifters with vaguely not-safe-for-work (NSFW) pseudonyms...What could possibly go wrong?" This is an idea that resonates with others. "For whatever reasons, markets now exhibit far more casino-like behaviour than they did when I was young. The casino now resides in many homes and daily tempts the occupants," Warren Buffett has mused.

As Mr Asness readily admits, he is talking his own book: value spreads inform his investments. Given they keep becoming more inexplicable, his returns have not been stellar of late. A world in which the investing masses are making big errors should in theory be a good one for sharks. However, there is one big challenge: whether they can hold their nerve in the face of obvious chaos. Nvidia, which is one of most valuable and most closely watched firms in the world, shed 10% of its value—\$280bn—on September 3rd. The cause? A softish manufacturing data release.



Fiscal plans

Trump v Harris

WASHINGTON, DC

America's deficit is already worryingly large. Who would make it worse?

IT IS SAFE to say that neither Kamala Harris nor Donald Trump will win November's presidential election by pledging fiscal prudence. The deficit and debt are afterthoughts for most Americans these days. And proposals from both candidates for cleaning up the country's finances are fundamentally unserious. Mr Trump has talked about using cryptocurrency or drilling for oil in order to pay off the national debt—ideas that amount to utter nonsense. Although Ms Harris has vowed to reduce the deficit, she has declined to offer any substantive plan for doing so.

Still, there comes a time in an election campaign when the candidates have aired enough policy ideas that budget wonks can start to work out who would preside over a bigger deficit. One such estimate, released on August 26th by the Penn Wharton Budget Model (PWBM), a non-partisan research group, seems to leave little doubt that Ms Harris would be far more fiscally responsible than Mr Trump. According to its calculations, Mr Trump's economic agenda would increase federal deficits by \$5.8trn over the next decade, nearly five times as much as Ms Harris's platform, which would add \$1.2trn to the deficit during the same period.

The conclusion that Mr Trump would lead to bigger deficits may well be correct. But expressing it as a five-fold difference between the cost of their plans is almost certainly an exaggeration. First, there are economic effects: Mr Trump's policies would, in the PWBM model, be better for growth. Factoring this in, his policies would add \$4trn to the deficit, compared with \$2trn for Ms Harris. Both would exacerbate America's fiscal problems. Mr Trump's plans would lift America's deficit to roughly 8% of GDP per year, from the current baseline projection of about 6%; Ms Harris's would push it towards 7%.

Beyond that, two big problems confront budget experts this election season. The candidates' platforms, especially Ms Harris's, are vaguer than normal. "Measuring the cost of the agendas is both art and science. The candidates leave a lot of details open to interpretation," says Donald Schneider of Piper Sandler, an investment bank. Moreover, some of Mr Trump's ideas are so potentially disruptive that they mess with basic budget models.

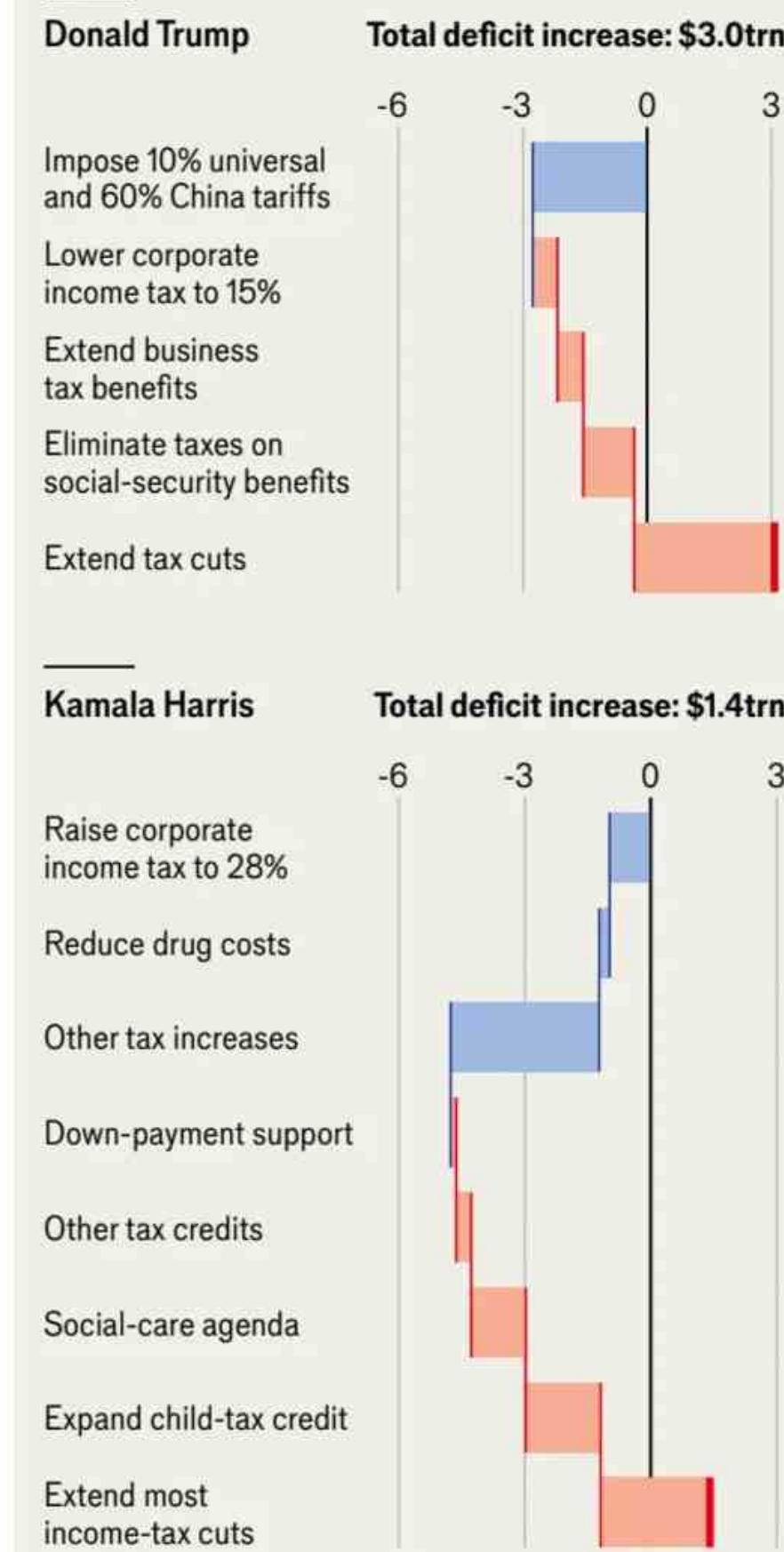
Ms Harris's ambiguity forces economists to guess which policies she will pur-

sue. PWBM took a conservative approach, sticking to ideas that Ms Harris's campaign has formally unveiled. On the expenditure side, it looked at her cost-of-living agenda, which includes a bigger child-tax credit. On the revenue side, it weighed only the effects of her plan to lift the corporate-income tax rate from 21% to 28%.

Excluded from the main estimates was Ms Harris's woolier promise—made by her campaign team in response to reporters, rather than in policy documents or speeches—to raise income taxes only on those Americans earning more than \$400,000 a year. However, that commits her to extending most of Mr Trump's 2017 tax cuts, due to expire next year, which may add a further \$2.5trn to the deficit over the next decade. "We can only look at what she has

Big spenders

United States, estimated impact of proposed policies on budget deficit, 2025-34, \$trn



Sources: PWBM; Piper Sandler; Tax Policy Centre; *The Economist*

actually said as part of her official plan," explains Kent Smetters, director of PWBM. "In these side conversations she is telling everyone 'yes', and we can't do anything about that." The analysts also left out other things, such as Ms Harris's apparent support for a tax on unrealised capital gains. What remains is a solid but ultimately limited picture of what she may end up doing.

Similar uncertainty applies to Mr Trump's proposals. At times during his campaign he has said that he would like to cut the corporate-income tax rate to 15%; at others he has indicated that 20% may in fact be a better target. The former would push up the deficit by nearly \$500bn over the next decade, while the latter would add a little less than \$100bn to it, according to the Tax Foundation, a think-tank.

Yet the main challenge in working out how expensive Mr Trump's plans will be is estimating exactly how his tariffs would work in practice. He has talked about imposing a 10% universal tariff on all imports as well as hitting goods from China with a 60% tariff. Although the Tax Policy Centre, another think-tank, estimates that these levies could generate about \$2.8trn of government revenue over the next decade, an estimate that builds in a decline in revenues as tariffs weigh on imports, it does not factor in other significant second-order consequences—most notably, how other countries respond. Retaliatory tariffs would hurt the American economy by standing in the way of exports and so would ultimately erode tax revenues. As a result, the fiscal gusher that Mr Trump is counting on from tariffs is likely to be quite a bit smaller than he hopes.

What to make of all of this? One conclusion is that Ms Harris's talk of reducing the deficit is misleading. "She either has a big additional source of deficit reduction she hasn't told us about or [she will oversee] an increase in the deficit," says Jason Furman, chair of the Council of Economic Advisers under Barack Obama. Another conclusion is that Mr Trump's policies are somewhat clearer but would also almost certainly be more expensive, according to our best attempt at totting up the costs, which combines numerous estimates (see chart). "He isn't even bothering to hide it with budget gimmicks," says Mr Furman.

A final conclusion concerns how different budget policy would look depending on what happens in November. Mr Trump's main priority would be reducing taxes and introducing tariffs. Ms Harris, by contrast, would aim for tax increases on the wealthy plus extra spending directed at those on lower incomes. Both of these approaches would make America's already worrying deficit bigger still. Americans nevertheless have two distinct fiscal visions to choose from, even if prudence does not feature in either of them. ■

FREE EXCHANGE

Stop crying your heart out

Why concert-goers should welcome dynamic pricing



THE HOTLY anticipated comeback of a 1990s British legend sold out fast. Fans took to social media to complain. "Poor effort and a load of hype," wrote one. "What a shitshow," added another. "Anyone else loving the chaos?" asked an amused onlooker. To celebrate its 30th birthday, St. John, a restaurant that pioneered modern British cooking, brought back its menu from 1994, along with prices from 1994. As punters rushed to take advantage, tables were booked up in seconds—leaving most empty-handed.

Yet the fate of London's foodies captured less attention than that of the parka-clad fans who missed out on tickets to see the reunion of Oasis, a laddish rock band. Owing to algorithmic "dynamic pricing", in which prices of tickets adjust in response to demand, the cost of a standing ticket rose from £135 (\$180) to £335 in the time many were queuing online, often for hours, to book. The government swiftly announced a probe. "We'll grip this and make sure that tickets are available at a price that people can actually afford," promised Sir Keir Starmer, Britain's prime minister.

Price-gougers are popular villains. Kamala Harris, the Democratic candidate for president in America, has promised a ban to stop grocery stores from indulging in the practice. Many states have similar laws, often aimed at firms that raise the cost of essentials following disasters. The administration in which Ms Harris serves as vice-president has already filed an antitrust lawsuit against Ticketmaster, the company that ran the sale for the Oasis tour. Given that the firm has an estimated market share of 70% in America, it may have a case to answer. Additional fees for booking certainly look a little like the actions of a rent-seeker.

But there is a difference between monopolistic behaviour and allowing prices to respond to demand. In fact, dynamic pricing ought to be good for fans. As the contrasting examples of St. John and Oasis show, availability and affordability are in tension. In St. John's case, ultra-low prices meant demand swamped supply. The menu may have been affordable, yet only for the lucky few who grabbed a table. Dedicated fans of Oasis can at least make the gigs, even if they have to pay through the nose.

In an ideal market prices reflect the willingness of consumers to pay. If Oasis tickets were sold for £20—roughly the amount that

they cost three decades ago—many would be snapped up by people looking for a cheap night out, rather than genuine devotees. A fair portion would probably not turn up, because they were not that keen to see the band in the first place. The crowd might sing along to the hits but remain silent for the deeper cuts.

Britain's government may also crack down on dynamic pricing for flights, arguing that parents should not be penalised for having to take holidays during school breaks. Yet would parents really welcome competition from the childless, who would no longer enjoy a discount for travelling at other times? Economists favour responsive prices since they can ensure that both consumer and producer "surplus" is maximised: those who value the good or service most get their hands on it; the seller gets a suitable reward.

Noel and Liam Gallagher, two brothers who are the only constant members of Oasis, have feuded for years. "It's unsophisticated music. For unsophisticated people. Made by an unsophisticated man," Noel once said of Liam's solo work. They are now getting back together to make money. The availability of any ticket at all depends on the superstars' anticipation of the returns on offer if they bury the hatchet. Oasis have already added two more London dates after the first tickets were snapped up (this time sold via an invite-only ballot for those who missed out). Even egregious forms of price-gouging can have similar effects. High prices after natural disasters can send a signal to companies that it is worthwhile overcoming disruption, or building stockpiles for next time.

Well-meaning types might respond that high prices help only the rich. For a billionaire with a casual interest in a band, a price that is eye-watering for those who politicians call "ordinary fans" will be negligible. But addressing such inequality through cheap tickets is foolish, even if it does not reduce supply or create a flourishing black market. Those who happened to get to the front of the queue would, in effect, enjoy a randomly allocated transfer from the artist's earning potential. Ordinary people with no interest in the event would receive no benefit. A better approach is to address inequality directly through the tax-and-benefit system.

Don't click back in anger

The most convincing charge against Oasis is not that they "sold out" but that they did so ineptly. Fans were forced both to queue and to pay high prices. Most businesses would rather avoid bad publicity from accusations of price-gouging. Although dynamic pricing offers a temporary windfall by extracting more money from the keenest customers, it can carry greater long-term costs by damaging a brand. Many performers reject Ticketmaster's variable pricing; Oasis have now largely disavowed the process. High-end restaurants, bands and sports teams trade on mystique and loyalty as much as inherent quality. Exclusivity and serendipity, rather than an economist's desire for efficiency, are part of what makes them fun. Queues build hype.

Balancing such concerns is an art as much as a science. In 2011 Next, a restaurant in Chicago, started to use dynamic pricing. It sells tickets with fluctuating prices, which depend on the date and time of the booking, helping to spread custom through the week and avoid no-shows. Those who go on a Tuesday can feel they got a good deal, even at a restaurant that can cost a pair of diners over \$1,000. When an economist suggested an auction would be even more profitable, Nick Kokonas, a co-owner of the restaurant, explained that that the aim was to offer fans a "great bargain". Diners, if they get a ticket, can judge that for themselves. ■

Science & technology



Climate change

Cold comfort

Today's air-conditioners cool people but heat the planet. New tech could change that

IN MANY PARTS of the world, the cool blast of an air-conditioner on a hot day is nowadays seen as a luxury rather than a necessity. Climate change is tipping the balance. Average global temperatures are now roughly 1.2°C higher than they were before the Industrial Revolution: by mid-century they are projected to be about 2°C higher. Air-conditioning (AC) use, correspondingly, is set to soar. By one estimate, the number of room-cooling ACs could nearly triple between now and 2050.

These additional units will save lives, make cities liveable and stave off losses in economic productivity. The *Lancet*, a medical journal, estimates that access to air-conditioning averted nearly 200,000 deaths worldwide among people aged 65 or older in 2019, for instance, cutting the cohort's heat-related mortality by 37%. But expanding those benefits more widely will come at a cost. The electricity needed for air-conditioning is already responsible for more carbon-dioxide (CO₂) emissions than the entire aviation industry. And as the

laws of physics unhelpfully dictate that a single degree of cooling becomes more energy-intensive as the outside temperature rises, additional cooling will require more power per unit, risking a great deal more planetary heating.

To provide this cooling while doing minimal harm, decarbonising electricity is crucial. But making air conditioning more efficient is important too. Because commercial ACs tend to be used for up to two decades, those installed in the next few years will influence how many emissions are produced by 2050. Fortunately, a flurry of new technologies are emerging to make them less polluting and wasteful.

Making these improvements means

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struggling against one of nature's most rigid constraints: the second law of thermodynamics. "You just can't get round it," says Russ Wilcox, the chief executive of Trellis Air, an air-conditioning startup. In simple terms, the law decrees that heat cannot move spontaneously from a colder object to a hotter one. This has two sobering implications for air-conditioning engineers: first, all machines generate inefficient waste heat; and second, deliberately cooling a room requires power. (Though deliberately warming a room also takes power, heating engineers are not as bothered by the incidental production of waste heat.)

Cool running

Air-conditioners currently use this power to draw in warm air and pass it over a cold refrigerant, which evaporates as it absorbs the air's heat. The cooled air is returned to the room, and the refrigerant is condensed back into a liquid, with its trapped heat released outside.

Conventional machines also dehumidify air as they chill it. This is partly out of necessity: the water that naturally condenses on the metal around the refrigerant must be removed before it can do any damage. But this incidental dehumidification also helps make a space feel cooler, as it is easier for human sweat to evaporate—and thereby keep skin cool—in low humidity.

Doing both jobs at the same time, though, is wildly inefficient. Research pub-

lished in *Joule*, an energy journal, by American scientists in 2022 concluded that almost a third of the electricity used for air-conditioning goes towards removing moisture. That fraction could become larger over time. Air-conditioning is growing fastest in developing countries like India and Indonesia, which tend to be more humid than richer places. And as hot air can also hold more moisture, average humidity is expected to rise worldwide.

One way of minimising the dehumidification work an AC needs to do is to expose the incoming air to a water-absorbing substance known as a desiccant. Though desiccants have been tried in the past, most are either limited in the amount of water they can absorb or require substantial amounts of energy to be made reusable. Transaera, a startup based in Massachusetts, has, instead, looked to crystalline structures called metal-organic frameworks (MOFs). These are molecular cages that can be finely tuned to catch specific "guest" particles and subsequently release them when exposed to heat.

The company spreads a MOF-based coating on a wheel inside the unit through which incoming air passes. As the wheel rotates, the water captured by the MOF is carried away and emptied by the low-level waste heat generated by the machine. Field tests conducted over the summer suggest that an air-conditioner built with this system uses 40% less energy than one without. Transaera is working with existing air-conditioning manufacturers to incorporate its technology into their designs.

Trellis is exploring alternative means of dehumidification, too. It is working on a system that filters air through a selectively permeable membrane. This, the company hopes, should help a room feel cool with little need for active cooling.

Cold-blooded calculation

Another priority is cutting down on the refrigerants that conventional ACs need to function. The most popular options—also used by fridges and heat pumps—are hydrofluorocarbons (HFCs), potent greenhouse gases which are between hundreds and thousands of times more effective at warming the atmosphere than CO₂. These gases sometimes leak out during a unit's life, but much more can be released when it is thrown away. By one estimate, the yearly warming AC gases generate is equivalent to that produced by 720m extra tonnes of CO₂, a figure higher than that of the emissions produced by Canada's whole economy in 2022.

International agreements aim to reduce HFC use by 85% by 2050, but their implementation is still piecemeal and patchy. That is why some companies are trying to build units that do away with refrigerants entirely, which means coming up with a to-

tally different method of absorbing heat.

Blue Frontier, a company based in Florida, is attempting to harness the cooling effects of evaporating water. Its approach makes use of a liquid desiccant, similar to ultra-salty brine, to remove moisture. The dried air is then split into two streams, one of which is passed over a thin layer of water to induce evaporation. This lowers the temperature of the surrounding metal, which in turn cools the other airstream before it is directed back into the room.

Blue Frontier currently has three units installed in commercial buildings; Daniel Betts, the company's chief executive, thinks three more will be operational by the end of 2024. Users, the company says, get to control humidity and temperature independently of one another, while reducing energy use by between 50% and 90% and the environmental impact of refrigerants by 85%. The remaining energy goes towards powering the heat pump that regenerates the desiccant.

Dr Betts points to benefits beyond efficiency. Because evaporative cooling takes advantage of heat's propensity to flow from hot to cold, it becomes more efficient as outside temperatures rise. The system can therefore recharge the desiccant by connecting to the grid at night, when demand is lowest, and use minimal electricity to cool during the heat of the day.

Such flexibility in energy demand can help air-conditioners minimise the strain they put on power grids—another crucial problem. At present, widespread synchronised demand for cooling in hot weather leads to sharp spikes in electricity consumption. These can lead to deadly outages, especially in hotter, poorer countries with weak grids. Even rich countries frequently resort to whatever energy is available to cope with the demand in the summer: in June 2023 Britain's National Grid turned a coal plant back on to cope with a hot spell. A few months later a severe heatwave meant California only narrowly avoided rolling blackouts.

As a result, some Californian businesses are actively experimenting with more grid-friendly approaches. The Beverly Hilton and the Waldorf Astoria Beverly Hills, two swanky hotels in suburban Los Angeles, have begun using "IceBricks" designed by Nostromo, an Israeli company. These contain hundreds of capsules of water that can be frozen when electricity demand is low, then used when it is high. Doing so, Nostromo claims, will reduce the hotels' cooling-electricity costs by 50% and lessen their carbon emissions.

Much more is needed to make air-conditioning cheaper, cleaner and more reliable. But clever engineering of this kind is a good start. Done right, keeping humankind cool may not have to come at the planet's expense. ■

Human reproduction

Too darn hot

Fertility rates are dropping in the months following hot weather

THE HOTTEST year on record, 2023, may not retain its title for long; 2024 already looks as though it may overtake it. As temperatures continue to rise, countries will scramble to prevent heat deaths and tackle extreme weather. But global warming also has much subtler effects—including, researchers suggest, on fertility.

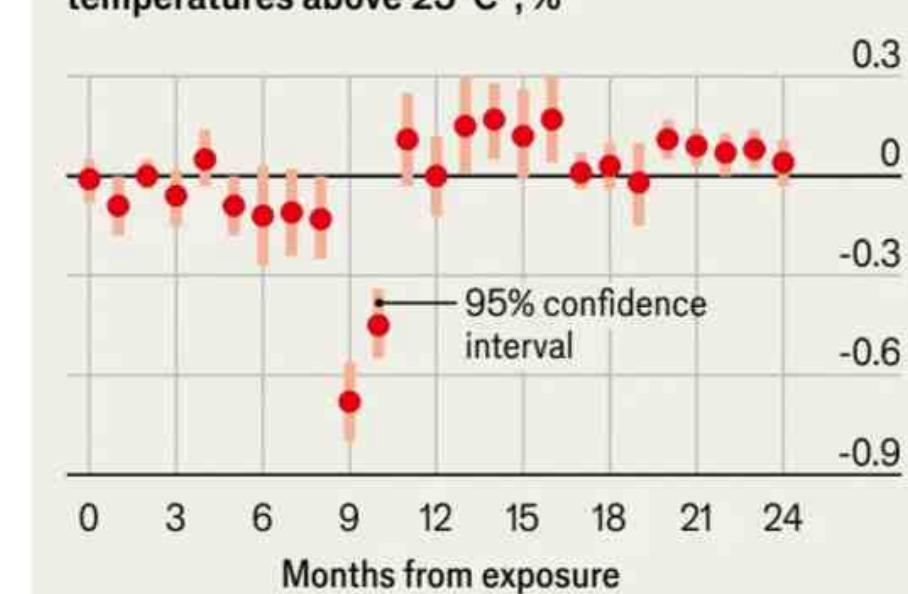
A paper recently published in *Population Studies*, a journal, is the latest to document a relationship between extreme heat and babymaking. It showed that the fertility rate in Spain fell roughly nine months after extremely hot days, echoing recent data from countries around the world. Although this effect is generally small, it could grow as climate change accelerates.

Risto Conte Keivabu from the Max Planck Institute for Demographic Research in Germany, the lead author of the latest paper, worked with his colleagues to calculate Spain's total fertility rate (TFR), the average number of children a woman is expected to have over her lifetime, based on current fertility rates, for each month between 2010 and 2018. They then made use of Spanish weather data to see how the TFR varied with temperature. They found a clear drop in the TFR nine months after days with average temperatures between 25–30°C. The reduction was small but consistent, amounting to about 0.3% (equivalent to around 85 fewer babies) for each such day in a month. The effect increased with temperature: for each extra day above 30°C, the drop was closer to 0.8%.

Weather and fertility have long been linked. For one thing, human births show

Burned out

Europe*, change in birth rate for each day of exposure to mean daily temperatures above 25°C†, %



*Aggregated data of almost 244m births in 32 countries

†Compared with a day with a mean temperature of 5–10°C

Source: "The effect of temperature on birth rates in Europe", by Tamas Hajdu, *Population and Environment*, 2024

▶ seasonal patterns indicating conception more regularly occurs during colder periods. But this new research joins a string of recent papers reporting slumps in birth rates following spikes in daily mean temperature around the world. As such heat shocks are temporary, this does not imply the hottest countries will necessarily have the lowest average birth rates.

In America over 70 years of data show that a day above roughly 27°C produces an average 0.4% drop in the birth rate (equivalent to 1,150 babies) nine months later, relative to a mild day. Other, broadly similar, effects have been reported in South Korea, Brazil and sub-Saharan Africa. In March Tamas Hajdu of the HUN-REN Centre for Economic and Regional Studies in Hungary reported a Europe-wide decrease in the birth rate of 0.7% for every additional day above 25°C (see chart on previous page).

What is going on? One possibility is that, as Cole Porter observed, people are disinclined to play their favourite sport when the weather is sizzling hot. This is borne out by a slight rebound across all studies in the months following a dip in either birth rate or TFR, suggesting some conception is merely postponed.

But the data reveal there is more to it. In 2022 Dr Hajdu published a paper with his brother, Gabor Hajdu, at the HUN-REN Centre for Social Sciences, which tracked Hungary's conception rate as a function of weather. Because they had access to weekly pregnancy data, rather than just the monthly birth rate, they were able to get a more fine-grained picture. They found that pregnancies were not much less likely on hot days versus cool ones—the dip came around two weeks later.

That could suggest a slow-acting physiological mechanism is responsible. If so, it is likely to involve sperm. Animal studies have shown pronounced but temporary drops in sperm count and quality after experimentally induced heat shocks. Crucially, those effects emerged gradually a few weeks after the heat exposure ended. Another study has shown similar results in humans, with heat stress leading to reduced sperm quality and mobility two to eight weeks later.

Whatever the cause, the effect of heat on fertility rates appears to be modest, and goes on to be partly reversed. For now, says Dr Keivabu, social, cultural and economic trends are more important. As global warming bites deeper, Dr Hajdu speculates, even hotter summers might heighten the effect or else prolong its impact.

All this may be another argument for air-conditioning. In the American study, which included data from as far back as 1931, heat's impact on fertility began to lessen in the 1970s as air-conditioning was more widely adopted. "Netflix and chill" may need to re-enter the lexicon. ■

Space travel

A giant leap for billionaires

Flying on Elon Musk's spaceship; sponsored by Doritos

ENTHUSIASTS HAVE been paying to fly into space for more than two decades. In 2001 Dennis Tito, an American engineer and investor, paid \$20m (more than \$35m in today's money) for a jolly to the International Space Station (ISS). A string of other wealthy passengers followed. Charles Simonyi, another American businessman, even managed to go twice, once in 2007 and again in 2009.

But it is Jared Isaacman—yet another American businessman—who looks likely to take Mr Simonyi's frequent-flyer crown. Mr Isaacman has already been to orbit once: he funded a private mission that flew in 2021. He has three more trips planned as part of his "Polaris Programme". After a string of delays due to worries about bad weather, the first of those flights—Polaris Dawn—could blast off from Florida as early as September 6th.

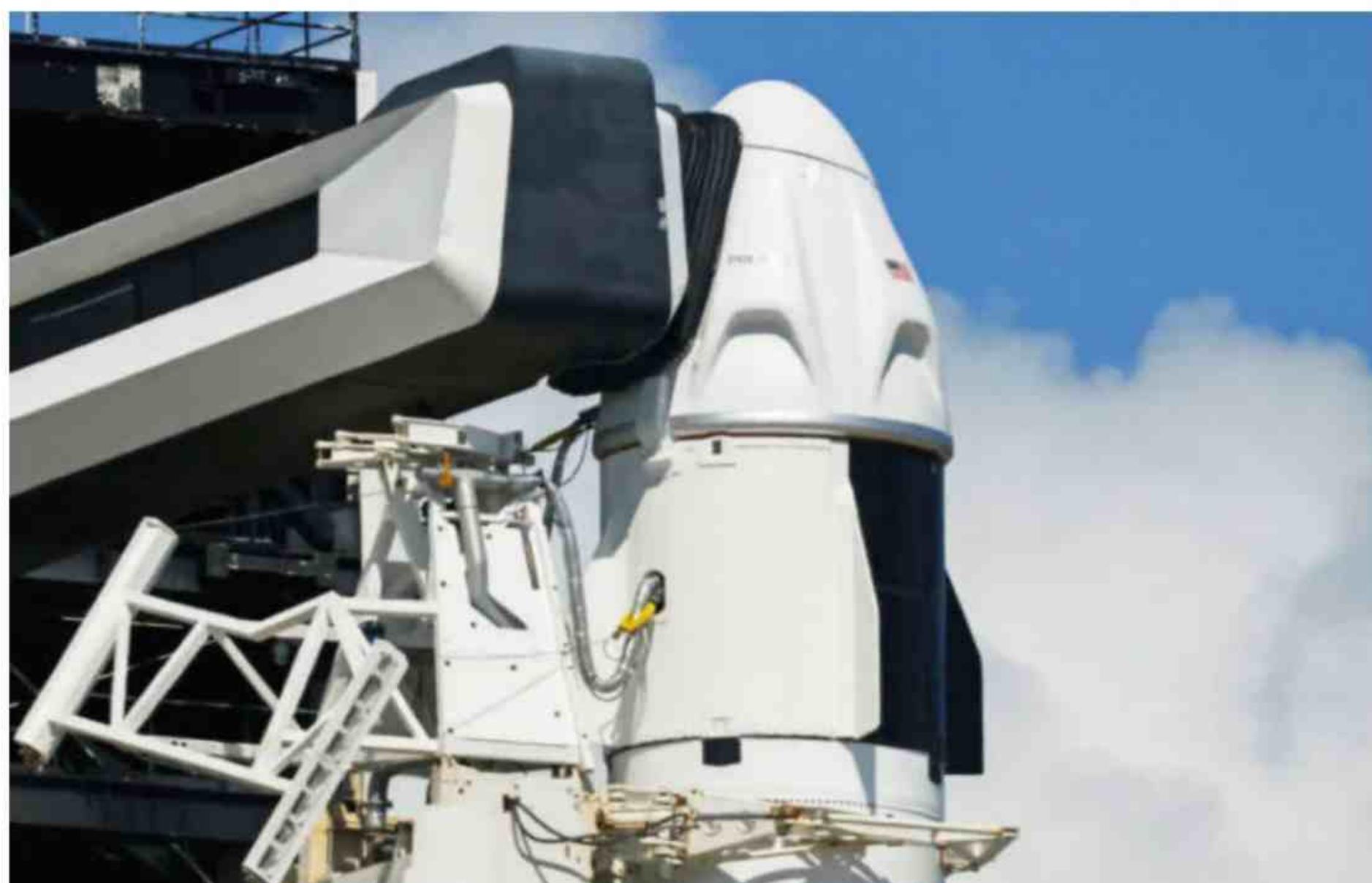
Though most previous private astronauts were tourists, in it largely for a good time, Mr Isaacman talks of loftier goals. One of those is to raise money for St Jude's Research Hospital, a children's hospital in Tennessee. Another is to advance the stalled cause of human space flight. Mr Isaacman's Polaris missions have been designed in collaboration with SpaceX, the world's biggest rocket company, which is supplying both the Falcon 9 rocket and the Dragon spaceship that the crew will live in. SpaceX was founded to make humans a

multi-planetary species by enabling the colonisation of Mars. By testing various new technologies, Mr Isaacman hopes to help it with that goal.

In the half-century since the final Apollo moon mission in 1972, for instance, no human has been more than a few hundred kilometres above Earth's surface. (The ISS orbits at between 370km and 460km up.) Polaris Dawn's apogee—the highest point it reaches—will be 1,400km, a record for a crewed flight orbiting Earth.

That will take the four-person crew (which, besides Mr Isaacman, consists of Scott Poteet, his business partner, and Anna Menon and Sarah Gillis, both SpaceX employees) through the Van Allen radiation belts. These are regions of space, starting at about 600km up, in which Earth's magnetic field traps charged particles from the solar wind. Over the five days of their mission, the crew will accumulate a radiation dose equal to about three months aboard the ISS. In a pre-flight briefing Mr Isaacman said the data collected would help inform the design of Mars-bound spacecraft, whose passengers would likewise endure higher radiation doses than most astronauts to date.

On the third day of the mission, Ms Gillis and Mr Isaacman will also attempt the first-ever commercial spacewalk, though rather than flying free, the astronauts will be holding on to a ladder-like device in the ►



Doritos at Dawn

► Dragon's hatch. But that will be enough for them to test SpaceX's new vacuum-rated spacesuits. These are bespoke bits of tailoring (NASA's spacegoers get theirs off the rack), and include technology such as heads-up displays and 3D-printed helmets. The astronauts will also try to connect to the internet, using a laser link to SpaceX's constellation of Starlink satellites, which provide high-speed internet access to about 3m users on Earth. If the link works, it could help establish the Starlink network as a cheap, off-the-peg way for spaceships, space-going telescopes or other satellites to beam data to and from the ground.

Much less is known about the second and third Polaris missions. Mr Isaacman had pitched the second one to NASA as a

way of servicing the ageing Hubble space telescope, though that plan seems to have foundered. The final mission will forgo the Dragon capsule, instead using a human-safe version of SpaceX's gigantic Starship spacecraft. This is eventually intended to take people to Mars, and will offer more internal space than the entire ISS.

But not everything about Polaris is so lofty. One of the mission's sponsors is Doritos, a maker of salty snacks. It has prepared a special chip that uses an oil-based coating designed to stop its dusty flavouring drifting away in zero gravity. "We appreciate having a solid snack to eat in space," said Mr Isaacman on X, a social network. Advertising, it seems, is one space-based industry that is already thriving. ■

Entomology

The economics of dung beetles

They are worth millions a year to cattle ranchers

THE ENGLISH colonists who brought cattle to Australia in 1788 soon faced a malodorous problem. The dung heaps that gradually and tastefully vanished back home were not going anywhere. Instead, they were growing ever-larger, and becoming infested with bloodsucking flies that wounded the livestock.

It took almost two centuries for the explanation to emerge: Australian dung beetles, more used to marsupial droppings than those from cattle, left the deposits where they lay. It was only when European dung beetles were introduced to the country in 1968 that the Australian cattle industry felt the benefits.

Stories of this kind bear testament to the important services that dung beetles provide. The most iconic of these bugs gather up defecated material into a ball, roll it away and then bury it underground. Others tunnel underneath faeces and collect it without ever being seen. Some just burrow into dung piles and build a den from within which they feast. All of this activity can provide farmers with economic value, though just how much has long been unclear. In a recent paper in the journal *Basic and Applied Ecology*, Roisin Stanbrook-Buyer, an ecologist at Bethune-Cookman University in Florida, attempted to calculate an exact figure.

She worked with a team of colleagues to study cattle faeces at two ranches and a state park in south-central Florida and found that the waste in a representative pile vanished at an average rate of 10.7 grams per day when dung beetles were

present. By contrast, when the beetles were absent, the faeces vanished at a rate of 3.7 grams per day.

This disparity has consequences. Studies have shown cattle avoid eating in an area up to six times larger than the footprint of the dung. At first, the foul smell is responsible. Once the odour diminishes, however, nutrients in the faeces drive the grasses to mature quickly and become unpalatable. Over time, this can lead large sections of grazing fields to go unused and ultimately affect how quickly cattle fatten. Dr Stanbrook-Buyer found that dung beetles

counter these negative effects. She calculates that ensuring a healthy beetle presence on all ranches in Florida would increase statewide revenues by more than \$1m a year.

This figure may seem small, especially by comparison with the hundreds of millions of dollars that pollinating insects are thought to offer the state each year, but it may well be an underestimate. Among other things, says Dr Stanbrook-Buyer, dung beetles disrupt parasites from spreading in cow populations, help cycle nutrients in the soil and improve water quality by keeping faeces out of streams. Studies conducted in other parts of the world suggest that the sum total of benefits granted to ranchers by the beetles will be in the tens of millions.

The true value of these insects, though, goes far beyond merely increasing beef production. Dung beetles are locked in an evolutionary battle with fungi for access to their favoured food. To gain the upper hand, and keep dung fungi-free, they groom it with a mixture of their own faeces and saliva. To find out how this concoction works, Mario Favila at the Institute of Ecology in Xalapa, Mexico collected gut bacteria from three dung-beetle species and cultured these microbes in the lab.

Working with a team of colleagues, he then exposed them to nine strains of pathogenic fungi that cause serious problems in agriculture. The team reports in *Science of Nature* that the microbes found in two of the dung-beetle species were very effective at hampering the growth of seven of the fungi. The microbes from the third species, *Onthophagus batesi*, significantly decreased the growth of all nine. With pathogenic fungi becoming ever more resistant to existing anti-fungals, dung beetles have never looked more attractive. ■



All the way to the bank

► viewers already recognise the names from boutiques or cosmetics, even if they know little about their namesakes.

Fashion houses themselves are now getting involved in storytelling. This has not always been the case: the producers of "The Devil Wears Prada" (2006) initially struggled to get brands to lend clothes to the costume department, for fear of upsetting *Vogue's* Anna Wintour (the inspiration for the character played by Meryl Streep).

But almost 20 years on, Balenciaga and Dior gave their blessing for "Cristóbal Balenciaga" and "The New Look", say Xabier Berzosa and Helen Shaver, producers on the shows. The houses allowed the crews access to their archives. Bina Daigeler, one of the costume designers on "Cristóbal Balenciaga", says she "was always in contact" with Balenciaga, as well as with Chanel and Dior, to make sure that the clothes were depicted in a "respectful and accurate" manner.

By lending their services in this way, fashion houses are adroitly "controlling their image", says Marnie Fogg, the author of "Screen Style", a book about TV costumes. The final scene of "The New Look"—a montage of Dior's outfits unfurling to soppy music—feels more like an advert than the conclusion of a quality drama. Not one to miss a sales opportunity, Dior released a fragrance to coincide with the show's debut.

Some houses have gone even further in blurring the boundaries between branding and entertainment. In 2021 "Fracture", a miniseries about a fictional singer-songwriter, was developed by Balmain to feature its latest collection. Chanel has helped finance films that star Kristen Stewart, one of its ambassadors. No wonder, then, that Ms Stewart was wearing rather a lot of Chanel while playing Princess Diana in "Spencer". (Searches for Chanel bags, blazers and sunglasses spiked in the wake of the film's premiere.)

Last year Saint Laurent launched Saint Laurent Productions and co-produced three feature films—a musical crime-comedy, a fantasy drama and a horror flick—which aired at the Cannes Film Festival in May. The film studio is overseen by Anthony Vaccarello, who is also the house's creative director; he is credited as the "costume artistic director" on each movie. As well as kitting out characters in Saint Laurent, the house has provided stars with outfits for the promotional circuit.

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Coming up next season...

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As a result, entertainment and advertising are "converging into one thing", Ms Barnet says, "and now we have these incredible means to tell richer and richer stories, longer and longer stories, more valuable stories." For now, audiences seem happy to lap up branded content and fashion bosses, unlike models on a catwalk, are smiling. But what seems *à la mode* today can easily become *passé* tomorrow. ■

Hindu nationalism in India

Identity politics

The New India. By Rahul Bhatia. Abacus; 352 pages; £25. To be published in America by PublicAffairs in November; \$32

A FEW MONTHS after winning a second term in 2019 Narendra Modi, India's prime minister, and his Bharatiya Janata Party (BJP) passed a law called the Citizenship Amendment Act. The law granted fast-track citizenship to refugees from Afghanistan, Bangladesh and Pakistan—so long as they were not Muslim. At the same time, the government was planning to compile something called the National Register of Citizens, which would require every Indian to prove their nationality.

It is not uncommon for poor Indians to lack paperwork. When an exercise similar to the register was undertaken by a BJP government in the state of Assam—which has a long history of migration from Bangladesh—nearly 2m people were declared foreigners. To fend off detention or deportation, they had to appeal to quasi-judicial bodies called "foreigners' tribunals".

Many feared that the BJP wanted to do



Stand up and refuse to be counted

the same thing on a national scale and that the new law was a way to deny Muslims a path back to citizenship. Protests erupted, concentrated in Delhi, the capital. In response, minor "politicians began to issue threats", writes Rahul Bhatia, a journalist, in "The New India". "They likened the citizenship-act protesters to traitors and invited crowds to shoot them." Riots broke out, killing 53 people, mostly Muslims.

Mr Bhatia's aim is to show how Hindu-supremacist ideology is poisoning India and endangering its democracy. The BJP is affiliated with the Rashtriya Swayamsevak Sangh (RSS), a powerful organisation that sees India as inherently and irrevocably Hindu. In campaign speeches leading up to general elections earlier this year, Mr Modi, a former RSS man, repeatedly invoked as bogeymen foreign "infiltrators" and "those who have more children": thinly veiled references to Muslims. Strengthening Hindu identity is a big part of Mr Modi's and his party's pitch.

Mr Modi has also built a coalition of voters by promising economic progress. Technology is crucial in honouring this promise. In the decade that he has been in power, India has rolled out a digital-payments system now used by some 300m people and streamlined the welfare system by transferring cash directly to bank accounts. These revolutions were made possible by a biometrics-based national-identity system called Aadhaar, launched in 2010. During Mr Modi's tenure it has been extended to almost every resident.

These are two different forms of identity, one legal and one personal. Mr Bhatia argues that it is possible to weaponise one with the other, as the refugee act and citizenship register show. This is why the collection of data by the state is contentious in India and elsewhere; in the hands of au-

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► thoritarians, systems meant to help citizens can be used to harm them instead.

The legal system is supposed to work as a guardrail. Privacy is a constitutional right (thanks to challenges brought against Aadhaar). Yet the judicial system is an unreliable safety-net. It takes years for cases to come to court, let alone reach a verdict.

Mr Bhatia's book combines reporting, history and polemic. It succeeds at two of those endeavours. His reconstruction of the febrile atmosphere in the weeks leading up to the Delhi riots, the days of carnage and the search for justice afterwards is richly detailed. His account of the precursors to Hindu nationalism, reaching back to a Hindu reformist movement of the 19th century, is fascinating. So is his description of an early, unsuccessful attempt to create an identity system.

He is less convincing when linking Aadhaar with Hindu nationalism, as Aadhaar was the creation of a secular, non-BJP government (a fact Mr Bhatia acknowledges but does not engage with). The author frets that the system could be used for surveillance or targeted violence, approvingly citing activists who make analogies with Nazi Germany. The risk, he says, is "present in the air". "The New India", similarly, is atmospheric but evanescent. ■

Darwin's theory of evolution

It's all biology

Origin Story. By Howard Markel.

W.W. Norton; 368 pages; \$35 and £25

IT USUALLY TAKES a rather long time for a worldview to become outmoded and replaced by a new one. But in the eyes of many scientists, a monumental shift took place on one day: June 30th 1860. It was then, at the Oxford University Museum of Natural History, that Thomas Huxley, an English biologist and representative of the new theory of evolution, bested in debate Samuel Wilberforce, the city's bishop and (unsurprisingly) a biblical creationist.

In retrospect, the mythmakers are right, for in the spin game that followed the debate the evolutionists came out on top, the bishop's reputation was badly tarnished and Huxley acquired the sobriquet "Darwin's bulldog". But as to what actually happened that day, no minutes were taken and recollections varied. So Howard Markel, a doctor and historian, has ransacked correspondence, newspaper archives and the memoirs of participants to put together a plausible reconstruction of events.

Seven months before the debate a naturalist called Charles Darwin had published a book catchily entitled "On the Origin of Species by Means of Natural Selection, or the Preservation of Favoured Races in the Struggle for Life". It not only asserted that species were not the individual creations of God, but also proposed an alternative, non-supernatural mechanism for their creation. June 1860 marked the first time the British Association for the Advancement of Science had met since the book's publication. It was therefore the first opportunity to debate Darwin's ideas in what was, in those days, a parliament of science.

Books about "On the Origin of Species" are at no risk of going extinct: as Dr Markel observes, there is a thriving "Darwin industry" in publishing. By making the debate its centrepiece, though, "Origin Story" brings something new to the literary selection. The author sets things off with insightful pen-portraits of Darwin and his milieu, including friends (his best mate, Joseph Hooker, a botanist; Charles Lyell, a noted Scottish geologist; and Huxley himself, a self-made scientific gadfly), adversaries (such as Wilberforce) and colleagues (John Murray, the publisher of the "big species book").

Dr Markel also examines the treatment of Alfred Russel Wallace, a professional specimen collector who came up with the idea of natural selection independently while travelling in the Malay Archipelago in 1858. Dr Markel subscribes to the view that Wallace was gently sidelined by Darwin and his friends when the two men's ideas were presented jointly to a meeting of the Linnean Society in 1858. But, if that was what did happen, Wallace seems to have borne no grudge—and, indeed, went on to fame and respect almost as great as that enjoyed by Darwin.

With his physician's hat on, Dr Markel also weighs in on the question of Darwin's mysterious and sometimes convenient illness. (It was this, for example, that stopped him facing the inquisition personally at the Oxford meeting.) Looking at the man's diet—as evidenced by his wife Emma's recipe books—and rigorously analysing his ailments, he concludes it was probably lactose intolerance, whose symptoms were triggered by many dairy-rich meals.

If true, that is ironic. Lactose, a sugar found in milk, is easily digested by babies, but adults generally struggle to stomach it. The exceptions tend to live in cattle-raising societies, such as Europe, where milk from stock animals is routinely drunk. Here, natural selection favours adults who retain lactose digestion. The intolerance did not, in the end, affect Darwin's contribution to the gene pool (he and Emma raised seven children to adulthood). But gastric troubles no doubt prevented him from feeling the fittest. ■

Foreign lobbying

Frenemies with benefits

Foreign Agents. By Casey Michel. St Martin's Press; 368 pages; \$30. Icon Books; £25

AS WELL AS the colourful details of corruption on a grand scale—the gold bars, the cash stashed in boots and jackets—a particular point stood out during the conviction in July of Bob Menendez, then the senior Democratic senator for New Jersey, on charges including bribery and fraud. He was also found guilty of acting as a foreign agent, passing information to Egypt and Qatar and using his sway as chairman of the Senate Foreign Relations Committee. (Mr Menendez maintains his innocence and has vowed to "aggressively" appeal all charges.) The industry of foreign influence in American politics had expanded into the top echelons of Congress.

Casey Michel, a journalist who leads the "combating kleptocracy programme" at the Human Rights Foundation, an NGO based in New York, sets out to chart the origins and extraordinary scale of that industry. Much of it is legal even though operating in the shadows. The "foreign-lobbying complex", as he calls it, is not confined to actual lobbyists, but extends into well-known law firms, top universities, high-profile charitable foundations and think-tanks, and involves former lawmakers as well as retired senior military officers. Its business includes laundering the reputations and furthering the aims of some of the world's most ruthless regimes. ►



Bob Menendez, influencer

The participants are thoroughly bipartisan. Mr Michel identifies several path-breakers in the field, such as the late Bob Dole, a Republican Senate leader and presidential nominee: he became a prime example of a prominent ex-lawmaker who “sold his reputation” to foreign bidders (in Dole’s case including Oleg Deripaska, a notorious Russian oligarch). Mr Michel also writes about the Clintons, who, through their foundation, “welcomed all manner of kleptocratic, dictatorial wealth”, including from Saudi Arabia, Kuwait, the UAE and Oman. The foundation has also accepted mega-donations from Kazakh, Nigerian and Ukrainian billionaires.

Then there is Donald Trump, “surrounded by more covert foreign lobbyists than any US president before”. Mr Michel’s list includes Michael Flynn, briefly Mr Trump’s national security adviser (before his resignation for lying to the FBI about conversations with Russia’s ambassador), one of his foreign-policy advisers and the acting director of national intelligence.

Mr Michel highlights two key characters in the development of the foreign-lobbying complex. One, Ivy Lee, was a founder of the modern public-relations industry. After helping to polish the image of American business magnates including the Rockefellers he went abroad to tout for business in the 1920s and 1930s. His clients included Italy’s dictator, Benito Mussolini, and IG Farben, a German chemical company that would later become infamous for supplying Zyklon B for the gas chambers used to murder millions in the Holocaust. Hearings by the House Un-American Activities Committee in 1934 exposed Lee’s work for the Nazis and led to the passage, four years later, of the Foreign Agents Registration Act (FARA), designed to bring this murky world into the light.

The other figure, whom Mr Michel describes as a “consigliere for despots”, will be familiar to followers of American politics. Paul Manafort, like Lee, was a Washington operator who went on to cultivate business abroad, running influence operations for Russian oligarchs and pro-Russia politicians in Ukraine. In 2016 he became Mr Trump’s campaign manager. When allegations emerged about secret payments he’d received from a Ukrainian autocrat, he resigned from the Trump campaign—though not before he’d shared campaign information with one of his foreign contacts, a Russian intelligence officer. In 2018 he pleaded guilty to failing to register his foreign-lobbying work and was sentenced to seven and a half years in prison. In 2020 President Trump pardoned him.

At times, Mr Michel comes across as overzealous. He treats all authoritarian regimes as equally heinous (is the UAE really on a par with Russia or China?). He denigrates juries for acquitting people he

thinks should have been convicted. He fails to explain why foreign money that may influence think-tanks, say, is necessarily worse than Americans’ donations intended to exert sway. He can exaggerate people’s roles and also the impact of some of the lobbying efforts he describes.

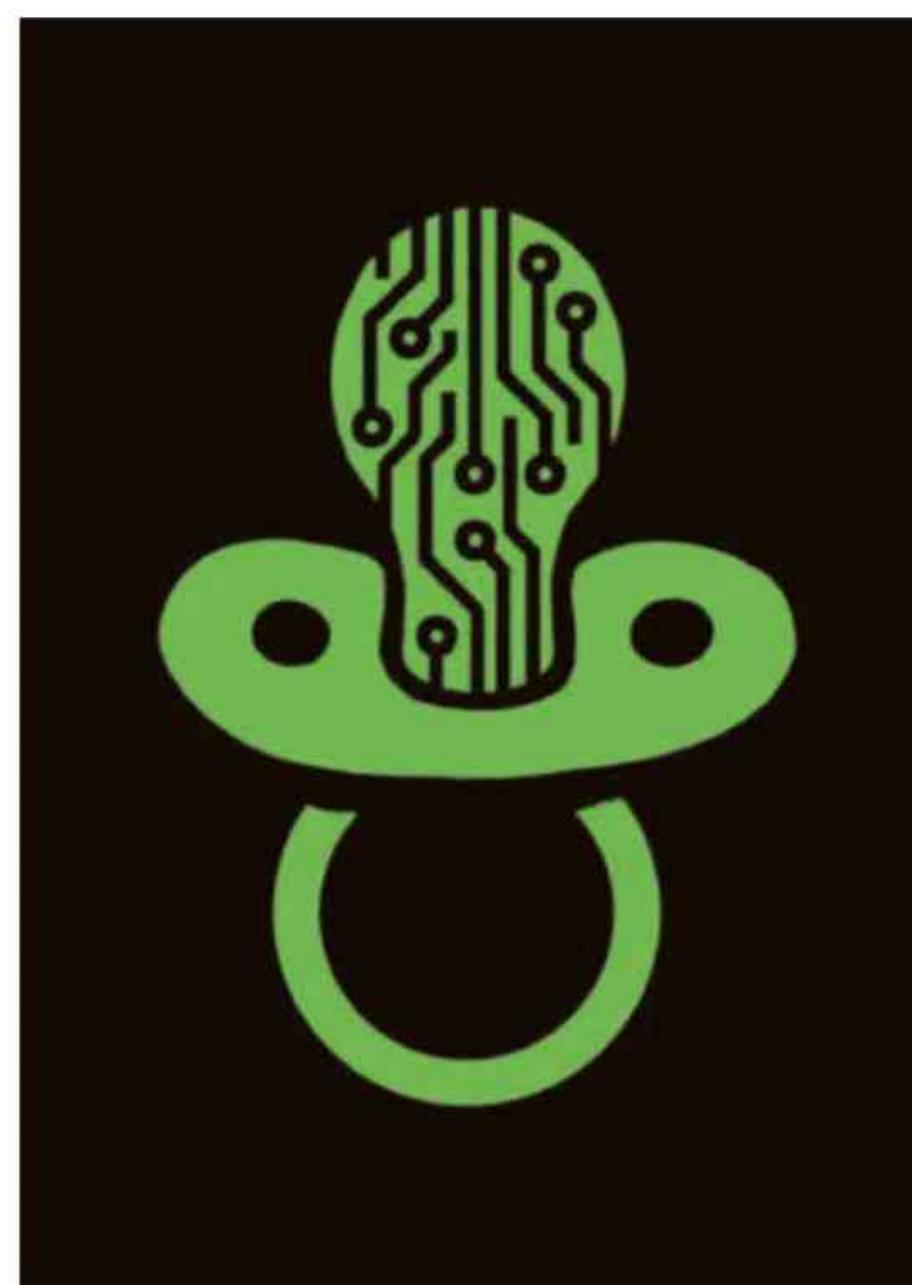
Still, this book is an eye-opening depiction of an industry that has largely defied efforts to keep it in check. FARA has too often been ignored—though in recent years there have been greater efforts with enforcement—and many of the activities Mr Casey describes fall outside FARA’s scope anyway. Congress is considering proposals to widen the net. But who was said to be the main legislator helping to thwart them? Mr Menendez. ■

Speculative fiction

Head of darkness

Hum. By Helen Phillips. *Marysue Rucci Books*; 272 pages; \$27.99. *Atlantic Books*; £16.99

THE MOST unnerving dystopian fiction is set in a future that feels imminent. In the unnamed but New York-like city of “Hum” the water tastes like chemicals, and the air feels hot and eye-stincingly polluted, made worse by the smoke billowing from distant fires. Digital devices are distractingly ubiquitous; they include bracelets that track the whereabouts of children and life-size “wooms” for personalised virtual-reality experiences. Many recently employed people are out of work,



displaced by a new class of intelligent robots called “hums”.

This sounds bleak—and plausibly so. But Helen Phillips, an American novelist, understands that the most powerful stories of possible AI futures, from Philip K. Dick’s “Do Androids Dream of Electric Sheep?” to Kazuo Ishiguro’s “Klara and the Sun”, are not really about what might happen, for better or worse, but about what it means to be human. “Hum” would not be as good as it is—and it is very good—if it were simply about the perniciousness of technology or people’s exploitation of the natural world. What makes this book riveting is how Ms Phillips uses an anxious, robot-filled setting with a warming climate to probe more prosaic anxieties about marriage and parenting.

May Webb has lost her job teaching communication skills to AI because the network can now teach itself. With opportunities scarce and her husband under-employed as a gig worker, she decides to earn money by submitting to a procedure at a well-funded startup that is trying to make faces “unlearnable” to omnipresent surveillance cameras.

Although her six-year-old son screams when he first sees her slightly altered face, the surgery allows May to splurge on a family trip to the botanical garden so that her children can experience green grass and clean water for the first time. Despite her noble intentions, May gets caught doing something in this walled oasis that prompts local officials to consider taking her children away. “Are you really an evil person just pretending to be a lovey mom?” her son asks.

As with her acclaimed novel “The Need” (2019), Ms Phillips uses short chapters and spare sentences to build an atmosphere of dread and queasy uncertainty. In a world that feels both familiar and not, her matter-of-fact prose makes the details more alarming. Subways advertise hologram dates with long-dead pop stars, and lawmakers push to ban the phrase “death camps” to protect citizens from dark thoughts about history and boost the “national happiness average”.

The main drama, however, is inside May’s head. She notices the distance she feels from her husband—how his texts seem suspiciously auto-generated, how the sight of his nakedness does “not activate her. It was a body.” She worries her children are seeing her flaws and rejecting her, that they are choosing to confide in their AI companions instead.

The fact that all this is happening amid robots drives home what is inescapable about the human condition. Ms Phillips makes it plain that no amount of technical ingenuity will alter the challenges of monogamy or alleviate the neurotic burdens of being a parent. ■

Classical composers

A maestro, due an encore

Arnold Schoenberg, born 150 years ago, was one of music's most important rebels

“WEERE I A gambling man,” Glenn Gould said in 1966, “I would be very inclined to place my money on the prospects for immortality of Arnold Schoenberg above and beyond any other composer who's lived in our era.” Gould, a Canadian pianist, was not expressing an outlandish opinion. Schoenberg, who was born 150 years ago, on September 13th 1874, revolutionised Western music. By the middle of the 20th century his music was probably more influential than that of any other composer. Aaron Copland, an American composer, felt that all contemporary music “owes something to his daring”.

Yet it was probably a good thing Gould did not bet, as Schoenberg has mostly vanished from the public consciousness. Other mould-breakers of the past century—Pablo Picasso, for instance, or the Expressionists—are still celebrated. Igor Stravinsky, who, like Schoenberg, provoked a concert-hall uproar in 1913, is beloved by classical-music audiences. So why is Schoenberg a ghost by comparison?

The 150th birthday offers an opportunity to think anew about an idiosyncratic figure. Born into a Jewish family in Vienna, he became a Lutheran in 1898 (a strange way to seek acceptance in Catholic Austria). Schoenberg had an avant-gardist's disdain for the public: he thought the artist was “always against” the world. He made difficult demands of musicians, too. An early

oratorio calls for three choruses, five solo singers and 150 instruments.

Schoenberg's “String Quartet No. 2”, composed in 1907-08, broke with convention by adding songs. The more radical innovation came in the fourth movement, where Schoenberg did away with a key signature. Its absence signified the advent of what came to be known as “atonality” (though Schoenberg did not like the term).

The key signature is a home address. Before Schoenberg, composers were straying in increasingly audacious ways, but they tended to return: unsettling dissonance would be followed by comforting consonance. Schoenberg spurned such comfort. In his “free atonal” works no chord has special status; musical phrases do not resolve in satisfying cadences. In throwing off the “shackles of tonality” Schoenberg sought a musical language that could better express emotional truths.

After the trauma of the first world war, Schoenberg devised his version of a form of atonality called serialism: the musical foundation of a piece would be a row of all 12 possible tones, none of which could be repeated until all had been heard. The row itself would become a new sort of home.

But atonality, whether free or serial, alienated listeners. One Viennese newspaper printed its report on the premiere of the second quartet in the crime section. After encountering some of Schoenberg's

atonal works, Richard Strauss, a fellow composer, declared that his peer should shovel snow, not write scores.

Schoenberg saw himself as saving the tradition that he seemed to defy. His music, he declared, was “no more revolutionary than any other development” in musical history. He found followers who themselves were among the century's most significant composers. With Alban Berg and Anton Webern he formed the Second Viennese School (the first one included Beethoven, Haydn and Mozart).

After he emigrated to America to escape the Nazis, and returned to Judaism, Schoenberg became a seer to a generation of composers. Pierre Boulez, a French composer, thundered that “All non-serial composers are useless” (he also damned the Austrian for failing to take his revolution further). Even Stravinsky, Schoenberg's greatest rival, began composing 12-tone pieces in the 1950s.

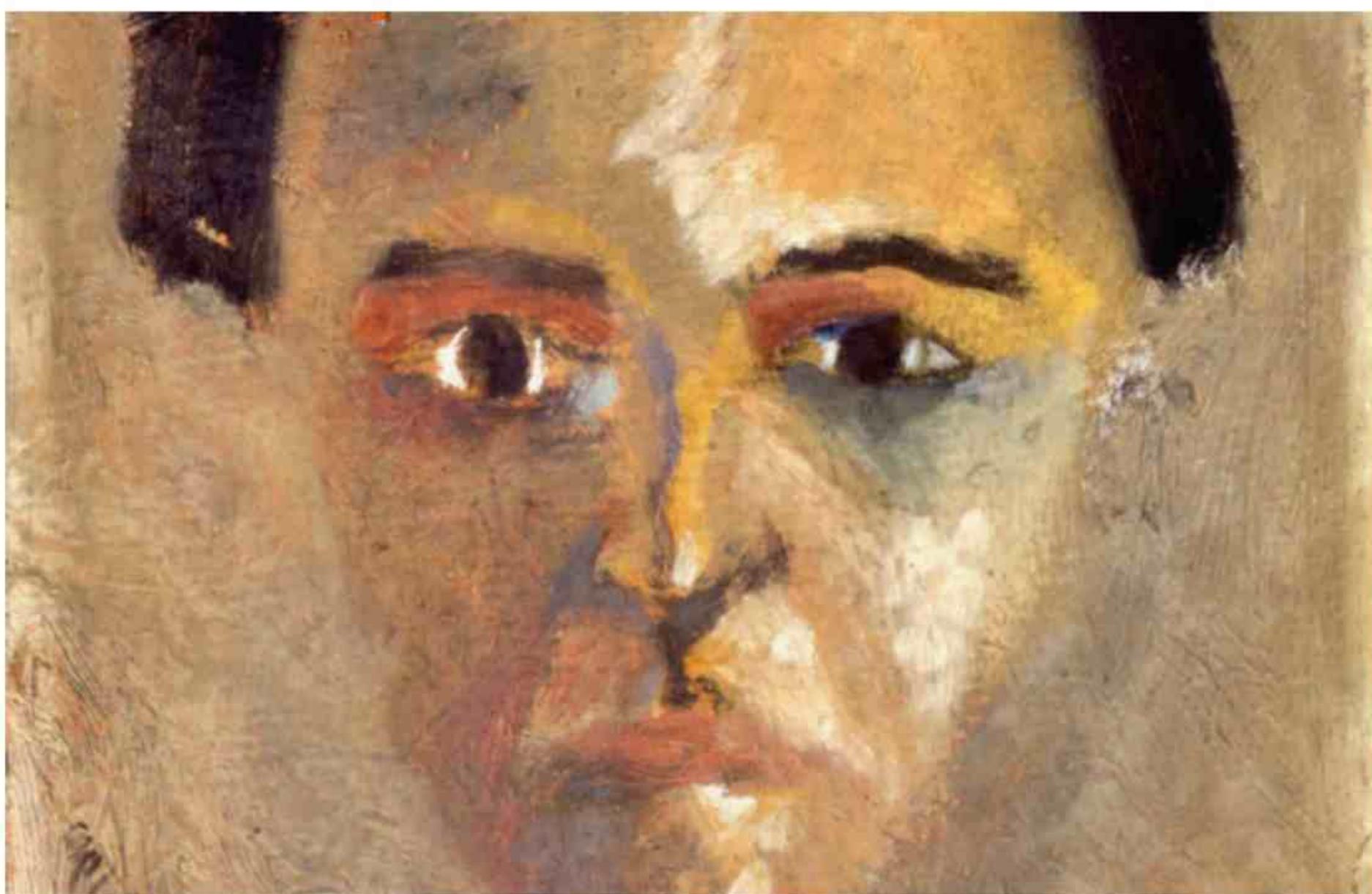
Key changes

Yet as Schoenberg's influence grew, the popularity of new classical music started to shrink. It became preoccupied with solving musical puzzles, and found a friendlier home in universities than in concert halls. One Schoenberg acolyte, Milton Babbitt, wrote an essay in 1958 called “Who Cares if You Listen?”.

Composers care, as it turns out. To find his voice John Adams, a popular composer of contemporary classical music, needed to cast off Schoenberg, the “darkest and most intimidating of all the figures in my personal gallery”. The work with which Mr Adams broke out of a “long creative lockdown” was “Harmonielehre”. With deliberate irony, the symphony takes the title of a harmony textbook by Schoenberg. It “was a statement of belief in the power of tonality at a time when I was uncertain about its future”, Mr Adams wrote in his memoir.

These days, devotees lament, Schoenberg's music is too little heard. “People just feel scared when they see it in the programme,” says Claire Booth, a British soprano. All the same, she is “a little surprised at the reticence” of concert venues to put on Schoenberg's music in his anniversary year.

Yet he achieved immortality, if not in the way Gould thought he would. His boldness encouraged later composers to go in whatever direction they wanted, which helps to account for the profusion of styles in classical music today. Anna Clyne, who used a 12-tone row in her violin concerto “The Seamstress”, says that Schoenberg's “musical journey grants permission for future composers...to try new compositional techniques whatever their musical language may be”. Classical-music fans have a lot to thank Schoenberg for—whether they know it or not. ■



The man who changed the tune

Economic & financial indicators

	Gross domestic product			Consumer prices		Unemployment rate		Current-account balance		Budget balance		Interest rates		Currency units		
	% change on year ago latest	quarter*	2024†	% change on year ago latest	2024†	%		% of GDP, 2024‡		% of GDP, 2024†		10-yr gov't bonds latest, %	change on year ago, bp	per \$ Sep 4th	% change on year ago	
United States	3.1	Q2	2.9	2.4	2.9	Jul	3.0	4.3	Jul	-3.3	-6.9	3.8	-41.0	-	-	
China	4.7	Q2	2.8	4.7	0.5	Jul	0.4	5.2	Jul [§]	1.2	-4.4	1.8	68.0	7.11	2.2	
Japan	-0.8	Q2	3.1	0.5	2.7	Jul	2.5	2.7	Jul	3.8	-4.7	0.9	27.0	144	1.6	
Britain	0.9	Q2	2.3	0.7	2.2	Jul	2.8	4.2	May ^{††}	-3.3	-4.1	4.0	-39.0	0.76	4.0	
Canada	0.9	Q2	2.1	1.3	2.5	Jul	2.5	6.4	Jul	-1.5	-1.5	3.0	-57.0	1.35	0.7	
Euro area	0.6	Q2	1.2	1.0	2.2	Aug	2.5	6.4	Jul	3.1	-3.1	2.2	-37.0	0.90	3.3	
Austria	-0.6	Q2	-1.7 [‡]	0.2	2.5	Aug	3.5	5.0	Jul	2.6	-2.4	2.7	-44.0	0.90	3.3	
Belgium	1.1	Q2	0.8	1.2	4.5	Aug	3.8	5.4	Jul	-0.6	-4.7	2.8	-38.0	0.90	3.3	
France	1.0	Q2	0.7	1.2	2.2	Aug	2.6	7.5	Jul	-0.4	-5.2	3.3	45.0	0.90	3.3	
Germany	nil	Q2	-0.3	0.2	2.0	Aug	2.6	3.4	Jul	6.6	-1.6	2.2	-37.0	0.90	3.3	
Greece	1.9	Q1	3.0	2.4	3.0	Jul	2.8	9.9	Jul	-5.8	-1.3	3.3	-65.0	0.90	3.3	
Italy	0.9	Q2	0.6	0.9	1.3	Aug	1.2	6.5	Jul	1.5	-5.2	3.6	-67.0	0.90	3.3	
Netherlands	0.8	Q2	4.1	0.6	3.3	Aug	3.5	3.6	Jul	8.7	-1.4	2.5	-41.0	0.90	3.3	
Spain	2.9	Q2	3.3	2.7	2.4	Aug	3.0	11.5	Jul	2.5	-3.2	3.1	-37.0	0.90	3.3	
Czech Republic	0.9	Q2	1.3	1.1	2.2	Jul	2.0	2.7	Jul [‡]	0.2	-2.4	3.8	-63.0	22.6	-1.1	
Denmark	3.5	Q2	2.6	1.6	1.1	Jul	1.6	2.9	Jul	10.5	1.8	2.2	-65.0	6.73	2.7	
Norway	4.2	Q2	5.7	1.0	2.8	Jul	3.3	4.0	Jun ^{††}	15.9	12.0	3.3	-48.0	10.6	0.5	
Poland	3.2	Q2	6.1	2.9	4.3	Aug	3.8	5.0	Jul [§]	0.7	-5.4	5.4	-25.0	3.86	7.5	
Russia	4.0	Q2	na	3.3	9.1	Jul	7.5	2.4	Jul [§]	1.6	-1.2	15.6	411	89.0	8.8	
Sweden	0.6	Q2	-1.0	0.6	2.6	Jul	2.0	7.7	Jul [§]	5.5	-1.0	2.0	-78.0	10.3	7.4	
Switzerland	1.8	Q2	2.8	1.1	1.1	Aug	1.2	2.5	Jul	6.7	0.6	0.4	-53.0	0.85	4.7	
Turkey	2.5	Q2	0.3	3.1	52.0	Aug	57.7	8.9	Jun [§]	-2.7	-5.2	27.0	877	34.0	-21.3	
Australia	1.0	Q2	0.9	1.3	3.8	Q2	3.5	4.2	Jul	-0.6	-1.5	3.9	-19.0	1.48	4.7	
Hong Kong	3.3	Q2	1.4	3.2	2.5	Jul	1.5	3.0	Jul ^{††}	11.3	-2.8	2.9	-105	7.80	0.4	
India	6.7	Q2	4.5	6.9	3.5	Jul	4.7	8.5	Aug	-0.5	-4.9	6.9	-34.0	84.0	-1.5	
Indonesia	5.0	Q2	na	5.1	2.1	Aug	2.6	4.8	Q1 [§]	-0.1	-2.4	6.7	29.0	15,475	-1.5	
Malaysia	5.9	Q2	na	5.1	2.0	Jul	2.3	3.3	Jun [§]	2.6	-4.4	3.8	-9.0	4.35	7.1	
Pakistan	2.8	2024**	na	2.8	9.6	Aug	15.5	6.3	2021	-1.7	-7.4	13.3	+++	-313	279	9.5
Philippines	6.3	Q2	2.0	5.4	3.3	Aug	3.3	4.0	Q2 [§]	-2.8	-5.9	6.1	-26.0	56.6	0.1	
Singapore	2.9	Q2	1.6	2.7	2.4	Jul	2.6	2.0	Q2	19.8	0.1	2.7	-49.0	1.30	4.6	
South Korea	2.3	Q2	-0.9	2.5	2.0	Aug	2.5	2.5	Jul [§]	3.4	-1.8	3.0	-81.0	1,342	-1.7	
Taiwan	5.1	Q2	1.2	4.2	2.5	Jul	2.0	3.3	Jul	14.0	0.2	1.6	35.0	32.2	-0.9	
Thailand	2.3	Q2	3.1	2.5	0.8	Jul	0.9	1.1	Jul [§]	2.7	-3.7	2.8	nil	34.2	2.9	
Argentina	-5.1	Q1	-9.9	-3.1	263	Jul	221.0	7.7	Q1 [§]	0.3	-0.5	na	na	954	-63.3	
Brazil	3.3	Q2	5.9	2.5	4.5	Jul	4.3	6.8	Jul ^{††}	-1.5	-7.6	12.0	87.0	5.62	-12.6	
Chile	1.6	Q2	-2.5	2.2	4.4	Jul	3.9	8.7	Jul ^{††}	-2.9	-2.4	5.6	-16.0	934	-8.4	
Colombia	1.8	Q2	0.4	1.1	6.9	Jul	6.7	9.9	Jul [§]	-2.7	-5.8	10.0	-64.0	4,173	-2.8	
Mexico	2.1	Q2	0.6	1.6	5.6	Jul	4.9	2.7	Jul	-0.3	-5.0	9.6	23.0	19.7	-12.9	
Peru	3.6	Q2	9.8	2.8	2.0	Aug	2.5	6.4	Jul [§]	-0.3	-4.1	6.5	-24.0	3.79	-2.4	
Egypt	2.2	Q1	na	2.4	25.7	Jul	27.7	6.5	Q2 [§]	-4.4	-5.0	na	na	48.5	-36.3	
Israel	-1.9	Q2	1.2	0.7	3.2	Jul	3.0	2.8	Jul	5.7	-7.3	4.9	95.0	3.69	3.2	
Saudi Arabia	-0.8	2023	na	1.0	1.5	Jul	1.8	3.5	Q1	-0.1	-2.1	na	na	3.75	nil	
South Africa	0.3	Q2	1.8	1.1	4.6	Jul	4.8	33.5	Q2 [§]	-2.0	-5.2	9.0	-130	17.8	6.9	

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. §§5-year yield. +++Dollar-denominated bonds. Note: Euro area consumer prices are harmonised.

Markets

In local currency	Index	% change on:			Index	% change on:		
		Sep 4th	one week	Dec 29th 2023		Sep 4th	one week	Dec 29th 2023
United States S&P 500	5,520.1	-1.3		15.7	Pakistan KSE	78,848.0	1.1	26.3
United States NAS Comp	17,084.3	-2.7		13.8	Singapore STI	3,441.4	1.5	6.2
China Shanghai Comp	2,784.3	-1.9		-6.4	South Korea KOSPI	2,580.8	-4.1	-2.8
China Shenzhen Comp	1,521.6	1.9		-17.2	Taiwan TWI	21,092.8	-5.7	17.6
Japan Nikkei 225	37,047.6	-3.5		10.7	Thailand SET	1,365.5	nil	-3.6
Japan Topix	2,633.5	-2.2		11.3	Argentina MERV	1,796,920.0	11.1	93.3
Britain FTSE 100	8,269.6	-0.9		6.9	Brazil Bovespa*	136,11		

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OBITUARY

Simon Verity

The stonemason who worked in the medieval way died on August 11th, aged 79



THE FIRST thing you noticed about Simon Verity was his hair. It stuck out in wild grey corkscrews, as if sprayed with the fiercest sort of gel. That grey was not a sign of age, or only partly. It was mostly stone-dust, accumulated until he could never wash it out. That same dust covered the rest of his comfortably trampish clothes. When he walked down the street, he liked to think, he looked like an apparition.

Inside that head he carried secrets. They were the same that had passed between masons, and were kept close, in the 13th century: the secret of architectural proportion, and of how to erect and balance, like fine branches, masses of cut stone. Whenever he started a cathedral job, making that first chip, he thought of the builders who had preceded him. Those masons had understood the cosmos as sacred geometry, and that was his conviction also.

The tools he carried, accordingly, were like theirs. He used a hammer, a chisel and a mallet, patiently probing and hitting the stone to reveal the forms that lay inside. A blow every second for each two-hour session, thousands of blows a day. He did not go by drawn designs, because the stone itself—a soft and muted pitch here, hard and ringing there—had its own song. He followed that. People passing below him, as he worked on some cathedral face, heard a sound like a woodpecker, tap-tap-tap-tap-tap. Often they stopped to shout encouragement or advice. The whole experience was exactly what medieval masons would have known: pigeon dung in his eyes, the bone-chill of a chisel in December, the distractions of the crowd, the sempiternal dust.

Like them, too, he was picked by bishops and princes. His chief cathedral commissions were at Wells and Exeter in England, his home country, and most famously the making of 31 statues of Old Testament figures for the Portal of Paradise, the great west door of St John the Divine in New York. He was also commissioned by Charles III, when Prince of Wales, to carve whales for him, and by Elton John to create a giant garden teacup from shards of broken crockery. Because his first skill had been at lettering that danced across stone, the families of John Betjeman, Nancy Mitford and Lady Diana Cooper ordered headstones from him. For patrons on both sides of the Atlantic he made garden seats,

statues, mosaics and fountains, and at various great houses, chiefly in England, including at his old school, Marlborough, he restored derelict 18th-century grottoes to their previous dim, fantastic state. At Leeds Castle, he dug out a new one.

If he had any sort of genius, which he never liked to boast about, it was finding and handling strange materials. When he lived in New York, as he did from 1989, he was commissioned to make a piece to illustrate Mayor David Dinkins's description of the city as "a gorgeous mosaic". This called for thousands of tesserae, or tiny squarish bits of Murano glass and 40-50 sorts of stone. He included, too, chunks of burned bricks, pieces of kerbstones and fragments of a plate-glass door; anything that crossed his path. His grottoes needed not only shells by the cartload (cowries and abalones were his favourites), but coral, minerals, ferns, antlers, pieces of mirror and clear crystal. His aim was to create a world of rocks in combination with flowing water.

Stone, though, remained what he most loved to play with. He had left Marlborough unhappy both with his school and his family's long line of architects, but his great-uncle, Oliver Hill, offered him a refuge in the Cotswolds. Hill was an architect too, but also an interior decorator fascinated by materials. A weekend visit lasted five years, during which his young nephew tried printing and lettering, learned the geology of England, and decided he wanted to cut stone. His apprenticeship as a mason was at Wells cathedral in Somerset, working Bath limestone; an early public commission was at Canterbury, carving out the letters that marked the site of Becket's shrine. He moved on to Purbeck, Portland and Hornton stone. To carve it, he needed to understand it; when he laid and engraved Caithness flagstone on a pathway in Lower Manhattan to commemorate the Britons who died in the 9/11 attacks, he went to the Highlands to feel its history. But America was the biggest revelation. So many marvellous kinds of stone, from the pink granite pavements of Tribeca to the red lava of New Mexico; and in such huge slabs, which he ached to get his hands on.

His work at St John the Divine, with several assistants drawn from multiple backgrounds, took him from 1988 to 1997. There he tackled eight-foot or three-foot-six blocks of fine Indiana limestone. The figures for the portal could not be cut in a workshop, but had to be carved in situ high above Amsterdam Avenue. Braced up there, he coaxed out Abraham and Sarah, Jacob and Moses, Elijah and Elisha. The upper rank of figures had to be painted, so he made his own, using the mineral crystals mentioned in the Book of Revelation: malachite, beryl, chrysoprase. As for the statues' faces, they were based on people he knew. His friend Naomi became Naomi; Daniel, from the cathedral staff, was Daniel of lions fame; George, who ran the local coffee shop, turned up as Simeon. The work reflected the street where it was done. Medieval people had known that they were building blocks in a greater whole, and all connected, especially in works of devotion. Perhaps Manhattanites could feel the same.

Beyond that, he also hoped to encourage the flow of life. The movement of shapes within stone; of water over rocks; of feet over paving in the passing of time; of his own hammering arm. Sometimes a spark came, and he felt a sudden blissful connection to the energy of all creation. He could not make that last. But he settled for feeling that he had added some beauty to what he had worked on, and larger purpose. Through the Portal of Paradise—as any medieval mason would have thought—anyone might enter, and he might enter, his wild hair a nimbus already, to be transformed. ■

USING TECHNOLOGY FOR GOOD

How Samsung Innovation Campus inspired five Indonesian students to create an intelligent waste system

Since 2019, Samsung Innovation Campus in Indonesia has been a motivating force for local youth. In partnership with the country's Ministry of Education and Ministry of Religious Affairs, the programme aims to equip future generations with essential digital skills. Last year, a team of students from West Java harnessed their innovative and technical skills to further their vision of a cleaner, greener future. Two members, Eva Riadhul Jannah and Vrissca Ayu Kinanti, recount their valuable experiences.

KICKSTARTING THE MASSIVE 5

Eva: When we first heard about Samsung Innovation Campus, Vrissca and I were excited and keen to join. Together with three other students from our school, SMKN 1 Cimahi, in West Java—Fajar Ramdan, Muhammad Maulana Nurbait and Sintia Dwi Yulianti—we formed a team called "Massive 5".

Vrissca: The programme spanned eight months in 2023, during which we were provided with ample resources and tech kits. We studied courses on Coding and Programming, the Internet of Things (IoT), Product Development and honed soft skills relating to team work, communication, problem solving and many others.

SORTING TRASH, SMARTLY

Eva: Our team was inspired by our surroundings in Cimahi, West Java. We wanted to use technology to raise awareness about the critical importance of waste segregation and recycling in the community. The product we created during Samsung Innovation Campus is called "Smart Sort Trash". Basically, when users deposit their waste into the bin, it's identified by a camera and automatically sorted into four categories: organic, metal, plastic and hazardous materials. Developing our prototype was made possible only by the courses we took during the programme. We also received a lot of valuable support during the process; our 'lead mentor' taught the classes and a 'dedicated mentor' guided us in our project.



From left: Vrissca Ayu Kinanti, Sintia Dwi Yulianti, Eva Riadhul Jannah.

A CONFIDENCE BOOSTER

Vrissca: I learned so much at Samsung Innovation Campus. In particular, I found the programming course the most interesting as I'd never had the opportunity to learn coding before. Overall, the programme supported me in becoming someone who can help develop new technology. Now I feel much better prepared to get a job in the tech industry.

Eva: I used to think that using technology was too difficult for me and that it was out of my reach. Currently, I feel much more confident when it comes to understanding and applying new technology; I know I can handle it.

GIVING BACK TO SOCIETY

Vrissca: I graduated from high school this year. While I have plans to continue through to higher education, I want to first gain some professional experience of working in the tech industry. I would especially love to be able to use the knowledge I gained at Samsung Innovation Campus to improve our quality of life and our environment. In particular, I believe the IoT skills I acquired during the programme will help me use technology to help society.

Eva: I also graduated from high school earlier this year and I plan to further my education at university. My experience at Samsung Innovation Campus has had a big influence on me and I hope to expand on the knowledge I've gained, and to continue to use these tech skills in my future career. Ultimately, I too hope to be able to use technology to benefit society.



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